Kleinwort Benson

Kleinwort Benson Bank Limited

Directors' Report and Audited Financial Statements
For the year ended 31 December 2016

Company Number: 2056420

Contents

Directors' report on the financial statements	3
Strategic report on the financial statements	9
Auditor's report on the financial statements	11
Statement of profit and loss	12
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes to the financial statements	17

The directors present their report and audited financial statements for the year ended 31 December 2016.

Principal activity

Kleinwort Benson Bank Limited ("the Company"), which operates under the trading name of Kleinwort Benson and, more recently, Kleinwort Hambros, has a banking heritage dating back to 1786. It has established a sound reputation for wealth management and related banking services in the UK. The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

The principal activity of the Company is the provision of wealth management and related banking services.

On 6 June 2016 the Company was purchased by SG Hambros Limited, a subsidiary of Société Générale S.A. ("Société Générale"), with the intention to fully integrate the Company's business with SG Hambros Bank Limited, a subsidiary of SG Hambros Limited. SG Hambros Bank Limited can trace its history back to C.J. Hambro and Son, a merchant bank established in 1839 financing domestic and international businesses, and has evolved to become one of the most distinguished private banks in the country.

The combined businesses will represent more than GBP 16 billion of assets under management and will operate under the Kleinwort Hambros brand name. Additional details of the combined businesses can be found under "Future plans, trends and developments".

Société Générale is one of the largest European financial services groups. Based on a diversified universal banking model, the Group combines financial solidity with a strategy of sustainable growth, and aims to be the reference for relationship banking, recognised in its markets, close to clients and chosen for the quality and commitment of its teams.

Directors and directors' interests

The following directors have held office since 31 December 2015:

Name	Relationship with the Company
A J Adcock Non-Executive Director	Andrew Adcock resigned as an independent non-executive director of the Company on 31 December 2016, having been appointed in October 2012. He also resigned his membership of the Kleinwort Benson Audit Committee and the Kleinwort Benson Strategic Risk Committee on that date. Andrew Adcock was formerly a Managing Partner of Brompton Asset Management, Vice Chairman of Corporate Finance, Citigroup, London and an Equity Partner of Lazard LLC, London.
E E Barnett Executive Director	Eric Barnett was appointed Chief Executive Officer and director of the Company on 6 June 2016. He is also Chairman of the Kleinwort Benson Management Committee. Eric Barnett joined SG Hambros Bank & Trust Ltd In 1986 and has undertaken a number of roles within the SG Hambros group since that date, becoming Chief Executive Officer of SG Hambros Bank Limited in 2007. Eric Barnett is also a director of SG Hambros Limited and a number of its subsidiaries, including Kleinwort Benson Channel Islands Holdings Limited.
S W Barnett Non-Executive Director	Stuart Barnett is an independent non-executive director and was appointed to the board of the Company and to the Kleinwort Benson Audit and Strategic Risk Committees on 6 June 2016. He is also an independent non-executive director of SG Hambros Bank Limited, Chairman of its Audit Committee and a member of its Risk Committee. Stuart Barnett is a non-executive director of Habib Bank Zurich plc and a trustee of the Charities Aid Foundation, having previously been a senior partner in the Deloitte Financial Services Practice.
Dr M D Böckenfeld Executive Director	Dr Martha Böckenfeld resigned from her positions as Director and Chief Executive Officer of the Company on 6 June 2016, having been a director of the Company since July 2010. She also resigned from her position as Chairman of the Kleinwort Benson Management Committee. She was the Chief Financial Officer of BHF Kleinwort Benson Group S.A. ("BHFKB") and had over 15 years of financial services industry experience.
G A Branson Executive Director	Gabrielle Branson was appointed as a director and General Secretary of the Company on 6 June 2016. She is also a member of the Kleinwort Benson Management Committee. Gabrielle Branson has been a director of SG Hambros Bank Limited since October 2012, having joined its leadership team in December 2007, following the acquisition of ABN AMRO Private Banking London. Gabrielle Branson is qualified as a solicitor.

A S Ewing Non-Executive Director	Anne Ewing was appointed as an independent non-executive director of the Company on 19 January 2016, having been a member of the Kleinwort Benson Nomination and Remuneration Committee since October 2012 and its Chairman since 1 January 2015. Anne Ewing is also an independent non-executive director of a number of other subsidiaries of SG Hambros Limited, including appointments in September 2016 to the board of SG Hambros Bank (Channel Islands) Limited and one of its subsidiaries. She was also a director of Kleinwort Benson Channel Islands Holdings Limited from July 2012 until 6 June 2016. Anne Ewing also holds non-executive directorships of a small number of Guernsey registered investment companies and holding companies. She is a past Chairman of the Guernsey Branch of the Institute of Directors. Anne Ewing has over 40 years' experience in the financial services industry across the areas of banking, insurance, fiduciary, investment and fund management and financial services advisory.
L H Fischer Non-Executive Director	Leonhard Fischer resigned his positions as a non-executive director of the Company and member of the Kleinwort Benson Nomination and Remuneration Committee on 30 April 2016. He was Chief Executive Officer of BHF Kleinwort Benson Group S.A and a non-executive director of Kleinwort Benson Group Limited. Prior to this he held senior positions within the banking and financial services industry.
J-P Flais Executive Director	Jean-Pierre Flais was appointed as a director and Chief Administration Officer of the Company on 6 June 2016. He is also a member of the Kleinwort Benson Management Committee. Jean-Pierre Flais joined the Société Générale group in 1986 and has held a number of roles within the group, most recently as Chief Operating Officer in the private banking division. He was a director of SG Hambros Bank Limited between October 1998 and November 2012 and also between February 2013 and May 2016.
K N Graf von Schweinitz Non-Executive Director	Konstantin Graf von Schweinitz stepped down from his position as Chairman of the Company on 6 June 2016, having been appointed to that post in July 2015. He continues to hold the position of an independent non-executive director and has served on the Board since July 2010. He is Chairman of the Kleinwort Benson Audit Committee and Kleinwort Benson Strategic Risk Committee. Konstantin Graf von Schweinitz joined the board of SG Hambros Bank Limited on 29 July 2016 and, on that date, also became a member of its Audit and Risk Committees. Konstantin Graf von Schweinitz has over 25 years investment and commercial banking experience principally in capital markets and risk management and has acted as an independent advisor to hedge funds, banks and private equity companies.
J-F Mazaud Non-Executive Director	Jean-François Mazaud was appointed Chairman of the Company's board of directors on 6 June 2016. He also joined the Kleinwort Benson Nomination and Remuneration Committee on that date. Jean-François Mazaud is also a director of SG Hambros Limited and SG Hambros Bank Limited. Jean-François Mazaud began his career at Société Générale in 1993, advising the bank's clients on their fund raising transactions, in particular with regard to privatisations, initial public offerings (IPOs) or capital increases. He has held a number of roles within the Société Générale group since that date and became the Head of Private Banking Business in March 2012. He is also a member of the Société Générale Global Banking & Investor Solutions division's Executive Committee.
J-M Roelandt Executive Director	Jean-Marc Roelandt resigned from his position as the Chief Financial Officer of the Company on 2 May 2016, having joined the Board on 20 October 2015. He also resigned from his position as a member of the Kleinwort Benson Management Committee. He is a Certified Public Accountant and was a Managing Director at BHF Kleinwort Benson Group S.A..

None of the directors benefited from qualifying third party indemnity provisions during the year or at the date of this report.

List of current Directors

Name	Relationship with the Company
E E Barnett	Executive Director
S W Barnett	Independent Non-Executive Director
G A Branson	Executive Director
A S Ewing	Independent Non-Executive Director
J-P Flais	Executive Director
K N Graf von Schweinitz	Independent Non-Executive Director
J-F Mazaud	Non-Executive Director

Corporate governance

As at 31 December 2016, the Board of Directors comprised three executive directors and four non-executive directors. Three of the non-executive directors are fully independent and all are considered to be independent in character and judgement. The non-executive directors participate fully with their executive colleagues in Board Meetings and have access to all information they need to perform their duties.

The roles of Chairman and Chief Executive are separated and are clearly defined. The Chairman is primarily responsible for the working of the Board and the Chief Executive for the running of the business and implementation of Board strategy and policy.

The appointment of directors is considered by the Nomination and Remuneration Committee and approved by the Board and the shareholder. Directors need not retire by rotation or stand for re-election by the shareholder.

The Board has at least three substantive meetings each year with a further number of Board meetings and teleconference calls during the year. A programme is prepared, and agreed each year, which ensures that the directors are able to discharge their duties regularly. Matters reserved for the attention of the Board include determination of the Company's strategy, reviews of budgets and financial statements, company acquisitions and disposals and major capital expenditure.

Every director is offered training upon appointment and as necessary during their appointment. All directors have access to the advice and services of the Company Secretary and may seek independent professional advice, if necessary, at the Company's expense.

The Board has appointed the following Management Committee, with formal terms of reference covering its authority and duties, which are regularly reviewed by the Board.

Kleinwort Benson Management Committee ("Management Committee")

The purpose of the Management Committee is to consider the strategic and planning issues for the Company and to make appropriate recommendations to other Committees or the Board. The Management Committee establishes reporting lines, requests reports and information and facilitates the conduct of the business and the effective monitoring and review thereof, including: reviewing budgets, business plans and financial performance and the monitoring of risk.

On 31 December 2016, the members of the Management Committee were:

Chief Executive Officer:	Eric Barnett
Chief Administration Officer:	Jean-Pierre Flais
Chief Financial Officer:	Stuart Marshall
Chief Investment Officer:	Mouhammed Choukeir
Chief Risk Officer:	Phil McIlwraith
Chief Transformation Officer:	Andrew Bennett
General Secretary:	Gabrielle Branson
Head of Human Resources:	Elena Orsini
Head of Private Banking:	Paul Kearney

The Company and its sister company, Kleinwort Benson Channel Islands Holdings Limited, have established the following prudential committees. Each of them has formal terms of reference covering its authority and duties, which are regularly reviewed.

Kleinwort Benson Audit Committee ("Audit Committee")

Konstantin Graf von Schweinitz (Chairman), Andrew Adcock and Anne Ewing were members of the Audit Committee throughout 2016. Stuart Barnett joined the Audit Committee upon the acquisition of the Company by SG Hambros Limited on 6 June 2016. Andrew Adcock resigned from the Audit Committee on 31 December 2016.

The Audit Committee advises the Board on meeting its external financial reporting obligations following its consideration of:

- significant financial reporting issues and judgements made in connection with the financial statements;
- the appropriateness of the accounting policies and bases;
- narrative statements and disclosures to ensure that they are reasonable and consistent with reported results; and
- regulatory financial reporting.

The Audit Committee also:

- considers the appropriateness of the going concern basis of preparation for the financial statements;
- considers the existence of contingent liabilities, the recognition and level of provisions and the disclosures relating to provisions and contingent liabilities for legal and regulatory matters;
- reviews the processes underlying the representations made; and
- advises the Board that the annual report and accounts, taken as a whole is fair, balanced and understandable.

The Audit Committee reviews the effectiveness of the Company's internal controls and risk management systems, primarily by the assessment of the annual financial statements, the scope and findings of the annual external audit, reports produced by the Chief Risk Officer, the Head of Compliance and the control functions, and periodic reviews of identified risks and mitigating controls undertaken by senior management, together with the assessment of the work of the Internal Audit department.

The internal audit function reviews operations on a continuing basis. A risk-based internal audit programme details the frequency and intensity of reviews and is approved by the Audit Committee. Over the course of 2016 the Audit Committee received reports on the activities of the internal audit function and on progress with the agreed recommendations.

The internal audit function continued to be outsourced during 2016, with Mazars LLP taking over responsibility for the function from Grant Thornton UK LLP. In November 2016, the Société Générale Internal Audit team took responsibility for the internal audit function and, to ensure continuity, will be assisted by Mazars LLP for a period during 2017. The Société Générale Internal Audit team have access to the full resources of the Société Générale group which will ensure continued best practice and access to industry and regulatory internal audit guidance.

The Audit Committee is responsible for reviewing the external auditors' independence, the nature of non-audit services supplied, non-audit fee levels relative to the audit fee, together with the quality of service provided.

Terms of Reference detail the roles and responsibilities of the Audit Committee; these are normally reviewed annually, as is the effectiveness of the Audit Committee.

The Audit Committee has at least three substantive meetings each year. The Chief Executive Officer of the Company, the Chief Financial Officer, the Chief Risk Officer and the Head of Compliance normally attend meetings, together with the Head of Internal Audit and, if appropriate, a representative of the external auditors. The Chairman of the Board has an ongoing invitation to attend. The Audit Committee has regular discussions with the external auditor and the Head of Internal Audit, with an opportunity for discussions to take place without management present.

Kleinwort Benson Strategic Risk Committee ("Strategic Risk Committee")

Konstantin Graf von Schweinitz (Chairman) and Andrew Adcock were members of the Strategic Risk Committee throughout 2016. Stuart Barnett joined the Strategic Risk Committee upon the acquisition of the Company by SG Hambros Limited on 6 June 2016. Peter Neville, an independent non-executive director of Kleinwort Benson Channel Islands Holdings Limited, resigned his membership of the Strategic Risk Committee on 6 June 2016 and Andrew Adcock resigned on 31 December 2016.

The Strategic Risk Committee assesses the business's strategies and plans from a risk perspective and, in particular, the tolerance for current and potential risk exposure. The Strategic Risk Committee also reviews and recommends actions in respect of oversight, management and control of risk.

The Strategic Risk Committee considers the Risk Appetite Statement and recommends it to the Board, taking into account the current and prospective macroeconomic and financial environment. This document outlines the nature and quantum of risk the Company wishes to bear in order to achieve its strategic, profitability and growth objectives whilst remaining within regulatory constraints. It also notes the key policies established by the Company to manage these risks and the approval process governing those policies. The responsibilities of the Strategic Risk Committee also include:

- overseeing the current risk exposures;
- reviewing the risk assessment process; and
- assessing reports on any material breaches of risk tolerances and the adequacy of proposed management action.

The Company follows the "three lines of defence" model. Under this, the business, as the first line;

- understands and is accountable for all the key risks faced in achieving their business objectives;
- ensures that processes and procedures are in place to manage those risks;
- has a process in place to determine if the controls are working; and
- manage and mitigate any crystallised risk events.

The second line of defence is provided by Compliance and Risk Management, who:

- interpret regulatory requirements, monitor compliance with regulations, provide an advisory service to the first line, conduct risk-based compliance testing and reviews and develop relevant policies; and.
- develop tools and policies to implement a risk management framework, set parameters within which the business must operate, escalate risk and control issues to senior management, provide 'independent and effective challenge' at all levels and provide risk management information

The third line of defence is provided by Internal Audit who:

- undertake independent risk based testing and verification of the first and the second line of defence, providing assurance directly to the Audit Committee on the overall control environment;
- make recommendations where there have been audit findings as per industry standards; and
- validate the risk and compliance framework, to include the embedding of the framework, policies/processes and tools.

Terms of Reference detail the roles and responsibilities of the Strategic Risk Committee; these are normally reviewed annually, as is the effectiveness of the Committee.

The Committee has at least three substantive meetings each year. The Chief Executive Officer of the Company and the Chief Risk Officer normally attend meetings. The Chairman of the Board has an ongoing invitation to attend.

Kleinwort Benson Nomination and Remuneration Committee ("Nomination and Remuneration Committee")

Anne Ewing (Chairman) and Richard Robins, the non-executive Chairman of Kleinwort Benson Channel Islands Holdings Limited, were members of the Nomination and Remuneration Committee throughout 2016. Leonhard Fischer resigned from the Nomination and Remuneration Committee on 30 April 2016. Jean-François Mazaud joined the Nomination and Remuneration Committee upon the acquisition of the Company by SG Hambros Limited on 6 June 2016.

The Nomination and Remuneration Committee sets the strategy regarding the remuneration policy for the Company, ensuring that it meets any legal and regulatory requirements. It also determines specific terms and compensation levels above an agreed threshold and for Material Risk Takers.

The Nomination and Remuneration Committee reviews and recommends main board appointments and key hiring. It also reviews the structure, size, function and composition of the Kleinwort Benson board and senior committees and makes recommendations to the board in relation to any changes deemed necessary.

The Committee has at least three substantive meetings each year. The Chief Executive Officer of the Company normally attends meetings. Terms of Reference detail the roles and responsibilities of the Nomination and Remuneration Committee; these are normally reviewed annually.

Employees

It is the Company's policy to give full and fair consideration to employees, workers and potential employees without regard to race, colour, nationality or national origin, sex, gender reassignment, marriage, disability, age, sexual orientation, religion or belief. All company policies, practices and procedures relating to resourcing, training, development and promotion are administered equally and in accordance with all applicable laws.

It is the Company's policy to provide equal opportunities in all aspects of employment from the sourcing and selection of candidates, recruitment and training of employees to terms and conditions of employment and reasons for termination of employment and to ensure that any employment decisions are taken without reference to irrelevant or discriminatory criteria.

Communication with employees has continued through presentations, intranet announcements and e-mails, so all employees are aware of the key priorities for the business, the financial and economic performance of their business units and of the Company as a whole.

Disclosure of information to auditors

In accordance with the provisions of section 418 of the Companies Act 2006, 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 Company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

Auditors

On 6 June 2016 KPMG LLP resigned as auditors of the Company. Ernst & Young LLP has been appointed by the directors to fill the vacancy thus arising.

Pursuant to Section 487(2) of the Companies Act 2006, the auditors will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

Results and dividends

For the year ended 31 December 2016, the Company reported a total comprehensive loss of GBP 13.9 million (2015: loss GBP 11.9 million).

The performance of the Company during the year is examined in the Strategic Report.

The directors do not recommend the payment of a final dividend.

Financial instruments risk management

The financial risk management framework, in relation to financial instruments, includes risk appetite statements and Key Risk Indicators which are monitored and reported. The Treasury investment book is managed to a prescribed investment mandate and monitored both structurally against limits and using a dynamic VaR model for each of interest rate, credit and FX risk. Details of future developments can be found under "Future plans, trends and developments" in the Strategic Report and subsequent events under note 31.

The Company uses financial instruments as set out in notes 1 and 12 to the financial statements.

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare the financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") ("Adopted IFRS"), and comply with the Companies Acts 2006.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU subject to any material departure disclosed and explained in the financial statements; and
- 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 enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Approved by the Board of Directors

Signed on behalf of the Board

J C Boait
Secretary
J Boait

Kleinwort Benson Bank Limited

Company No 2056420

14 St George Street, London W1S 1FE

4 April 2017

Business strategy and objectives of the organisation

The Board welcomed the acquisition of the Company by SG Hambros Limited and, in particular, Société Générale's growth ambitions in private banking in its core markets of Europe, the Middle East and Africa. The Company is key to delivering these ambitions in the UK and beyond, with its well-known and trusted "Kleinwort" brand acting as a cornerstone of this strategy.

Whilst the Company will remain a separate, regulated company until after its business is fully integrated with that of SG Hambros Bank Limited, the board sees opportunities to benefit from the complementary nature of the Company and SG Hambros Bank Limited, and will build on the expertise and products of both firms, from banking, wealth planning and fiduciary services, to investment management and structured products. Synergies with SG Hambros Bank Limited and the wider Société Générale group are being explored and implemented, where appropriate. The Company has considered impairment of assets as a result of the integration and the value of assets has been assessed and has been retained or impaired as appropriate.

Measurement and performance

(In GBP millions)	2016	2015
Operating income (net)	26.3	28.6
Operating expenses	(43.0)	(40.5)
Loss before income tax	**(16.7)**	**(11.9)**
Asset under management (AuM) (In GBP millions)	3,340	3,264
Tier 1 ratio	19%	23%

The Company reported an increase of GBP 4.8 million in its loss before tax, with losses of GBP 16.7 million for 2016 (2015: GBP 11.9 million loss).

Operating income decreased from GBP 28.6 million in 2015 to GBP 26.3 million in 2016. Movements in the Company's Statement of Position have *contributed to increased net interest income during the year. An increase in the loan portfolio, which was the strategic plan for the year, yielded* higher returns on loans and advances to customers 2016 GBP 5.4 million (2015: GBP 3.2 million). Whereas a reduction in the value of and a more conservative approach taken within the Treasury portfolio, reduced the Treasury related interest income to 2016 GBP 2.4 million (2015: GBP 3.5 million). Net fee and commission revenue decreased from GBP 26.8 million in 2015 to GBP 22.4 million in 2016. This was driven by a change in the discretionary fee structure to all-in fees part way through the year, foregoing transactional income on these portfolios from 1st March. Additionally, prior to this change, there were fewer Investment Policy Committee decisions impacting portfolio asset allocations, again reducing transactional income. Finally, in 2015 a number of significant corporate advisory deals were closed, attracting significant contingent fees that were not replicated in 2016.

Operating expenses increased from GBP 40.5 million in 2015 to GBP 43.0 million in 2016 reflecting increased costs due to lower recharges to the previous parent company GBP -0.2 million (2015 GBP -0.5 million) and an onerous lease provision (GBP 2.4 million). Operating expenses in 2016 include GBP 0.4 million (2015 GBP 1.5 million) provided for client redress with respect to historical matters.

Asset under management ("AUM") include deposits and investing activities arising from client discretionary and advisory mandates. Total AuM increased by 2.3% from GBP 3.26 billion as at 31 December 2015 to GBP 3.34 billion as at 31 December 2016. There were net outflows of GBP 351 million, primarily due to the de-recognition of GBP 252 million of assets at the year-end, aligning the recognition criteria with SG Hambros Limited, as well as the cessation of the Cash Advisory service in Q1 and the Advisory Dealing service in Q4. Partially offsetting this were positive market movements of GBP 428 million, significantly driven by the weakening of the Pound.

Investment performance, including delivery of positive real returns, has remained a feature across all investment strategies and is core to our client proposition. During 2016, the Company has won the Investment Team of the Year category at the STEP Private Client Awards, the prestigious 'High Growth Portfolios - Investment Performance' award at the PAM Awards and the Aggressive Portfolio Award at the Citywire Investment Performance Awards. In 2017, the Company continued to receive industry recognition for its investment performance, including the Platinum Portfolio Adviser Wealth Management Awards for Cautious and for Aggressive portfolios, in recognition of the robust and disciplined investment management approach. Kleinwort Benson was the only Wealth Manager in both Large Firm and Boutique categories to win two Platinum awards.

The Company continues to maintain a solid capital and liquidity position, with key metrics comfortably exceeding regulatory requirements and being at the top end of the European Banking peer set. The Tier 1 ratio was 19% as at 31 December 2016 and the loan to deposit ratio was 34%.

As a wholly owned subsidiary, the Company provides performance data to Société Générale group on a monthly basis. This data is reviewed in the context of the overall group key performance targets of capital, liquidity and operating profit.

Risk and uncertainties

Market conditions during 2016 remained difficult. However, the directors are comfortable that the Company is a robust and stable organisation, which is particularly focused on the efficient preservation and growth of client assets.

The Board has approved the Risk Appetite Statement, within which the bank is managed. This encompasses the key risks to which the Company is exposed and the principal policy statements on how they are managed. Counterparty, credit, market and liquidity risk are monitored regularly against regulatory limits and also internal targets. The financial exposure to these risks is disclosed in note 12 to the financial statements.

Following the acquisition by SG Hambros Limited on 6 June 2016, the Company amended its Risk Appetite Statement to ensure that it fell within the Risk Appetite of the ultimate parent company, Société Générale. In addition, a number of risk-based reviews have been undertaken at the request of Société Générale.

The Company adopts a cautious approach to the provision of credit and typically requires that recognised banking collateral is provided with an acceptable spread and margin of cover. Credit risk is mitigated with loans to clients by granting loans with a low loan to value ("LTV") ratio. At the end of 2016, 88% (2015: 97%) of the mortgages outstanding had a LTV lower than 70%.

The Company's Treasury investment policy is to lend only to high quality credit institutions. The investments are diversified across a broad range of G20 high quality sovereign, supranational, financial and non-financial corporate issuers and counterparties. Diversification is also achieved by ensuring that any exposure to one institution is restricted to a low percentage of the total investment portfolio.

Credit risk also manifests itself through fair value movements in the Company's treasury portfolio. Increases in credit spreads in the market can cause prices to fall and this was the main driver behind the fair value losses reported by the company in the prior year. The company has taken steps during the current year to reduce the credit risk in its Treasury portfolio and is no longer significantly exposed to this risk.

Operational risks are also assessed regularly and, where appropriate, mitigating actions taken.

Future plans, trends and developments

The Company is committed to implement legislative and regulatory changes in a timely manner and has implemented significant regulatory developments during 2016. Preparations are underway to enable the Company to comply with future regulatory developments, for instance, the Common Reporting Standard; MiFID II, and the Conduct Rules under the Senior Managers Regime.

The Company intends to fully integrate its business with SG Hambros Bank Limited and is considering achieving this by means of a transfer of its entire business under a scheme which must be approved by the High Court of England and Wales (the Court). If approved by the Boards of both entities and the Court, the Company will transfer the entirety of its business under Part VII of the Financial Services and Markets Act 2000. The financial statements have been prepared on a going concern basis as the Company has yet to seek the approval of the Board and the Court.

Approved by the Board of Directors

Signed on behalf of the Board

J C Boait

J C Boait
Secretary

Kleinwort Benson Bank Limited

Company No 2056420

14 St George Street, London W1S 1FE

4 April 2017

Independent auditor's report to the members of Kleinwort Benson Bank Limited

We have audited the financial statements of the Company for the year ended 31st December 2016 which comprise the Statement of Profit and Loss, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes 1 to 32. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditor.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and 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.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31st December 2016 and of the Company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit

- 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.
- The Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements;

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

S. Williams

Sarah Williams (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor 7 April 2017

London

Statement of Profit and Loss

For the year ended 31 December 2016

(In GBP thousands)	Note	2016	2015
Fee and commission income		23,020	27,338
Fee and commission expense		(605)	(522)
Net fee and commission income	5	**22,415**	**26,816**
Interest income		9,452	9,229
Interest expense		(4,539)	(5,692)
Net interest income	6	**4,913**	**3,537**
Gains and losses on financial instruments at fair value	7	117	(1,679)
Other income and expense	8	(1,139)	(37)
Total operating income		**26,306**	**28,637**
Operating expenses	9	(42,966)	(40,564)
Profit (loss) before income tax		**(16,660)**	**(11,927)**
Income tax relief/(expense)	11	2,712	-
Profit (loss) for the year		**(13,948)**	**(11,927)**

The losses are entirely attributable to owners of the Company.

The notes to the financial statements on pages 17 to 50 are an integral part of these statements.

Statement of Comprehensive Income

For the year ended 31 December 2016

(In GBP thousands)	Note	2016	2015
Loss on ordinary activities after tax for the year		**(13,948)**	**(11,927)**
Amounts may be recycled to profit or loss in future periods:			
Other recognised gains and losses:			
Change in fair value of available-for-sale financial investments taken to equity		23	-
Other comprehensive income/(expense) for the period net of tax		**(13,925)**	-
Total comprehensive income/(expense) for the period		**(13,925)**	-

The total comprehensive income/(expense) is entirely attributable to owners of the Company.

The notes to the financial statements on pages 17 to 50 are an integral part of these statements.

Statement of Financial Position

As at 31 December 2016

(In GBP thousands)	Note	2016	2015 (restated)
Assets			
Cash, cash equivalents and balances with central banks	13	226,575	132,870
Placements with, and loans and advances to other banks	14	46,815	34,784
Investment securities	15	99,655	249,398
Derivative assets	16	998	184
Loans and advances to customers	14	170,178	127,482
Accrued income and other assets	17	15,843	14,083
Investments in group undertakings	30	260	110
Property, plant and equipment	18	9	3,164
Intangible assets	19	3,935	2,149
Total assets		**564,268**	**564,224**
Liabilities and equity			
Loans and deposits due to credit institutions	20	20,737	27,447
Loans and deposits due to customers	20	489,266	461,654
Derivative liabilities	16	900	5,028
Accrued expenses and other liabilities	22	11,208	12,673
Provisions	21	2,444	4,099
Total liabilities		**524,555**	**510,901**
Share capital	25	135,283	135,283
Share premium	25	167	167
Share-based payment reserve	25	8,103	7,788
Accumulated loss	25	(103,840)	(89,915)
Equity attributable to owners of the Company		**39,713**	**53,323**
Total equity and liabilities		**564,268**	**564,224**

The notes to the financial statements on pages 17 to 50 are an integral part of these statements.

Approved and authorised for issue by the Board of Directors on 4 April 2017 and signed on its behalf by:

Eric Barnett
Director

Jean-Pierre Flais
Director

Statement of Changes in Equity

For the year ended 31 December 2016

(In GBP thousands)	Share capital	Share premium	Share based payment reserve	Accumulated loss	Total equity
Balance at 1 January 2016	**135,283**	**167**	**7,788**	**(89,915)**	**53,323**
Other comprehensive income				**23**	**23**
Loss for the year	-	-	-	**(13,948)**	**(13,948)**
Other comprehensive income/(expense)	-	-	-	-	-
Total comprehensive income/(expense)				**(13,925)**	**(13,925)**
Transactions with owners					
Share-based payment transactions	-	-	315	-	315
Transactions with owners, recorded directly in equity	-	-	**315**		**315**
Balance at 31 December 2016	**135,283**	**167**	**8,103**	**(103,840)**	**39,713**

(In GBP thousands)	Share capital	Share premium	Share based payment reserve	Accumulated loss	Total equity
Balance at 1 January 2015	**125,283**	**167**	**6,685**	**(77,988)**	**54,147**
Total comprehensive income					
Loss for the year	-	-	-	**(11,927)**	**(11,927)**
Other comprehensive income/(expense)	-	-	-	-	-
Total comprehensive income/(expense)	-	-	-	**(11,927)**	**(11,927)**
Transactions with owners					
Share-based payment transactions	-	-	1,103	-	1,103
Capital increase	10,000	-	-	-	10,000
Transactions with owners, recorded directly in equity	**10,000**	-	**1,103**		**11,103**
Balance at 31 December 2015	**135,283**	**167**	**7,788**	**(89,915)**	**53,323**

The notes to the financial statements on pages 17 to 50 are an integral part of these statements.

Statement of Cash Flows

For the year ended 31 December 2016

(In GBP thousands)	Note	2016	2015
Operating activities			
Total comprehensive income/(loss) for the year		(13,925)	(11,927)
Adjustments for non-cash items included in profit/(loss):			
Depreciation and amortisation	18 & 19	895	1,075
Impairment of property, plant and equipment and intangible assets	18 & 19	4,680	342
Foreign exchange		(11,605)	4,481
Expense capitalised		-	-
Change in fair value of financial assets		(1,534)	(879)
Equity-settled share-based payment transactions		318	1,102
Income tax benefit/(expense)		-	-
		(21,171)	**(5,806)**
Changes in operating assets and liabilities:			
Change in derivative assets		(876)	1,094
Change in loans and receivables due from other banks and customers		(62,451)	(8,576)
Change in investment securities		-	-
Change in accrued income and other assets		78	1,588
Change in derivative liabilities		(4,139)	(263)
Change in loans and deposits due to other banks and customers		27,508	14,005
Change in employee benefits		-	-
Change in provisions		(1,655)	(502)
Change in accrued expenses and other liabilities		(917)	(328)
Change in intercompany receivable		(2,313)	430
Change in intercompany payable		(6,615)	10,407
Net cash used in operating activities		**(72,551)**	**12,049**
Investing activities			
Acquisition of investment securities		(111,197)	(183,710)
Proceeds from sale of investment securities		295,978	186,420
Acquisition of property, plant and equipment	18	-	(21)
Additions to intangible assets	19	(4,206)	(1,629)
Proceeds from sale of intangible assets		-	-
Net cash from investing activities		**180,575**	**1,060**
Financing activities			
Cash received from intercompany		-	10,000
Net cash from financing activities		**-**	**10,000**
Cash and cash equivalents at the beginning of the year		**149,666**	**129,820**
Net increase/(decrease) in cash and cash equivalents		108,024	23,109
Effect of exchange rate fluctuations		(1,862)	(3,263)
Cash and cash equivalents at the end of the year	13	**255,828**	**149,666**

The notes to the financial statements on pages 17 to 50 are an integral part of these statements.

1. Reporting entity

The Company is incorporated and domiciled in the United Kingdom. The Company, which operates under the trading names of Kleinwort Benson and Kleinwort Hambros, has a banking heritage dating back to 1786. The Company is a wholly owned subsidiary of SG Hambros Limited, part of the Société Générale Group.

The Company is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is a member of the London Stock Exchange.

The registered address of the Company is 14 St George Street, London W1S 1FE. The principal activity of the Company is the provision of wealth management and related banking services.

These are separate non-consolidated financial statements.

The immediate parent of the Company is SG Hambros Limited, a company incorporated in the United Kingdom. The Company's ultimate parent undertaking and controlling party is Société Générale S.A., incorporated in France under French Law. It is also the smallest and largest group in which the publicly available results of the Company are consolidated. The financial statements of Société Générale S.A. are available to the public and may be obtained from www.societegenerale.com.

2. Basis of preparation

2.1. Statement of compliance

The Company's financial statements, which show a true and fair view, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("EU") ("Adopted IFRS"), and comply with the Companies Acts 2006. The financial statements have been authorised for issue by the Board of Directors on 4 April 2017.

2.2. Functional and presentation currency

These financial statements are presented in Great British Pounds ("GBP"), which is the Company's functional currency. Unless otherwise stated, all information presented in GBP has been rounded to the nearest thousand.

2.3. Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value;
- non-derivative financial instruments at fair value through profit or loss are measured at fair value;
- available for sale ("AFS") financial assets are measured at fair value.

3. Significant accounting policies

Significant accounting policies are as follows. Other significant policies also include valuation detailed in note 12 and provisions detailed in note 21.

3.1. Foreign Currency

3.1.1. Foreign currency transactions

Transactions in foreign currencies other than the functional currency are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising from the settlement of foreign currency transactions or on translation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary assets and liabilities that are measured at of historical cost in a foreign currency are translated using the exchange rate at the date of the 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 currency differences arising on retranslation are recognised in profit or loss.

3.1.2. Revenue Recognition

The Company's primary source of revenue is from fee and commission income from its merchant banking services. Fees and commissions are recognised on an accrual basis. Transaction-based fees, which vary based on the volume of transactions, are recorded as income as the service is provided and the receipt of income is almost certain.

The Company's interest income comprises income earned from placing loans and deposits with other financial institutions, advancing loans and overdrafts to clients and holding debt and other fixed income securities. Interest expense is comprised of interest paid on loans and deposits from credit institutions and customers. Interest income receivable and interest expense payable are recognised in profit and loss using the effective interest rate method.

3.1.3. Exchange rates
The following major exchange rates have been used in preparing the financial statements.

One GBP equals	Closing rate 2016	2015	Average rate 2016	2015
Euro ("EUR")	1.171	1.358	1.220	1.377
Swiss Franc ("CHF")	1.255	1.088	1.329	1.067
US Dollar ("USD")	1.233	1.086	1.349	1.110

3.2. New standards and interpretations not yet adopted
The Company has not adopted any standards which were in issue and which were not required to be implemented by 31 December 2016.

Financial instruments
In July 2014, the International Accounting Standards Board "IASB" issued the final version of IFRS 9, Financial Instruments (IFRS 9), which replaces the guidance in IAS 39. This final version includes requirements on: (1) classification and measurement of financial assets and liabilities; and (2) impairment of financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively with certain exceptions. IFRS 9 does not require restatement of comparative period financial statements. Entities are permitted to restate comparatives as long as hindsight is not applied. Consequential amendments were made to IFRS 7, Financial Instruments: Disclosures (IFRS 7) introducing expanded qualitative and quantitative disclosures related to IFRS 9, which are required to be adopted for the annual period beginning on 1 January 2018, when the Bank first applies IFRS 9. The Company is currently assessing the impact of adopting this standard.

Revenue from contracts with customers
In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers (IFRS 15), which clarifies the principles for recognising revenue and cash flows arising from contracts with customers and prescribes the application of a five-step recognition and measurement model. The standard excludes from its scope revenue arising from items such as financial instruments, insurance contracts, and leases. The standard also requires additional qualitative and quantitative disclosures. In July 2015, the IASB confirmed a one-year deferral of the effective date to annual periods beginning on or after 1 January 2018, which will be for the Bank, and is to be applied retrospectively. In April 2016, the IASB issued amendments to IFRS 15, which provided additional guidance on the identification of performance obligations, on assessing principal versus agent considerations and on licensing revenue. The amendments also provided additional transitional relief upon initial adoption of IFRS 15 and have the same effective date as the IFRS 15 standard. The Company is currently assessing the impact of adopting this standard.

Share-based payment
In June 2016, the IASB published amendments to IFRS 2, Share-based Payment, which provide additional guidance on the classification and *measurement of share-based payment transactions. The amendments clarify the accounting for cash-settled share-based payment transactions* that include a performance condition, the classification of share-based payment transactions with net settlement features for withholding tax obligations, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018, and are to be applied prospectively; however, retrospective application is permitted in certain instances. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard.

Leases
In January 2016, the IASB issued IFRS 16, Leases (IFRS 16), which will replace IAS 17, introducing a single lessee accounting model for all leases by eliminating the distinction between operating and financing leases. IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for most leases. Lessees will also recognise depreciation expense on the right-of-use asset and interest expense on the lease liability in the statement of income. Short-term leases, which are defined as those that have a lease term of 12 months or less; and leases of low-value assets are exempt. Lessor accounting remains substantially unchanged. IFRS 16 is effective for annual periods beginning on or after 1 January 2019 for the Company, and is to be applied retrospectively. Early adoption is permitted only if aligned with or after the adoption of IFRS 15. The Company is currently assessing the impact of adopting this standard.

4. Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

In particular, information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – Valuation of financial instruments
- Note 19 – Measurement of the recoverable amount for intangible assets of cash generating units
- Note 21 – Provisions
- Note 28 – Commitments and contingencies

Information about significant assumptions and estimation uncertainties that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 12 – Valuation of financial instruments
- Note 21 – Provisions
- Note 6 – Net interest income (effective interest rate)

5. Net fee and commission income

Asset management fees are generally based on an agreed percentage of the valuation of the client's Assets under Management ("AuM") and are recognised as the service is provided and it is almost certain that the fee will be received. If fees are received in advance, the amounts received are only recognised in profit and loss once the Company provides the service for which the client has paid.

Brokerage income comprises fees charged to customers, primarily from corporate finance and private banking transactions. Revenues from trust and fiduciary activities are recognised based on the value of work done and estimated recovery rates.

(In GBP thousands)	2016	2015
Asset management fees	17,540	18,190
Brokerage	3,375	5,745
Trust and other fiduciary activities	1,041	1,224
Corporate commissions	623	1,336
Financial advisory fees	136	197
Retail banking customer fees	268	565
Other	37	81
Fee and commission income	**23,020**	**27,338**
Brokerage	(605)	(522)
Fee and commission expense	**(605)**	**(522)**
Net fee and commission income	**22,415**	**26,816**

6. Net interest income

6.1. Interest income and expense by financial instruments

Interest income receivable and payable is recognised on an effective interest rate (EIR) basis.

2016

(In GBP thousands)	At fair value through profit or loss	Amortised cost	Available for sale	Total
Cash and balances with central banks	-	768	-	768
Placements with, and loans and advances to other banks	-	381	-	381
Investment securities	1,920	-	31	1,951
Derivative assets	910	-	-	910
Loans and advances to customers	-	5,442	-	5,442
Interest income	**2,830**	**6,591**	**31**	**9,452**
Loans and deposits due to other banks	-	(233)	-	(233)
Loans and deposits due to customers	-	(2,984)	-	(2,984)
Derivative liabilities	(1,322)	-	-	(1,322)
Interest expense	**(1,322)**	**(3,217)**	**-**	**(4,539)**
Net interest income	**1,508**	**3,374**	**31**	**4,913**

2015

(In GBP thousands)	At fair value through profit or loss	Amortised cost	Available for sale	Total
Cash and balances with central banks	-	531	-	531
Placements with, and loans and advances to other banks	-	451	-	451
Investment securities	4,242	-	-	4,242
Derivative assets	760	-	-	760
Loans and advances to customers	-	3,245	-	3,245
Interest income	**5,002**	**4,227**	**-**	**9,229**
Loans and deposits due to other banks	-	(338)	-	(338)
Loans and deposits due to customers	-	(3,182)	-	(3,182)
Derivative liabilities	(2,172)	-	-	(2,172)
Interest expense	**(2,172)**	**(3,520)**	**-**	**(5,692)**
Net interest income	**2,830**	**707**	**-**	**3,537**

7. Gains and losses on financial instruments at fair value

The Company's treasury portfolio includes investments in liquid high quality corporate bonds. These bonds are typically measured at fair value, and where those bonds are designated at fair value through profit and loss ("FVTPL") the gains and losses representing market movements (both realised and unrealised) are recognised in this line of the income statement as are any gains and losses on derivatives.

The net gains on items at fair value by financial asset class are as follows:

2016

(In GBP thousands)	At fair value through profit or loss realised	At fair value through profit or loss unrealised	Total
Net loss from debt securities and corporate bonds	(4,259)	2,821	(1,438)
Net gain from derivatives	1,579	(24)	1,555
Total	**(2,680)**	**2,797**	**117**

2015

(In GBP thousands)	At fair value through profit or loss realised	At fair value through profit or loss unrealised	Total
Net loss from debt securities and corporate bonds	(2,460)	1,721	(940)
Net loss from derivatives	2,088	(3,028)	(739)
Total	**372**	**(1,307)**	**(1,679)**

8. Other income and expense

Other operating income consists of items of income and associated expenses that are incidental to the Company's operations.

The other operating income and expenses can be broken down as follows:

(In GBP thousands)	2016	2015
FX gain/(loss)	(162)	3
Other	(977)	(40)
Total	**(1,139)**	**(37)**

Other operating expenses includes GBP 1 million (2015: Nil) write off related to an equity investment.

9. Operating expenses

Operating expenses comprise the Company's general administrative costs.

Costs are recognised when the service is provided to the Company. Certain costs, such as depreciation and amortisation of capitalised costs, as well as operating lease expenses, are charged evenly over the useful economic life of the asset/life of the contract as appropriate.

The largest component of expenses are personnel expenses, which includes wages and salaries, the cost of other benefits provided to employees, the cost to the Company of the tax thereon and variable compensation.

(In GBP thousands)	2016	2015
Personnel expenses (note 9.1)	29,241	29,028
Professional fees (note 9.1)	1,803	1,354
Rent, leases and premises costs	2,722	2,520
IT costs	1,423	2,712
Travel and entertainment expenses	596	955
Amortisation and depreciation (notes 18 and 19)	895	1,075
Impairment of intangible assets (note 19)	2,108	342
Insurance	514	630
Outsourcing	2,825	2,238
Other general costs	8,396	5,474
Intercompany recharges	(7,557)	(5,764)
Total	**42,966**	**40,564**

Other general costs includes amounts with respect to client redress matters of GBP 425,203 (2015: GBP 1,497,000) and GBP 3,165,000 regarding provision for onerous lease and associated write offs.

9.1. Personnel expenses

(In GBP thousands)	2016	2015
Wages and salaries	17,567	18,960
Temporary staff	5,157	3,227
Compulsory social security contributions	2,323	2,552
Contributions to defined contribution plans	1,912	1,949
Equity-settled share-based payment transactions	1,422	1,591
Restructuring expenses – redundancy costs	860	749
Total	**29,241**	**29,028**

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

The average number of employees employed by the Company was:

(In GBP thousands)	2016	2015
Full time employees	176	202
Contract and temporary employees	57	36
Total	**233**	**238**

The decline in the number of full time employees compared to the rise of contract and temporary employees is due to suspension of hiring full time employees during the period of implementing the target operating model.

Professional fees include the following fees payable to the Company' auditors. This is inclusive of the audit fees for both the Company and its subsidiaries (notional fee for the subsidiaries was GBP 10,550 (2015: 8,850):

(In GBP thousands)	2016	2015
Audit of these financial statements and those of the Company's subsidiaries		
KPMG	-	177
Ernst & Young	211	-
Fees payable to the Company's auditors and its associates for other services		
- Audit-related services (CASS)		
KPMG	-	62
Ernst & Young	68	-
	68	**62**
Total	**279**	**239**

9.2. Operating lease commitments
The Company has a leasehold agreement for its London premises with a remaining period of 4 years.

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

At the end of the financial year, the future minimum lease payments under non-cancellable operating leases are payable as follows:

(In GBP thousands)	2016	2015
Less than one year	2,772	2,227
Between one and five years	8,316	8,908
More than five years	-	-
Total	**11,088**	**11,135**

The firm has vacated the premises and has recognised an onerous lease provision for a reasonable marketing period of 9 months. The rental payments for this period of the above lease are included within the available onerous lease provision of GBP 2,378,398.

The expense during the year under lease commitment were GBP 2,771,768 (2015: GBP 2,573,000).

At the end of the financial year, the future minimum lease receipts under non-cancellable operating sub-leases are receivable as follows:

(In GBP thousands)	2016	2015
Less than one year	1,386	1,043
Between one and five years	3,234	3,219
More than five years	-	-
Total	**4,620**	**4,262**

During the year, there were the following receipts under sub-lease commitment GBP 1,385,971 (2015: GBP 1,163,000).

10. Share-based payments

Employees of the Company have benefited from two share schemes during the year. Prior to the acquisition of the Company by Société Générale, a proportion of employees were awarded units linked to the share price of BHFKB (BHF Kleinwort Benson S.A.). On acquisition these units were converted and further awards will be made in units linked to the share price of Société Générale.

BHFKB RSU scheme

The Company previously recognised an expense for the former BHFKB equity-based incentive plans based on the fair value at grant date of the awards. This fair value is charged to the statement of profit and loss over the vesting period, with a corresponding increase in equity and liability. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. Such adjustments are made in the period in which the "true-up" event happens, and expenses already recognised in prior years are not restated. For share-based payment awards with non-vesting conditions, the fair value at grant date of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where awards had transfer restrictions which applied after the vesting period, the Company used various methods (such as Finnerty and/or Chaffee) to determine the discount from BHFKB's publicly quoted market price resulting from such transfer restrictions.

Inputs into the calculation of the grant date fair value of awards include the share price. Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Awards took the form of restricted stock units ("RSUs"). For each RSU which vests, the award recipient shall receive one share of BHFKB or, at the option of the BHFKB and subject to the award recipient's consent, a cash amount equal to the fair market value of such share as of the vesting date. The award recipient may also request, subject to the Group's consent, that a portion of the RSUs vest in cash in order to satisfy any tax liabilities that may become due upon or after such vesting.

All the Company's awards were awarded by BHFKB and were therefore considered to be equity settled.

At the acquisition of the Company by SG Hambros Limited all unvested awards in the former scheme were transferred into the Société Générale Fidelity Plan outlined below.

Société Générale Fidelity Plan (SG Fidelity Plan)

Société Générale issues to selected employees share linked bonuses. The vesting periods of these bonuses are three years from the date of declaration of the bonus. The employees will only be entitled to these bonuses on the condition that they are still employed by the Bank at the scheduled payment dates during the vesting period. These bonuses are cash settled.

Outstanding RSU awards (all recipients including Executive Management)

			2016
(In units/GBP thousands)	Number of units	Fair value amount at grant date	Weighted average exercise price
Outstanding and unvested – Opening balance	998	3,175	3.18
Granted during the period	-	-	-
Forfeited during the period	(37)	(125)	(3.34)
Exercised during the period	(491)	(1,581)	(3.22)
Outstanding and unvested – Closing balance	**470**	**1,469**	**3.13**
Transferred from BHFKB scheme – Closing balance	**(470)**	**(1,469)**	**(3.13)**
Remaining shares in BHFKB scheme – Closing balance	**-**	**-**	**-**

			2015
(In units/GBP thousands)	Number of units	Fair value amount at grant date	Weighted average exercise price
Outstanding and unvested – Opening balance	1,152	3,569	3.10
Granted during the period	477	1,651	3.46
Forfeited during the period	(104)	(349)	(3.35)
Exercised during the period	(527)	(1,696)	(3.23)
Outstanding and unvested – Closing balance	**998**	**3,175**	**3.18**

During 2016, no BHFKB RSUs were granted, the 2015 bonus that was subject to deferral was retained as a cash amount until it could be transferred into units in the SG Fidelity Plan. The units in the former BHFKB scheme and deferred 2015 award were exchanged at a price of EUR 5.75 per unit. Units to the same value as held previously were granted to staff as at 6 June 2016 at a price of EUR 34.99 in the SGTP Fidelity Plan. This accrued liability has been transferred to SG Hambros Limited as at 6 June 2016. The accruing liability from 6 June 2016 onwards has been recognised by the Company. At 31 December 2016, the value of the units of the SGTP Fidelity Plan was EUR 42.43 per unit.

(In units/GBP thousands)	Number of units	Fair value amount
Transfer to SG Fidelity Plan – Opening balance	90	1,843
Fair value movement	-	1,270
Closing balance as at 31 December 2016 (Recognised in part by the Company)	**90**	**3,113**

The fair value of the Company's portion of the final liability under the plan is GBP 776,144.

11. Income tax

The Company is liable to tax at rates according to the relevant legislation in the jurisdictions in which it operates. Income tax comprises current (taxes payable for the reporting period) and deferred tax. Taxes are typically recognised in the income statement except to the extent that the tax relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

11.1. Reconciliation of effective tax rate

(In GBP thousands)	2016	2015
Profit/(loss) before income tax	**(16,660)**	**(11,927)**
Income tax using domestic corporation tax @ 20% (2015: @ 20.25%)	(3,332)	(2,415)
Bank Surcharge @ 8% (2015: Nil)	(1,333)	-
Non-deductible expenses	248	629
Other short-term timing differences on which no deferred tax is recognised	(349)	1,786
Losses in which no deferred tax is recognised as pre-acquisition	2,054	-
Total Income tax (group tax relief)/expense	**(2,712)**	**-**

No deferred tax assets have been recognised with respect to any of the above items as it is not certain that future profits will be available to utilise these assets in the short term.

12. Financial risk management

Risk management and control

The Strategic Risk Committee assesses the business's strategies and plans from a risk perspective and, in particular, the tolerance for current and potential risk exposure. The Strategic Risk Committee also reviews and recommends actions in respect of oversight, management and control of risk.

The Strategic Risk Committee considers the Risk Appetite Statement and recommends it to the Board, taking into account the current and prospective macroeconomic and financial environment. This document outlines the nature and quantum of risk the Company wishes to bear in order to achieve its strategic, profitability and growth objectives whilst remaining within regulatory constraints. It also notes the key policies established by the Company to manage these risks and the approval process governing those policies.

Recognition and de-recognition

The Company 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 fair value through profit or loss) are initially recognised on the settlement date at which the Company becomes party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets

The Company's financial assets include cash, customer loans, debt securities and derivatives which are used as part of the Company's capital and investment strategies.

The Company initially records all financial assets at fair value, which is normally the cost of acquiring the asset or the amount loaned to customers. Financial assets are then classified as either being measured at fair value ("fair value through profit or loss" and "available for sale") or at amortised cost ("held to maturity" and "loans and receivables"). The classification is, in part, dependent on accounting rules but with some scope for the Company to select a treatment.

Financial assets measured at fair value
Financial assets designated as being fair value through profit and loss
These assets have been so classified to reduce the accounting mismatch that would otherwise arise from the fact that the fair value movements on the derivatives which economically hedge market risks on the securities are recognised in profit and loss. The market risks of these assets are treated as non-traded risk, the principal risks being interest rate and/or foreign exchange risks. The Company does not hedge credit risk.

Financial assets classified as available for sale
During the year the Company has implemented a policy of hedge accounting against new Treasury portfolio purchases where possible. All financial assets purchased after 6th June 2016 have therefore been classified as available-for-sale to enable this. This classification is also selected typically when non derivative financial assets that are designated as available-for-sale and that are not classified as financial assets held at fair value through profit or loss, held-to-maturity financial assets or loans and receivables.

Financial liabilities
The Company's financial liabilities principally comprise customer deposits. They also include derivatives held for risk management purposes at fair value through profit or loss.

Customer accounts and deposits by banks are recorded at the amount deposited. After initial recognition they are accounted for at amortised cost using the effective interest method.

Hedging and derivatives
Derivative financial instruments
The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives held for risk management purposes are measured at fair value through profit or loss.

Determination of fair value
Where possible the Company will use quoted market prices to determine fair value but where those are not available judgement is required. The degree of judgement involved is discussed in section 12.5.

Use of estimates and judgments
Level 3 assets and liabilities include non-listed investments and cash items which are valued according to an appropriate valuation technique. Judgement is used in the appropriate selection of the valuation technique and, where appropriate, estimates are used with respect to inputs into that valuation.

Derivatives
The fair value of interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties based on broker quotes.

The fair value of forward exchange contracts is their quoted market price at the reporting date, being the present value of the quoted forward price. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Investment securities
The determination of fair values for investment securities designated at fair value through profit or loss is based on quoted market prices or dealer price quotations for financial instruments traded in active markets.

Presentation of financial assets and liabilities
Impairment
Non-derivative financial assets
A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event had an impact on the estimated future cash flows of that asset.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. Typically the Company considers a decline of 20% to be significant and a period of nine months to be prolonged.

Financial assets measured at amortised cost
The Company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss 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 suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

12.1. Classification of financial assets and liabilities

12.1.1. Financial assets

Financial assets and liabilities are classified based on four recognition principles: at fair value through profit or loss, available for sale, loans and receivables or held to maturity. The Company's classification of its principal financial assets and liabilities is summarised below:

(In GBP thousands)	At fair value through profit or loss	Available for Sale	Loans and Receivables	2016 Total
Cash and balances with central banks	-	-	226,575	**226,575**
Placements with, and loans and advances to other banks		-	46,815	**46,815**
Investment securities	69,877	29,778	-	**99,655**
Derivative assets	998	-	-	**998**
Loans and advances to customers	-	-	170,178	**170,178**
Total	**70,875**	**29,778**	**443,568**	**544,221**

(In GBP thousands)	At fair value through profit or loss	Available for Sale	Loans and Receivables	2015 Total
Cash and balances with central banks	-	-	132,870	**132,870**
Placements with, and loans and advances to other banks		-	34,784	**34,784**
Investment securities	248,395	1,003	-	**249,398**
Derivative assets	184	-	-	**184**
Loans and advances to customers	-	-	127,482	**127,482**
Total	**248,579**	**1,003**	**295,136**	**544,718**

12.1.2. Financial liabilities

(In GBP thousands)	2016 At fair value through profit and loss	2016 At amortised cost	2016 Total	2015 At fair value through profit and loss	2015 At amortised cost	2015 Total
Loans and deposits due to other banks	-	20,737	**20,737**	-	27,447	**27,447**
Loans and deposits due to customers	-	489,266	**489,266**	-	461,654	**461,654**
Derivative liabilities	900	-	**900**	5,028	-	**5,028**
Total	**900**	**510,003**	**510,903**	**5,028**	**489,101**	**494,129**

12.2. Credit risk of financial assets

Credit risk is the risk of financial loss arising from the failure of a customer or counterparty to settle financial obligations to the Company as they fall due. As part of its banking and corporate lending business the Company offers clients a range of loan facilities. For most of the year, the Credit Committee was responsible for approval of lending and other business activity that involved credit risk. The Board then decided to delegate authority to specific individuals within the Credit Risk team for the approval of lending and other business activity that involves credit risk. Treasury related credit decisions, including requests for new or changes to interbank limits, require the approval of the Asset and Liability Management Committee and, if appropriate, escalation to the Strategic Risk Committee and the Board. There are pre-determined limits in relation to counterparty, geographic and other exposures. A change to the policy requires the approval of the Board. Failure to recover amounts lent or the interest and fees associated with the loans could result in bad debt charges.

12.2.1. Credit risk by financial asset class

The following is a breakdown of the credit risk borne by each class of financial asset:

2016

(In GBP thousands)	Individually impaired	Past due but not impaired	Neither past due nor impaired	Total carrying amount	Collateralised	Net Exposure
Cash and balances with central banks	-	-	226,575	**226,575**	-	**226,575**
Placements with, and loans and advances to other banks	-	-	46,815	**46,815**	-	**46,815**
Investment securities						**-**
Debt and other fixed income securities	-	-	69,877	**69,877**	-	**69,877**
Available for sale	-	-	29,778	**29,778**	-	**29,778**
Derivative assets	-	-	998	**998**	-	**998**
Loans and advances to customers	-	-	170,178	**170,178**	169,930	**248**
Total financial assets	**-**	**-**	**544,221**	**544,221**	**169,930**	**374,291**

Of the amounts shown above none are subject to specific provisioning.

2015

(In GBP thousands)	Individually impaired	Past due but not impaired	Neither past due nor impaired	Total carrying amount	Collateralised	Net Exposure
Cash and balances with central banks	-	-	132,870	**132,870**	-	**132,870**
Placements with, and loans and advances to other banks	-	-	34,784	**34,784**	-	**34,784**
Investment securities						**-**
Debt and other fixed income securities	-	-	248,395	**248,395**	-	**248,395**
Available for sale	-	-	1,003	**1,003**	-	**1,003**
Derivative assets	-	-	184	**184**	-	**184**
Loans and advances to customers	-	-	127,482	**127,482**	127,019	**463**
Total financial assets	**-**	**-**	**544,718**	**544,718**	**127,019**	**417,699**

The Company applies the following definitions when presenting amounts as impaired or past due:

i) Impaired financial instruments

These are instruments for which the Company determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the financial instrument agreement(s). The Company recognises a provision against these amounts which represents its best estimate of amounts that may not be recovered.

ii) Past due but not impaired financial instruments

These are instruments where contractual interest or principal payments are past due but the Company believes that specific impairment is not appropriate on the basis of the level of security/capital available and/or the stage of collection of amounts owed to the Company. There were none in 2016 (2015: nil)

Collateral held

The table below details the fair value of collateral held, at 31 December 2016, by the Company against loans it has given to customers.

	2016		2015	
(In GBP thousands)	*Carrying amount of loans and receivables*	Collateral held	*Carrying amount of loans and receivables*	Collateral held
Against neither past due nor impaired:				
Property	142,409	142,409	102,099	102,099
Equities	27,769	27,521	25,383	24,920
Total	**170,178**	**169,930**	**127,482**	**127,019**

The collateral held is capped at the value of the loan. For all of the secured loans the value of collateral held was higher than the value of the loan.

12.2.2. Net exposure to credit risk

The following is a breakdown of the net exposure to credit risk by type of credit enhancement:

(In GBP thousands)	Maximum exposure	Property	Equities	2016 Net amount
Cash and balances with central banks	226,575	-	-	**226,575**
Placements with, and loans and advances to other banks	46,815	-	-	**46,815**
Investment securities				
Debt and other fixed income securities	69,877	-	-	**69,877**
Available for sale	29,778	-	-	**29,778**
Derivative assets	998	-	-	**998**
Loans and advances to customers	170,178	142,409	27,521	**248**
Total financial assets	**544,221**	**142,409**	**27,521**	**374,291**

(In GBP thousands)	Maximum exposure	Property	Equities	2015 Net amount
Cash and balances with central banks	132,870	-	-	**132,870**
Placements with, and loans and advances to other banks	34,784	-	-	**34,784**
Investment securities				
Debt and other fixed income securities	248,395	-	-	**248,395**
Available for sale	1,003	-	-	**1,003**
Derivative assets	184	-	-	**184**
Loans and advances to customers	127,482	102,099	24,920	**463**
Total financial assets	**544,718**	**102,099**	**24,920**	**417,699**

12.2.3. Geographical concentration of financial assets

The following table identifies the geographical concentrations of financial assets:

(In GBP thousands)	United Kingdom	Rest of Europe	Rest of the world	2016 Total
Cash and balances with central banks	226,575	-	-	**226,575**
Placements with, and loans and advances to other banks	8,816	33,297	4,702	**46,815**
Investment securities				
Debt and other fixed income securities	13,121	33,489	23,267	**69,877**
Available for sale	278	29,500	-	**29,778**
Derivative assets	89	909	-	**998**
Loans and advances to customers	147,740	13,907	8,531	**170,178**
Total	**396,619**	**111,102**	**36,500**	**544,221**

(In GBP thousands)	United Kingdom	Rest of Europe	Rest of the world	2015 Total
Cash and balances with central banks	132,870	-	-	**132,870**
Placements with, and loans and advances to other banks	14,752	18,611	1,421	**34,784**
Investment securities				
Debt and other fixed income securities	69,648	68,052	110,695	**248,395**
Available for assets	1,003	-	-	**1,003**
Derivative assets	181	3	-	**184**
Loans and advances to customers	111,561	10,648	5,273	**127,482**
Total	**330,015**	**97,314**	**117,389**	**544,718**

12.2.4. Concentration of financial assets by sector

The following table identifies the concentrations of financial assets by sector:

(In GBP thousands)	Corporate	Government	Other banks	Retail customers	Unallocated	2016 Total
Cash and balances with central banks	-	226,575	-	-	-	**226,575**
Placements with, and loans and advances to other banks	11,504	-	35,311	-	-	**46,815**
Investment securities						
Debt and other fixed income securities	12,675	25,030	32,172	-	-	**69,877**
Available for sale	278	9,454	20,046	-	-	**29,778**
Derivative assets	5	-	917	76	-	**998**
Loans and advances to customers	45,596	-	-	124,582	-	**170,178**
Total financial assets	**70,058**	**261,076**	**88,429**	**124,658**	**-**	**544,221**

(In GBP thousands)	Corporate	Government	Other banks	Retail customers	Unallocated	2015 Total
Cash and balances with central banks	-	132,870	-	-	-	**132,870**
Placements with, and loans and advances to other banks	73	-	34,711	-	-	**34,784**
Investment securities						
Debt and other fixed income securities	40,191	69,187	135,629	3,388	-	**248,395**
Available for sale	1,003	-	-	-	-	**1,003**
Derivative assets	24	-	86	74	-	**184**
Loans and advances to customers	26,580	-	16	100,886	-	**127,482**
Total financial assets	**67,871**	**202,057**	**170,442**	**104,348**	**-**	**544,718**

12.2.5. Credit quality by financial asset class

The following is a breakdown of the credit quality of the Company's financial assets:

Internal risk rating

Financial assets are allocated a low risk rating where they are with a related party or where the internal rating of the counterparty is B and above. The rating of fair risk is assigned where the internal rating of the counterparty is rated C or below.

(In GBP thousands)	Low risk	Fair risk	Impaired loans	2016 Total	Low risk	Fair risk	Impaired loans	2015 Total
Cash and balances with central banks	226,575	-	-	**226,575**	132,870	-	-	**132,870**
Placements with, and loans and advances to other banks	38,344	8,471	-	**46,815**	28,855	5,929	-	**34,784**
Investment securities								
Debt and other fixed income securities	67,902	1,975	-	**69,877**	224,853	23,542	-	**248,395**
Available for sale	29,778	-	-	**29,778**	1,003	-	-	**1,003**
Derivative assets	-	998	-	**998**	-	184	-	**184**
Loans and advances to customers	130,875	39,303	-	**170,178**	102,024	25,458	-	**127,482**
Total financial assets	**493,474**	**50,747**	**-**	**544,221**	**489,605**	**55,113**	**-**	**544,718**

External risk rating

(In GBP thousands)	AAA to AA3	A1 to A3	Other	2016 Total	AAA to AA3	A1 to A3	Other	2015 Total
Cash and balances with central banks	226,575	-	-	**226,575**	132,870	-	-	**132,870**
Placements with, and loans and advances to other banks	4,834	21,951	20,030	**46,815**	2,389	26,481	5,914	**34,784**
Investment securities								
Debt and other fixed income securities	67,902	-	1,975	**69,877**	187,348	37,617	23,430	**248,395**
Available for sale	29,500	-	278	**29,778**	-	-	1,003	**1,003**
Derivative assets	-	900	98	**998**	-	-	184	**184**
Loans and advances to customers	-	-	170,178	**170,178**	-	-	127,482	**127,482**
Total financial assets	**328,811**	**22,851**	**192,559**	**544,221**	**322,607**	**64,098**	**158,013**	**544,718**

Consistent with the Company's risk strategy, 65% of the Company's investment are invested with institutions rated A3 and above, these are in cash, placements with, and loans and advances to other banks, and investment securities (2015: 71%).

Loans and advances to customers primarily comprise (i) corporate loans and (ii) mortgage lending to retail customers. Typically there is no external credit rating attributable to these customers; however, such loans are continuously monitored for credit worthiness with over 77% being deemed low risk on an internal basis for the year ended 31 December 2016 (2015: 80%).

12.2.6. Loan to values ratios

Included within loans and receivables due from customers is GBP 142,409,068 (2015: GBP 102,099,118) of mortgage loans (see note 12.2.2). The loan to values of the mortgages are disclosed below:

	2016 Mortgage lending amount	2015 Mortgage lending amount
Less than 25%	1,004	3,306
26% to 50%	41,802	48,906
51% to 70%	82,769	47,487
71% to 90%	16,834	2,400
Total	**142,409**	**102,099**

The following loan to value ratios are for commitments to advance mortgage loans.

	2016	2015
26% to 50%	765	100
51% to 70%	2,800	-
Total	**3,565**	**100**

12.3. Liquidity risk of financial assets and liabilities

Liquidity risk is the risk that the Company cannot pay its obligations as they fall due.

The Company's risk appetite reflects the Board's commitment to ensure that the Company can adequately meet all its liabilities as they fall due and manage the balance sheet to a scale and composition that it can sustainably be financed within both internal and external limits including under stress conditions.

The Company seeks specifically to ensure that all known short-term cash obligations (actual and potential) can be met under a significant stress scenario, without damaging the core franchise of fee based services to high net worth clients.

The table below summarises the residual contractual maturities and contractual cash flows of the Company's financial assets and liabilities. The amounts presented below are inclusive of interest and principal repayments and are shown on an undiscounted basis. Whilst the disclosure is based on contractual cash flows, there is the possibility that amounts are received earlier than contracted, for example, if a customer repays a loan earlier, or amounts may be received at a later date, for example, if a deposit is extended.

							2016
(In GBP thousands)	Carrying amount	Contractual Cashflows	On demand	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 Years	More than 5 Years
Financial assets							
Non-derivative assets							
Cash and balances with central banks	226,575	226,575	226,575	-	-	-	-
Placements with, and loans and advances to other banks	46,815	46,815	30,895	-	-	15,920	-
Investment securities							
Debt and other fixed income securities	69,877	70,873	20,015	-	-	50,859	-
Available for sale investments	29,778	30,928	-	-	-	30,928	-
Loans and advances to customers	170,178	189,828	26,192	32,143	18,726	112,766	-
Total non-derivative assets and investment securities	**543,223**	**565,019**	**303,677**	**32,143**	**18,726**	**210,473**	**-**
Derivative assets							
Interest rate swaps	208	85	-	-	-	85	-
Forward exchange contracts	790	812	812	-	-	-	-
Total derivative assets	**998**	**897**	**812**	**-**	**-**	**85**	**-**
Total financial assets	**544,221**	**565,882**	**304,489**	**32,143**	**18,726**	**210,524**	**-**
Financial liabilities							
Non-derivative liabilities							
Loans and deposits due to							
Other banks	20,737	20,736	20,736	-	-	-	-
Customers	489,266	490,048	255,530	43,219	134,042	57,257	-
Total non-derivative liabilities	**510,003**	**510,784**	**276,266**	**43,219**	**134,042**	**57,257**	**-**
Derivative liabilities							
Interest rate swaps	35	17	-	6	-	11	-
Forward exchange contracts	865	430	430	-	-	-	-
Total derivative liabilities	**900**	**447**	**430**	**6**	**-**	**11**	**-**
Total financial liabilities	**510,903**	**511,232**	**276,697**	**43,225**	**134,042**	**57,268**	**-**

2015

(In GBP thousands)	Carrying amount	Contractual Cashflows	On demand	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 Years	More than 5 Years
Financial assets							
Non-derivative assets							
Cash and balances with central banks	132,870	132,870	132,870	-	-	-	-
Placements with, and loans and advances to other banks	34,784	34,816	18,880	16	-	15,920	-
Investment securities							
Debt and other fixed income securities	248,395	259,224	-	1,364	51,885	205,975	
Available for sale investments	1,003	-	-	-	-	-	
Loans and advances to customers	127,482	133,811	11,848	6,614	59,230	56,119	-
Total non-derivative assets and investment securities	**544,534**	**560,721**	**163,598**	**7,994**	**111,115**	**278,014**	**-**
Derivative assets							
Interest rate swaps	-	576	594	-	-	(18)	-
Forward exchange contracts	184	729	721	8	-	-	-
Total derivative assets	**184**	**1,305**	**1,315**	**8**	**-**	**(18)**	**-**
Total financial assets	**544,718**	**562,026**	**164,913**	**8,002**	**111,115**	**278,996**	**-**
Financial liabilities							
Non-derivative liabilities							
Loans and deposits due to							
Other banks	27,447	27,444	27,444	-	-	-	
Customers	461,654	465,024	243,322	54,271	69,670	97,761	
Total non-derivative liabilities	**489,101**	**492,468**	**270,766**	**54,271**	**69,670**	**97,761**	**-**
Derivative liabilities							
Interest rate swaps	2,733	9,997	4,598	31	26	5,342	-
Forward exchange contracts	2,295	936	934	2	-		-
Total derivative liabilities	**5,028**	**10,933**	**5,532**	**33**	**26**	**5,342**	**-**
Total financial liabilities	**494,129**	**503,401**	**276,298**	**54,304**	**69,696**	**103,103**	**-**

12.3.1. Liquidity risk – encumbered and unencumbered assets

As part of its treasury operations the Company will sometimes pledge financial assets as collateral or has the ability to pledge its assets should it need to raise funds.

The table below details which of the Company's financial assets are encumbered or are available to be pledged as collateral.

	2016				
	Encumbered		Unencumbered		Total Carrying
(In GBP thousands)	Pledged as collateral	Other	Available as collateral	Other	Amount
Cash and balances with central banks	-	-	226,575	-	226,575
Placements with, and loans and advances to other banks	-	-	46,815	-	46,815
Investment securities					
Debt and other fixed income securities	-	-	69,877	-	69,877
Available for sale	-	-	29,778	-	29,778
Derivative assets	-	-	998	-	998
Loans and advances to customers	-	-	170,178	-	170,178
Total	**-**	**-**	**544,221**	**-**	**544,221**

	2015				
	Encumbered		Unencumbered		Total Carrying
(In GBP thousands)	Pledged as collateral	Other	Available as collateral	Other	Amount
Cash and balances with central banks	-	-	132,870	-	132,870
Placements with, and loans and advances to other banks	-	-	34,784	-	34,784
Investment securities					
Debt and other fixed income securities	-	-	248,395	-	248,395
Available for sale	-	-	1,003	-	1,003
Derivative assets	-	-	184	-	184
Loans and advances to customers	-	-	127,482	-	127,482
Total	-	-	**544,718**	-	**544,718**

12.4. Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of the Company's financial assets and liabilities. Given that the majority of the Company's financial assets are invested in short-term cash, or in instruments that are measured at fair value, there is little difference between the carrying amounts and the respective fair values.

	2016		2015	
(In GBP thousands)	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	226,575	226,575	132,870	132,870
Placements with, and loans and advances to other banks	46,815	46,815	34,784	34,784
Investment securities				
Debt and other fixed income securities	69,877	69,877	248,395	248,395
Available for sale	29,778	29,778	1,003	1,003
Derivative assets	998	998	184	184
Loans and advances to customers	170,178	170,178	127,482	127,482
Total financial assets	**544,221**	**544,221**	**544,718**	**544,718**
Loans and deposits due to				
Other banks	20,737	20,737	27,447	27,447
Customers	489,266	489,479	461,654	462,900
Derivative liabilities	900	900	5,028	5,028
Total financial liabilities	**510,903**	**511,116**	**494,129**	**495,375**

Estimation of fair values of financial instruments at cost

Loans and receivables due from and to other banks

Loans and receivables due from other banks include inter-bank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is estimated as their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

Loans and receivables due from and to customer

Loans and receivables due from customers are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Other financial assets and liabilities

The fair value of other assets and liabilities has been estimated as the carrying value due to the short maturities on the amounts held.

12.5. Valuation methods of financial instruments at fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. The fair value of financial instruments may require some judgement or may be derived from readily available sources. The degree of judgement involved is described below, although this does not necessarily indicate that the fair value is more or less likely to be realised.

For investments that are actively traded in financial markets, fair value is determined by reference to official quoted market bid prices. For investments that are not actively traded, fair value is determined by using quoted prices from third parties such as brokers, market makers and pricing agencies as well as widely recognised valuation methods.

Each instrument has been categorised using a fair value hierarchy that reflects the extent of judgements used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities and principally comprise investments in quoted equities and bonds;
- Level 2: input other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) principally comprising of derivatives which have been valued using widely recognised valuation models.

  Level 2 inputs include:
  - quoted prices for similar assets or liabilities in active markets
  - quoted prices for identical or similar assets or liabilities in markets that are not active
  - inputs other than quoted prices that are observable for the asset or liability, for example
    - interest rates and yield curves observable at commonly quoted intervals
    - implied volatilities
    - credit spreads
  - inputs that are derived principally from or corroborated by observable market data by correlation or other means ('market-corroborated inputs'). The valuation technique used is the present value of future cash flows;
- Level 3: input for the asset or liability that is not based on observable market data (unobservable inputs). Level 3 items consist of equity *investments in unquoted companies which have been recorded either at cost where recently purchased, or with reference to forecasted* discounted cash flows of the relevant underlying entities and other assets and liabilities values at amortised cost.

				2016
(In GBP thousands)	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value:				
Investment securities				
Debt and other fixed income securities	69,877	-	-	**69,877**
Available for sale	29,500	-	-	**29,500**
Derivative assets	-	998	-	**998**
Total financial assets measured at fair value	**99,377**	**998**	-	**100,375**
Financial assets measured at amortised cost:				
Cash and balances with central banks	226,575	-	-	**226,575**
Placements with, and loans and advances to other banks	30,895	15,920	-	**46,815**
Investment securities				
Available for sale	-	-	278	**278**
Loans and advances to customers	18,028	152,150	-	**170,178**
Total financial assets measured at amortised cost	**275,498**	**168,070**	**278**	**443,846**
Total financial assets	**374,875**	**169,068**	**278**	**544,221**
Loans and deposits due to				
Financial liabilities measured at fair value:				
Derivative liabilities	-	(900)	-	**(900)**
Total financial liabilities measured at fair value	**-**	**(900)**	**-**	**(900)**
Financial liabilities measured at amortised cost:				
Other banks	(20,737)	-	-	**(20,737)**
Customers	(237,368)	(251,898)	-	**(489,266)**
Total financial liabilities measured at amortised cost	**(258,105)**	**(251,898)**	**-**	**(510,003)**
Total financial liabilities	**(258,105)**	**(252,798)**	**-**	**(510,903)**

In GBP thousands)	Level 1	Level 2	Level 3	2015 Total
Financial assets measured at fair value:				
Investment securities				
Debt and other fixed income securities	248,395	-	-	**248,395**
Derivative assets	-	184	-	**184**
Total financial assets measured at fair value	**248,395**	**184**	-	**248,579**
Financial assets measured at amortised cost:				
Cash and balances with central banks	132,870	-	-	**132,870**
Placements with, and loans and advances to other banks	18,864	15,920	-	**34,784**
Investment securities				
Available for sale	-	-	1,003	**1,003**
Loans and advances to customers	11,858	115,624	-	**127,482**
Total financial assets measured at amortised cost	**163,592**	**131,544**	**1,003**	**296,139**
Total financial assets	**411,987**	**131,728**	**1,003**	**544,718**
Loans and deposits due to				
Financial liabilities measured at fair value:				
Derivative liabilities	-	(5,028)	-	**(5,028)**
Total financial liabilities measured at fair value	-	**(5,028)**	-	**(5,028)**
Financial liabilities measured at amortised cost:				
Other banks	(27,447)	-	-	**(27,447)**
Customers	(243,312)	(218,342)	-	**(461,654)**
Total financial liabilities measured at amortised cost	**(270,759)**	**(218,342)**	-	**(489,101)**
Total financial liabilities	**(270,759)**	**(223,370)**	-	**(494,129)**

Assets and liabilities have been classified as Level 2 except for quoted bonds which are classified as Level 1. There have been no transfers between Level 1 and Level 2 in 2016.

Directors' key judgements and assumptions for level 3:
The Company has challenged the future forecasted cash flows of the entities that it is holding as available for sale investments securities. Valuation of these investments have been based on a forecast model, which the Company believes is probable at the date of the financial statements.
The sensitivity of valuations are based on the expected future profitability of the entities. The valuation of the investment securities are sensitive to future profitability being greater or less than management forecast.

	(In GBP thousands)
Level 3:	
Investment securities – Available for sale	
As at 01Jan-16	**1,003**
Transfers to level 3	**-**
Acquisitions	**282**
Gains and losses recognised through profit and loss	**(1,007)**
Gains and losses recognised in Equity	**-**
Other movements	**-**
As at 31-Dec-16	**278**

12.6. Foreign currency risk
The Company is exposed to market risk from changes in exchange rates that could impact the results of operations and the financial position. The Company is exposed to both translation as well as transaction risk. The translation risk is the risk that the financial statements are affected by changes in the prevailing exchange rates of the various currencies of the businesses or their subsidiaries relative to GBP. Transaction risk is the risk that the currency structure of the costs and liabilities deviates from the currency structure of the sales proceeds and assets.

The main currencies the Company is exposed to are EUR, GBP and USD.

When granting loans, booking deposits or taking positions in investments denominated in a foreign currency, the Company incurs foreign exchange risk if those positions are not closed by either investing or refinancing those positions in the respective currency, or by contracting cross currency swaps or foreign exchange forward contracts. The open foreign exchange positions (defined as the present value of the future cash flows discounted with the foreign interest rates) are monitored daily against pre-set limits and form the basis of foreign exchange risk controlling through the use of foreign exchange derivatives.

The Company's currency exposure as at 31 December 2016 and comparative period are stated in GBP equivalent in thousands as follows:

			2016
(In GBP thousands)	Gross exposure	Hedged	Net exposure
USD	(6,955)	7,129	174
EUR	(1,367)	422	(944)
Other	441	8	449
Total currency exposure	**(7,881)**	**7,560**	**(321)**
GBP	47,669	(7,635)	40,034
Total	**39,788**	**(75)**	**39,713**

			2015
(In GBP thousands)	Gross exposure	Hedged	Net exposure
USD	48,479	(47,755)	**724**
EUR	4,802	(4,897)	**(95)**
Other	(311)	682	**371**
Total currency exposure	**52,970**	**(51,970)**	**1,000**
GBP	2,464	49,859	52,323
Total	**55,434**	**(2,111)**	**53,323**

A strengthening of GBP against EUR or USD at 31 December 2016, of 10% would have decreased (increased) equity and profit (loss) for the period by the amounts shown below. The analysis is performed on the same basis for the year ended 31 December 2015. A weakening of the EUR or USD against the GBP would have had the equal but opposite effect on the amounts shown below.

		2016		2015
(In GBP thousands)	Equity	Profit/(loss) for the period	Equity	Profit/(loss) for the period
EUR	(94.4)	(94.4)	(9.5)	(9.5)
USD	17.4	17.4	72.4	72.4

12.7. Interest rate risk

Interest rate risk arises in the balance sheet as a result of fixed and variable rate assets and liabilities. Exposure to interest rate movements arises when a mismatch is created between interest rate sensitive assets and liabilities.

Interest rate mismatches associated with the Company's financial services activities are monitored daily. The exposure to movements in interest rates is monitored in basis point values to a given rise in interest rates. The given rise in interest rates is calculated as 100 basis points (1%). Positions are monitored both individually and on an aggregated basis. Positions are monitored against approved limits. These limits have been assigned and approved on an individual currency and total position basis.

The future principal and interest cash flows of each asset and liability are included based on their present value. The present value of future cash flows of interest bearing assets and liabilities are sensitive to changes in interest rates and thus this sensitivity represents the direction and degree of change in the value of a cash flow for a given change in the underlying interest rate.

2016

		Repricing Dates					
(In GBP thousands)	Carrying amount	Less than 3 months	Between 3 and 12 months	Between 1 year and 5 years	Non-interest bearing	More than 5 Years	Total
Cash and balances with central banks	226,575	226,575	-	-	-	-	**226,575**
Placements with, and loans and advances to other banks							
Fixed rate	18,129	14,946	-	3,183	-	-	**18,129**
Variable rate	-	-	-	-	-	-	-
Non-interest bearing	28,686	-	-	-	28,686	-	**28,686**
Investment securities							
Debt and other fixed income securities	69,877	20,189	-	49,688	-	-	**69,877**
Available for sale	29,778	-	-	29,500	278	-	**29,778**
Loans and advances to customers							
Variable rate	170,178	170,178	-	-	-	-	**170,178**
Total	**543,223**	**431,888**	-	**82,371**	**28,964**	-	**543,223**
Loans and deposits due to other banks							
Variable rate	20,668	20,668	-	-	-	-	**20,668**
Non-interest bearing	69	-	-	-	69	-	**69**
Loans and deposits due to customers							
Fixed rate	28,405	28,405	-	-	-	-	**28,405**
Variable rate	460,861	460,861	-	-	-	-	**460,861**
Total	**510,003**	**509,934**	-	-	**69**	-	**510,003**
Interest rate derivatives (gross notional inflows)	27,553	-	-	27,553	-	-	**27,553**
Interest rate derivatives (gross notional outflows)	(21,223)	(16,223)	-	(5,000)	-	-	**(21,223)**
Net notional inflow (outflow)	**6,330**	**(16,223)**	-	22,553	-	-	**6,330**

2015

(In GBP thousands)	Carrying amount	Less than 3 months	Between 3 and 12 months	Between 1 year and 5 years	Non-interest bearing	More than 5 Years	Total
		Repricing Dates					
Cash and balances with central banks	132,870	132,870	-	-	-	-	**132,870**
Placements with, and loans and advances to other banks							
Fixed rate	21,702	18,519	-	3,183	-	-	**21,702**
Variable rate	-	-	-	-	-	-	-
Non-interest bearing	13,082	-	-	-	13,082	-	**13,082**
Investment securities							
Debt and other fixed income securities	248,395	31,554	28,553	188,288	-	-	**248,395**
Available for sale	1,003	-	-	-	1,003	-	**1,003**
Loans and advances to customers							
Variable rate	127,482	127,482	-	-	-	-	**127,482**
Total	**544,534**	**310,425**	**28,553**	**191,471**	**14,085**	-	**544,534**
Loans and deposits due to other banks							
Variable rate	27,386	27,386	-	-	-	-	**27,386**
Non-interest bearing	61	-	-	-	61	-	**61**
Loans and deposits due to customers							
Fixed rate	75,745	33,311	22,053	20,381	-	-	**75,745**
Variable rate	385,909	385,909	-	-	-	-	**385,909**
Total	**489,101**	**446,606**	**22,053**	**20,381**	**61**	-	**489,101**
Interest rate derivatives (gross notional inflows)	242,387	193,242	49,146	-	-	-	**242,387**
Interest rate derivatives (gross notional outflows)	(242,387)	(7,364)	(13,564)	(221,460)	-	-	**(242,387)**
Net notional inflow (outflow)	-	**185,878**	**35,582**	**(221,460)**	-	-	-

For the purpose of comparability amounts that are non-interest bearing have been separately disclosed. These are principally current accounts held with other banks.

The weighted average interest rates are as follows:

(In %)	Other banks	2016 Customers	Other banks	2015 Customers
Loans and advances to	0.00	3.14	0.39	2.65
Loans and deposits due to	0.00	1.09	0.30	2.00

Amounts due to and from other banks are typically short-term in nature with interest linked to LIBOR.

An increase in the interest rate of 100 basis points would have an adverse effect on equity of GBP 554,000 in 2016 (2015: GBP 313,300).

This approach to market risk exposure has the effect of showing the aggregated potential profit or loss which the Company would be exposed to if interest rates were to rise or fall by 100 basis points. On such a basis points move, the value of any profits or losses would not be immediately recognised in the financial accounts. The value represents the potential gain or loss that would be realised over the life of the assets and liabilities if the move in interest rates were affected and all interest rates and positions remained static for their remaining life.

13. Cash and balances with central banks

Cash and balances with central banks are carried at cost in the statement of financial position.

Cash and cash equivalents include unrestricted balances held with central banks which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

For the purposes of the cash flow statement, cash also includes loans and deposits to other banks that can be accessed without significant penalties for withdrawal.

13.1. Breakdown of cash and cash equivalents

(In GBP thousands)	2016	2015
Unrestricted balances with central banks	226,575	132,870
Time deposits and term accounts < 3 months	2,184	5,781
Other bank accounts	27,069	11,015
Total	**255,828**	**149,666**

14. Placements with, and loans and advances to other banks and customers

14.1. Placements with, and loans and advances to other banks.

Placements with, and loans and advances to other banks typically represent investments the Company has made in money market and short-term deposits of other financial institutions.

(In GBP thousands)	2016	2015
Other banks	46,815	34,784

At the year-end GBP 2,183,932 (2015: GBP 5,774,994) of placements with, and loans and advances to other banks was pledged as collateral against derivative liabilities.

14.2. Loans and advances to customers

Loans and advances to customers represents amounts the Company has lent to customers, typically in the form of mortgages or other secured lending. The strategy to grow lending for the first 9 months can be seen in the growth of customer mortgages and loans.

(In GBP thousands)	2016	2015
Customers		
Retail mortgages	142,409	102,099
Retail other loans	27,769	25,383
Total	**170,178**	**127,482**

15. Investment securities

The Company maintains a high quality, liquid treasury portfolio, the majority of investments being classified as fair value through profit and loss. During 2016, as a result of being brought within the Société Générale Group Treasury mandate, a more conservative approach was taken within the Treasury portfolio.

(In GBP thousands)	2016	2015
Financial assets at fair value through profit or loss		
Debt securities and corporate bonds	49,688	248,395
Certificates of Deposits	20,189	-
	69,877	**248,395**
Available for sale		
Debt securities and corporate bonds	29,500	-
Equity holdings	278	1,003
	29,778	**1,003**
Total	**99,655**	**249,398**

15.1. Transfers of financial assets that are not derecognised in their entirety

GBP Nil (2015: Nil) of Investment securities were pledged as collateral. Deposits of GBP Nil (2015: Nil) were held at year end under these agreements.

16. Derivatives

The tables below show the Company's use of derivatives. Derivatives are only used for risk management purposes.

16.1. Derivative assets

2016

(In GBP thousands)	Notional principal amount	Held for risk management	Designated in a hedging relationship	Held for trading	Fair value total
Interest rate					
Interest rate swap	27,553	208	-	-	208
Foreign currency					
Currency swaps	3,364	17	-	-	17
Forward exchange contracts	52,090	773	-	-	773
Total	**83,007**	**998**	**-**	**-**	**998**

2015

(In GBP thousands)	Notional principal amount	Held for risk management	Designated in a hedging relationship	Held for trading	Fair value total
Interest rate					
Interest rate swap	-	-	-	-	-
Foreign currency					
Currency swaps	2,945	3	-	-	3
Forward exchange contracts	12,480	181	-	-	181
Total	**15,425**	**184**	**-**	**-**	**184**

16.2. Derivative liabilities

2016

(In GBP thousands)	Notional principal amount	Held for risk management	Designated in a hedging relationship	Held for trading	Total
Interest rate					
Interest rate swap ("Over the Counter")	21,223	36	-	-	36
Interest rate forward ("Over the Counter")	-	-	-	-	-
Foreign currency					
Currency swaps	7,166	25	-	-	25
Forward exchange contracts	55,779	839	-	-	839
Total	**84,168**	**900**	**-**	**-**	**900**

2015

(In GBP thousands)	Notional principal amount	Held for risk management	Designated in a hedging relationship	Held for trading	Total
Interest rate					
Interest rate swap ("Over the Counter")	242,387	2,700	-	-	2,700
Interest rate forward ("Over the Counter")	400,000	33	-	-	33
Foreign currency					
Currency swaps	26,846	960	-	-	960
Forward exchange contracts	46,083	1,335	-	-	1,335
Total	**715,316**	**5,028**	**-**	**-**	**5,028**

17. Accrued income and other assets

Trade and other receivables are stated at their cost less impairment losses. An estimate is made for doubtful receivables based on a review of all outstanding amounts at each reporting date. Impairment losses are recorded during the year in which they are identified.

Prepayments arise where the Company pays cash in advance for services. As the service is provided, the prepayment is reduced and the operating expense recognised in the income statement.

(In GBP thousands)	2016	2015 (restated)*
Indemnity for loss	3,464	6,130
Accrued income	2,585	2,796
Prepayments	1,692	1,055
Intercompany receivables	3,394	1,425
Settlement balances	3,601	1,782
Trade receivables	228	379
Fee debtors	49	59
Due from brokers	238	124
Other assets	592	333
Total	**15,843**	**14,083**

*Please refer to Note 32

Indemnity for loss is due from the Company's historic parent undertaking, Commerzbank AG, in respect of indemnities given to cover a proportion of the maximum expected costs incurred in settling claims against the Company from business arising in prior periods. The liabilities are either settled or recognised in the subsidiary entities with a respective intercompany payable amount recognised in the Financial Statements of the Company.

18. Property, plant and equipment

The Company's property, plant and equipment provide the infrastructure needed to enable the Company to operate and includes buildings, leasehold improvements, office equipment and motor vehicles.

Cost
Property, plant and equipment is stated at historic cost less accumulated depreciation and accumulated impairment losses.

Depreciation
Depreciation is charged as an operating expense on a straight-line basis over the asset's estimated useful life.

(In years)	
Buildings	99
Leasehold improvements	3–10
Motor vehicles and computer hardware	3–10
Fixtures and fittings	1–5

Disposals
Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and are recognised net within profit and loss.

(In GBP thousands)		Buildings and leasehold improvements	Motor vehicles and computer hardware	Fixtures and fittings	Other	Total
	As at 01-Jan-16	3,143	5	16	-	**3,164**
Additions		-	-	-	-	**-**
Depreciation		(571)	(5)	(7)	-	**(583)**
Disposals		-	-	-	-	**-**
Impairment		(2,572)	-	-	-	**(2,572)**
	As at 31-Dec-16	**-**	**-**	**9**	**-**	**9**
	As at 01-Jan-15	5,057	37	125	-	**5,219**
Additions		-	-	21	-	**21**
Depreciation		(570)	(32)	(130)	-	**(732)**
Disposals		(1,344)	-	-	-	**(1,344)**
	As at 31-Dec-15	**3,143**	**5**	**16**	**-**	**3,164**

During 2016, there has been a GBP 2.4 million onerous provision raised in relation to the building on St George Street.

19. Intangible assets

Development costs

Software

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is capitalised if it results in the design for new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives and is recognised within general and administrative expenses in the income statement (see note 10).

The estimated useful lives are as follows:

(In years)		
Software	3–5	3–5
Development costs	3–5	3–5

19.1. Breakdown and roll forward

(In GBP thousands)	Development Costs	Software	Total
As at 01-Jan-16	1,675	474	2,149
Additions	4,206	-	4,206
Amortisation	-	(312)	(312)
Transfers	(126)	126	-
Impairment	(1,835)	(273)	(2,108)
As at 31-Dec-16	**3,920**	**15**	**3,935**
As at 01-Jan-15	285	920	1,205
Additions	1,629	-	1,629
Amortisation	-	(343)	(343)
Transfers	(99)	99	-
Impairment	(140)	(202)	(342)
As at 31-Dec-15	**1,675**	**474**	**2,149**

19.2. Impairment testing

19.2.1. Analysis

In accordance with IAS 36 (Impairment of Assets), the Company reviewed the carrying values of its intangible assets at 31 December 2016 and 31 December 2015. As a result of this review, the Company recognised an impairment charge of GBP 2,107,970 (2015: 341,494) relating to software that was previously in use and under development which has either had its expected useful life reduced or, for assets under development , will not be brought into use. Judgment has been used by management in determining the length of these remaining useful lives.

20. Loans and deposits due to credit institutions and customers

Loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings *on an effective interest basis.*

(In GBP thousands)	2016	2015
Other banks		
Deposits	20,737	27,447
	20,737	**27,447**
Customers		
Retail	430,359	357,034
Corporate	58,907	104,620
	489,266	**461,654**
Total	**510,003**	**489,101**

The deposits due to customers are classified as follows:

(In GBP thousands)	2016	2015
Retail customers		
Term deposits	208,586	156,330
Call deposits	221,773	200,704
	430,359	**357,034**
Corporate customers		
Term deposits	43,312	79,625
Current deposits	15,595	24,995
	58,907	**104,620**
Total	**489,266**	**461,654**

21. Provisions

Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The timing and amount of settlement of each legal claim or potential claim and constructive obligation is uncertain. The Company has performed an assessment of the timing and amount and reviews this assessment periodically.

Use of estimates and judgments

In determining the value of specific provisions a number of estimates and judgments have been made by management. This includes judgment that matters are probable for a provision to be made and the use of reliable estimates, based upon current available information, in calculating the amount to be provided for.

Restructuring

A provision for restructuring is recognised when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with the contract.

The provisions have decreased from GBP 4,099,129 to GBP 2,444,574 during the year due to the following changes:

(In GBP thousands)	Restructuring	Legal proceedings (restated)*	Capital market losses	Other	Total
As at 01-Jan-16	172	2,300	-	1,627	4,099
Additions	860	-	-	2,803	3,663
Utilisations	(1,032)	-	-	(1,986)	(3,018)
Released	-	(2,300)	-	-	(2,300)
As at 31-Dec-16	**-**	**-**	**-**	**2,444**	**2,444**
As at 01-Jan-15	211	3,860	644	55	4,770
Additions	1,001	-	-	1,998	2,999
Utilisations	(1,040)	(1,560)	-	(426)	(3,026)
Released	-	-	(644)	-	(644)
As at 31-Dec-15 (restated)*	**172**	**2,300**	**-**	**1,627**	**4,099**

*Please refer to Note 32

The restructuring provisions of GBP Nil (2015: GBP 172,257) relate to redundancy costs.

Legal provisions include amounts provided for the cost of legal proceedings arising from business undertaken in prior periods. In 2015 90% of these costs were indemnified by the historic parent undertaking, Commerzbank AG, as disclosed in note 17.

Other provisions includes GBP 2,378,398 onerous lease provision for the Company's former premises of 14 St George Street.

21.1. Expected maturity of provisions

2016

(In GBP thousands)	Restructuring	Legal proceedings	Capital market losses	Other	Total
Less than 1 year	-	-	-	2,444	2,444
Between 1 and 5 years	-	-	-	-	-
Total	**-**	**-**	**-**	**2,444**	**2,444**

2015

(In GBP thousands)	Restructuring	Legal proceedings	Capital market losses	Other	Total
Less than 1 year	172	-	-	1,627	1,799
Between 1 and 5 years	-	2,300	-	-	2,300
Total	**172**	**2,300**	**-**	**1,627**	**4,099**

22. Trade payables, accrued expenses and other liabilities

Trade and other payables

Trade and other payables are stated at cost. Trade creditors are costs that have been billed; accruals represent costs, including remuneration, that are not yet billed or due for payment, but for which the goods or services have been received. Deferred income represents fees received in advance of services being performed.

(In GBP thousands)	2016	2015 (restated)*
Accrued expenses	2,177	3,619
Intercompany payables	2,813	3,230
Personnel expenses	4,512	4,886
Deferred income	512	443
Due to brokers	380	71
Other	814	424
Total	**11,208**	**12,673**

*Please refer to Note 32

23. Deferred tax assets and liabilities

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for:

- initial recognition of goodwill;
- initial recognition of assets or liabilities in a transaction other than a business combination that affect neither accounting nor taxable profit;
- Investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is reviewed at each reporting date and probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Losses carried forward of GBP 104,317,888 (restated 2015: GBP 96,881,135) and other grossed-up short-term timing differences of GBP 28,550,524 (restated 2015: GBP 31,387,308) have not been recognised as deferred tax assets as it is not certain that future profits will be available to utilise these assets in the short term.

24. Employee benefits

The Company operates a defined contribution pension scheme.

Defined contribution plans

The Company's exposure to funding DC pension schemes is limited to the contributions it has agreed to make. These contributions generally stop when employment ceases. The income statement charge represents the contributions the Company has agreed to make into employees' pension schemes in that period.

25. Capital and reserves

Share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

Dividends are recognised as a liability in the period in which they are declared. Transaction costs related to the issuance of shares are accounted for as a deduction from equity, net of any tax effects.

25.1. Share capital and share premium

At 31 December 2016, the share capital of the Company GBP 135,283,333 (2015: GBP 135,283,333) represented by 135,283,333 ordinary shares of GBP 1 each (2015: 135,283,333 shares). All shares have the same rights and are fully paid up. Each share entitles the holder to one voting right.

The share premium of the Company GBP 166,667 (2015: 166,667).

25.2. Share based payment reserve

At 31 December 2016, the share based payment reserve of the Company GBP 8,102,913 (2015: GBP 7,787,851).

26. Capital management

The Company's policy is to maintain a capital base which preserves investor and creditor confidence and to sustain future development of the business. Since the Company has a degree of flexibility regarding its capital usage and associated regulatory requirement, due to the liquid nature of its asset base, management believes it would be able to maintain suitable Tier 1 and solvency ratios even in the event of stresses to the profit or loss account. During the year, the Company has not breached its capital requirements.

The impact of the level of capital on shareholders' return is also recognised and the Company recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position, especially in the light of the current market conditions.

The Company's capital adequacy and capital resources are managed and monitored in accordance with the regulatory capital requirements of the PRA. The Company must at all times monitor and demonstrate the compliance with the relevant regulatory capital requirements of the PRA. The Company has put in place processes and controls, including a range of detailed stress testing scenarios, to monitor and manage the Company's capital adequacy.

Below is the consolidated Tier 1 capital ratio and risk weighted assets ("RWA") of the Company. The figures have been calculated on a Basel III basis.

(In GBP thousands)	2016	2015
Capital – Tier 1	36,145	51,174
Total assets	564,268	564,224
RWA - unaudited		
Credit risk	10,083	11,896
Market risk	84	834
Counterparty risk	119	146
Operational risk	4,536	4,848
Total Pillar 1 capital requirement (unaudited)	**14,823**	**17,724**
Total RWA (unaudited)	**185,282**	**221,550**
Tier 1 ratio (unaudited)	**19%**	**23%**

Required pillar 3 disclosures will be published at group level by Société Générale on their website www.societegenerale.com.

27. Assets under management (unaudited)

Assets under management include all clients' private banking assets (securities, investment funds, interest, and non-interest deposits/accounts) including both discretionary and advisory investment relationships. Structured products are included when they form part of a client's investment portfolio, notwithstanding the fact that this may be the sole product offering taken up by the client. The following products are excluded from the assets under management:

- Loans to customers.
- Trust and Fund administration relationships where the assets of the trust are not managed by the Company.
- Global custody relationships where the Company is safekeeping assets only.

The Company manages various assets for its clients and the main categories of assets are:

- Discretionary: Assets that are managed and monitored on a client's behalf subject to an agreed mandate.
- Advisory: Assets that are managed based on a client's specific risk requirements. The client maintains the final decision on whether to purchase, hold or sell any investment.
- Deposits: Cash deposits received from customers.

At 31 December 2016 and 31 December 2015, the assets under management are composed as follows:

(In GBP thousands)	2016	2015
Deposits	215,940	199,718
Advisory	875,823	1,001,333
Discretionary	2,247,796	2,062,462
Total	**3,339,559**	**3,263,513**

28. Commitments and contingencies

Contingent liabilities:

(In GBP thousands)	2016	2015
Guarantees and letters of credit	-	6
	-	**6**

Commitments:

(In GBP thousands)	2016	2015
Undrawn formal standby facilities, credit lines		
Other commitments to lend:		
Within one year	1,650	810
Between one and five years	1,625	678
Over five years		-
Total	**3,275**	**1,488**

Capital commitments:

(In GBP thousands)		2016
	Less than 1 year	Between 1 and 5 years
Software development	1,648	-

(In GBP thousands)		2015
	Less than 1 year	Between 1 and 5 years
Software development	1,408	172

Judgment has been used by management in determining the future timing of the use of these commitments.

Other contingent liabilities
In the ordinary course of business, the Company has given letters of indemnity in respect of lost certified stock transfers and share certificates. The contingent liability arising there from cannot be quantified, but it is not believed that any material liability will arise under these indemnities.

Commitments
The Company has a leasehold agreement for its London premises with a remaining life of 4 years. Commitments under this lease are disclosed under Note 9.

29. Related parties

Directors' remuneration
The directors' remuneration includes employee benefits which are all short term related.

(In GBP thousands)	2016	2015
Aggregate emoluments	695	743
Company pension contributions to money purchase schemes	2	34
Share-based payments	38	280
Compensation for loss of office	659	139
Total	**1,394**	**1,196**

Highest paid director

(In GBP thousands)	2016	2015
Aggregate emoluments	247	317
Company pension contributions to money purchase schemes	2	34
Share-based payments	38	280
Compensation for loss of office	471	63
Total	**758**	**694**

Other related parties

The Company is a subsidiary of Société Générale and therefore all other subsidiaries and affiliated entities of the Société Générale group are related parties. The following are details of those entities with which the Company has transacted during the years ended 31 December 2016 and 2015:

Name of related party	Address	Nature of relationship
Kleinwort Benson Channel Islands Holdings Limited (KBCIH)	Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT, Channel Islands	Group company
Kleinwort Benson Group Limited (KBG)	14 St. George Street London W1S 1FE	Parent company (until 6 June 2016)
Kleinwort Benson Investors (Dublin) Limited (KBID)	3rd Floor, 2 Harbourmaster Place, Dublin 1	Group company
BHF Kleinwort Benson Group SA (BHFKB)	Avenue Louise 326, 1050 Brussels, Belgium	Parent group company
BHF Bank AG (BHF)	Aktiengesellschaft Bockenheimer Landstrasse 10 Frankfurt am Main, 60303 Germany	Group company
SG Kleinwort Hambros Trust Company (UK) Limited (SGKHTC)	14 St. George Street, London W1S 1FE	Group company
SG Hambros Limited (SGH)	5th Floor 8 St. James's Square, London, England, SW1Y 4JU	Parent group company

(In GBP thousands) 2016

Name of related party	Nature of the transaction	Outstanding balance		Amount for period	
		Receivable	Payable	Expense	Income
KBCIH	Sharing of fees & recharges	1,883	20,715	2,299	11,118
KBG	Recharges	-	-	-	158
KBID	Recharges	-	6	-	-
SGKHTC	Sharing of fees & recharges	-	2,813	-	1,019
SGH	Sharing of fees & recharges	2,672	-	580	152
Total		4,555	23,534	2,879	12,447

(In GBP thousands) 2015

Name of related party	Nature of the transaction	Outstanding balance		Amount for period	
		Receivable	Payable	Expense	Income
KBCIH	Sharing of fees & recharges	1,366	19,611	2,186	5,052
KBG	Recharges	51	-	-	475
KBID	Recharges	72	-	-	-
BHFKB	Recharges	124	7,713	-	-
BHF	Derivative transactions	7	-	-	-
DII Capital UK advisor LLP	Sub-lease	-	-	-	66
Total		1,620	27,324	2,186	5,593

All the related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

30. List of significant subsidiaries

30.1. Ownership interest in subsidiaries

(In GBP thousands)	2016	2015
At 1 January	110	110
At 31 December	**260**	**110**

(In GBP thousands)	2016	2015
The subsidiary undertakings and their costs are:		
Financial advisers		
SG Kleinwort Hambros Trust Company (UK) Limited	250	100
Non trading	*	*
Fenchurch Nominees Limited	*	*
Frank Nominees Limited	*	*
KBIM Standby Nominees Limited	*	*
KBPB Nominees Limited	*	*
Kleinwort Benson Farmland Trust (Managers) Limited (75% owned)	*	*
Kleinwort Benson Unit Trusts Limited	*	*
Langbourn Nominees Limited	*	*
Robert Benson Lonsdale & Co (Canada) Limited	10	10
At 31 December	**260**	**110**

* The aggregate cost of this company is less than GBP 1,000.

All the companies are incorporated in Great Britain and registered in England & Wales. The registered office address of all companies is 14 St George Street, London, W1S 1FE, except SG Kleinwort Hambros Trust Company (UK) Limited which has registered address of 5th Floor 8 St James's Square, London, England, England, SW1Y 4JU. All the companies are 100% owned except as noted below. The holdings are in ordinary shares unless stated otherwise. None of the subsidiary companies is a bank. All the investments are unlisted.

The Company owns 75% of the Class "A" ordinary shares of Kleinwort Benson Farmland Trust (Managers) Limited and 100% of the Class "B" ordinary shares. Class "B" ordinary shares do not carry voting rights and are not entitled to participate in any profits that may be resolved to be distributed.

There was no change in the ownership of the above subsidiaries during the year. The Company has increased its investment in SG Kleinwort Hambros Trust Company (UK) Limited, formerly Kleinwort Benson Trustees Limited.

Cash amounts totalling GBP 375,577 (2015: GBP 125,577) owned by the above entities are held within loans and deposits due to customers.

The Company has no exposure to any unlimited companies or partnerships and has not guaranteed or underwritten any liabilities in these entities other than disclosed in these financial statements.

No profit or loss has been incurred in any of these entities in 2016 or 2015.

31. Subsequent events

On 3 March 2017 the Company received a payment of subordinated debt from SG Hambros Bank Limited of GBP 7,000,000.

32. Prior year adjustment

Restated Statement of Financial Position

For the year ended 31 December 2015

(In GBP thousands)	Note	2015	2015 (restated)	Difference
Assets				
Cash and balances with central banks	13	132,870	132,870	-
Placements with, and loans and advances to other banks	14	34,784	34,784	-
Investment securities	15	249,398	249,398	-
Derivative assets	16	184	184	-
Loans and advances to customers	14	127,482	127,482	-
Accrued income and other assets	17	14,512	14,083	(429)
Investments in group undertakings	30	110	110	-
Property, plant and equipment	18	3,164	3,164	-
Intangible assets	19	2,149	2,149	-
Total assets		**564,653**	**564,224**	**(429)**
Liabilities and equity				
Loans and deposits due to credit institutions	20	27,447	27,447	-
Loans and deposits due to customers	20	461,654	461,654	-
Derivative liabilities	16	5,028	5,028	-
Accrued expenses and other liabilities	22	9,443	12,673	3,230
Provisions	21	7,758	4,099	(3,659)
Total liabilities		**511,330**	**510,901**	**(429)**
Share capital	25	135,283	135,283	-
Share premium	25	167	167	-
Share-based payment reserve	25	7,788	7,788	-
Accumulated loss	25	(89,915)	(89,915)	-
Equity attributable to owners of the Company		**53,323**	**53,323**	**-**
Total equity and liabilities		**564,653**	**564,224**	**-**

The Statement of Financial Position for 31 December 2015 has been restated because certain assets and liabilities of the subsidiary, SG Kleinwort Hambros Trust Company (UK) Limited ('SGKHTC'), previously Kleinwort Benson Trustees Limited, were incorrectly reported as part of the financial position of the Company at 31 December 2015.