Company Registration No. SC386922 (Scotland)

HAMPDEN & CO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2015

Hampden & Co plc

Company Information

Directors	R M Entwistle (Chairman)
	G T Hartop (Chief Executive Officer)
	A K Mulligan
	J Vaughan
	R A Hammond-Chambers*
	A R F Hughes*
	V W C Kubitscheck*
	B Meuli*
	D J N Nabarro*
	P A Sparkes*

*Non-Executive Director

Secretary	R F H Lyon
Company number	SC386922
Registered office	9 Charlotte Square Edinburgh EH2 4DR
Auditors	Deloitte LLP Chartered Accountants and Statutory Auditor Edinburgh United Kingdom

Hampden & Co plc

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Chairman's Statement

I am delighted to announce that 2015 proved to be an excellent year for Hampden & Co plc. There were a number of highlights throughout an eventful year, not least the particularly proud moment of opening our doors and launching our banking business on the 4th June.

The first few months of 2015 saw the successful completion of the core "build the bank" testing to ensure that all processes work effectively allowing the team to provide the level of service expected of our high quality private bank. The other key deliverable prior to launch was funding. I reported last year that Catlin Group Limited (now XL Catlin), a global specialist property/casualty insurer and reinsurer, had agreed to become our third cornerstone investor. By the end of May we had raised over £25m with additional commitments to invest a further £23m to be drawn down on the lifting of our licence restriction. On the 3rd June the committed funds were made available thereby increasing the capital position to £48m allowing the Prudential Regulation Authority to lift the licence restriction. The next day we opened the doors of 9 Charlotte Square and launched the bank.

We have deliberately set out to grow business in a very controlled manner to ensure service levels are delivered to the highest standard. We have had a very encouraging start and feedback has been extremely positive, demonstrated by a higher number of clients than anticipated transferring existing accounts using the Current Account Switch Service. We look to build our client base selectively over the coming years. I am delighted to note that in the short period from launch to the December year end deposits have built to over £30m and lending stands at £12m with further lending committed and awaiting draw down.

After our launch we continued raising shareholder funds to satisfy the demand from new and existing investors. In October I was delighted to welcome our fourth cornerstone investor, Drake Enterprises A.G, a Swiss investment company. I am very pleased that our £51.8m target has been exceeded and once all the commitments have been drawn subject to receiving appropriate regulatory approvals, the total capital raised will be £61.6m.

Operationally we continued to make advances in the year with our internet banking service introduced in October, albeit on a view only basis in the initial months as a sensible precautionary measure. Transactional capability is expected to follow in the summer of 2016. In December we moved into our permanent London office at 36 Dover Street in the West End ending a very satisfactory 2015 on a high note.

We started our journey to open a new bank back in October 2010. It has not been an easy path and nor should it be. It is only with the remarkable support and patience of investors coupled with the skill and determination of the team that we have achieved our initial goal. I take this opportunity to sincerely thank all those involved in taking us to this point of our journey. We allowed ourselves to briefly reflect on this achievement and then quickly moved forward to deliver what we set out to do in 2010; create a bank we can all be proud of.

Finally, and if you have not already done so, please come and visit our offices and meet the team.

Strategic Report

Principal Activities and Business Review

The Directors present their Strategic Report for the period ended 31 December 2015.

Hampden & Co plc ("the Bank") is a company that was incorporated with the strategic goal of launching and operating a new private bank in the United Kingdom. On the 3rd June 2015 the Prudential Regulation Authority removed the restriction on the banking licence allowing the Bank to open for business on the 4th June 2015. The delivery of the Bank's strategy is through the adoption of a traditional, conservative private banking business model based on a high quality service. The Bank provides a discreet, personal service delivered with care and courtesy by dedicated and experienced private bankers. When combined with a thorough knowledge of the client and related family members, tailored services and continuity of personnel, the Directors believe this is highly appealing to its target market. The Directors aim to grow the Bank's deposit base and lending book in a prudent manner with a focus on fair client outcomes aligned to high quality service.

The Bank commenced operations on the 4th June, prior to this date the Bank was in the pre-launch "build the bank" phase. The Board is pleased with the progress made in the months since launch with processes working well and a controlled and steady growth of clients.

The Bank's capital and liquidity levels are well in excess of regulatory requirements. The regulatory capital base equates to Total Equity of £37.1m less Intangible Assets £3.5m equating to £33.6m, an increase of £30m in the year. The business is well capitalised with a Tier 1 ratio of 165%. Surplus liquidity funds are placed with highly rated counterparties. The Bank does not borrow from other financial institutions to fund its activities.

Financial Performance

The financial results for the year to 31st December show an operating loss of £8.1m (Six months to 31 December 2014: £2.8m). The expenditure incurred in the year has been predominately to finance the operational build of the Bank, and additional operational activities post launch. Revenues for the first few months post launch began to develop as business volumes grew. The Directors are not recommending the payment of a dividend.

The Board is pleased to report that, from a standing start in June 2015, at the close of the year deposit volumes were £30.9m (2014: £nil) with client lending totalling £11.8m (2014: £nil).

Funding

Total funds received from shares issued grew by £39.7m in the year, from £17.8m to £57.5m. The shareholder base at the close of the year consists of four cornerstone and over 300 individual shareholders.

As at the 31st December 2015 there were outstanding commitments from investors for a further £4.1m subject to certain regulatory approvals being received. The Directors expect that regulatory approval will be granted and that these funds will become available in the first half of 2016 increasing the total funds received to £61.6m.

Risk Management

The Board is responsible for setting the risk appetite of Hampden & Co. This is reviewed at least annually and adjusted in the light of strategic, commercial and economic aims and statutory/regulatory requirements.

The Bank operates a risk averse culture aligned with the business nature of traditional private banking. The Bank does not undertake any proprietary trading, and manages capital in a conservative manner. This is complemented by the Bank's culture of putting clients at the forefront of the business and seeking to develop and maintain long term relationships with its clients.

The Board has developed a robust risk management framework and balances opportunities, risks and rewards by setting the appropriate level of risk appetite through tolerances and limits which deliver strategic objectives and meet stakeholders' expectations.

A key element of a robust risk management framework is the business culture. Important objectives of the Board include having:

- Board and Committee members that openly champion fair outcomes for clients, voice the views of the business areas they represent and challenge each other in an open and constructive manner thus demonstrating an appropriate tone from the top to others within the organisation;
- a Board that promotes a robust governance, risk and compliance culture, ensuring appropriate segregation of duties and avoiding conflicts of interest;
- staff that treat clients fairly;
- staff that act within the limits of their delegated authorities and accountabilities with integrity and honesty; and
- staff that understand and manage the risks they take on behalf of the Bank.

Staff are actively encouraged to identify and report failings and take proactive steps to address weaknesses when they are discovered. A whistleblowing process is in place should staff require to escalate an issue outside of the normal management reporting lines.

Key risk appetite metrics are monitored, at a minimum, on a monthly basis and reported to the Risk Management Committee ("RMC"), Board Risk Committee ("BRC") and Board. Actions to bring risk appetite back within tolerance will be tracked by the RMC and reported to BRC and where appropriate the Board.

The Bank adopts the 'three lines of defence' model as a core component of risk management and compliance:

- First line of defence: Line management and operational business functions such as Banking, Finance, Operations and Treasury. They are accountable for owning and managing, within a defined risk appetite, the risks that exist in their business area and complying with the Bank's Policies;
- Second line of defence: The second line consists of Compliance and Risk Management functions and Risk Committees. The scope covers the definition of risk appetite, identification of key sources of risk, stress testing and scenario analysis, limit monitoring and control, and oversight. It is responsible for owning and developing the risk and control framework within the Bank. The compliance & risk function is managed by the Chief Risk Officer who is independent of the business areas in the first line of defence. The Risk Committees have an integral role within their stated Terms of Reference; and
- Third line of defence: Internal Audit provides independent assurance to the Board on the appropriateness and effectiveness of the internal controls, processes and procedures across the control framework.

The Bank currently outsources the Internal Audit function to Grant Thornton UK LLP. The Bank's Audit Committee is responsible for approving the Internal Audit annual budget and has overall governance responsibility. The Audit Committee is satisfied that the Internal Audit function has appropriate resources to operate effectively.

The managing and monitoring of all categories of risk is ultimately the responsibility of the Board. The BRC, on behalf of the Board, ensures the effectiveness of and challenge to the overall risk management framework. The Board has undertaken a robust assessment of the principal risks including those that would threaten the Bank's reputation, business model and future performance. The Bank's risk management approach is designed to identify risks to the Bank using both a bottom up and top down approach. On identification, the impact and probability of risks are assessed allowing the Bank to evaluate the risk and the dependency of internal mitigating controls. The continual review did not identify any significant weaknesses in the system of internal control and risk management. The Board is conscious of the need to ensure that its reputation is effectively managed. As such there is vigilant monitoring of, and response to, any events which could potentially damage the Bank's reputation.

The principal risks currently faced by the Bank are:

Conduct Risk

The Bank relies heavily on its reputation to grow its business and sees the adherence to good conduct risk principles and delivery of fair outcomes as of paramount importance to its business success. All staff are required to adhere to a Code of Conduct which will require the highest levels of integrity and ethical behaviour towards the business, colleagues, clients, suppliers and regulators.

Credit risk

Credit risk arises from lending to clients, a mix of private individuals, trusts, connected SME business lending and treasury counterparties. Credit policies, principles and risk appetite metrics aim to ensure the credit portfolio is of high quality, with a low overall percentage of unsecured lending and relatively low monetary limits for individual unsecured lending cases. Client lending propositions are subject to thorough credit assessment, including affordability and stress testing at increased rates at a percentage over the prevailing rate at loan origination. The Board attaches significant importance to ensure that, in addition to adhering to all regulatory requirements and imbuing an aspirational culture amongst its staff, the highest levels of integrity are employed in all its dealings with clients. In particular, the Bank has established a separate Responsible Lending Policy to which all staff involved in lending and the decision making process must adhere. Client lending is undertaken within prescribed limits, which are reviewed regularly by the Credit Committee and approved by the Board.

Credit risk includes treasury counterparty risk, being the loss that might arise from counterparties of the Bank to whom it lends its surplus funds. These counterparties are required to meet a minimum credit rating as defined in the Bank's Counterparty policy approved by the Board. The use of treasury counterparties is approved and monitored by the Assets and Liabilities Committee ("ALCO").

Liquidity risk

Liquidity Risk is the risk that the Bank is unable to meet its obligations as they fall due. Liquidity is the on-going ability to accommodate liability maturities and withdrawals, fund asset growth, and otherwise meet contractual obligations through unconstrained access to funding at reasonable market rates. The risk is inherent within the Bank's operating model as profit generation relies on short term contractual maturity of deposits versus long term lending to generate revenues. The Board accepts that there is a limited level of risk to achieve the bank's strategic goals. The Bank seeks to minimise liquidity risk on a forward looking basis via the Treasury function by taking responsibility for managing the risk within the Bank's risk appetite under the supervision of ALCO. On a daily basis, the liquidity position is reviewed and analysed and a monthly review of the liquidity position and the composition of the balance sheet is undertaken by ALCO.

Operational Risk

Operational risk is defined as the risk of loss resulting from failed or inadequate internal processes, systems, people or from external events. The principal sources of operational risk for the Bank stem from client account management, IT Systems, information security, outsourcing and regulatory risk including financial crime.

The Bank was a greenfield development with no legacy business, systems or working practices. Significant and robust testing of systems and procedures was satisfactorily completed and approved by the Board prior to accepting external clients on launch.

Operational processes are closely monitored for evidence of avoidable operational risk factors and when identified, processes are amended to minimise the potential impact. New or amended processes are screened to ensure that Operational Risk has been considered with its impact minimised. Operational Risk issues are included in the risk register and tracked through to resolution by the Risk Management Committee.

Interest Rate Risk

Interest Rate risk is the risk that arises from the volatility in interest rates. The Bank's exposure to interest rate changes and sensitivity is closely managed within set limits by the Treasury function and regularly reported to and reviewed by the ALCO.

Market Context

The UK's economic backdrop continues to hold an uncertain outlook. Its economy is being affected by, amongst other things, China's slowing economic growth, the Eurozone's virtually static economy, the collapse of the oil price and very low interest rates. Add to these matters, the outcome of the forthcoming referendum on our membership of the European Union, pension reform and movements in the property market – amongst other things – and it is clear that there lie ahead plenty of challenges and with them opportunities. Notwithstanding these uncertainties, the Directors believe that the Bank is well placed to take advantage of the opportunities in the private banking market and to deliver its strategic goals.

Going Concern

The Directors, having made such enquiries as they considered appropriate and having reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, consider the going concern basis of preparation to be appropriate.

In making this assessment the Board relied on the Business Plan, Internal Capital Adequacy Assessment Process ("ICAAP"), Internal Liquidity Adequacy Assessment Process ("ILAAP") and evaluation of the Bank's principal risks and uncertainties, including those that would threaten its business model, future performance or solvency including the need for capital raising to support growth.

The Bank prepared a Business Plan as part of the Bank Licence authorisation process. This includes the financial articulation of the Bank's strategy. The Bank's financial forecasting modelling stems from the Business Plan including a detailed year one budget and higher-level forecasts for years two to five.

The ICAAP and ILAAP are prepared for the Board by Senior Management. The objectives include:

- identify and embed a robust understanding throughout the Board and senior management of the risks faced by the business and the subsequent capital and liquidity requirements;
- provide an internal assessment on the adequacy of current and future capital and liquidity held;
- detail key stress and scenario tests run by management; and
- allow business policies to address risks identified.

The Bank commenced business in June 2015 and as such the Board required to make assumptions regarding the achievement of the strategic goals and ability to acquire appropriate funding to support business growth. The Directors have a reasonable expectation that the Bank will be able to continue in operation and meet its liabilities as they fall due.

On behalf of the Board

R. M. Entwistle

Chairman

15 March 2016

The Directors present their report and financial statements for the year ended 31 December 2015. The comparative period covers the six months to 31 December 2014.

Information regarding future developments and risk management as required by Schedule 7 to the Accounting Regulations to be contained in the Directors' Report has been included in the Strategic Report in accordance with section 414C(11).

Directors

The following Directors have held office during the period:

R M Entwistle (Chairman)

G T Hartop (Chief Executive Officer)

A K Mulligan

J Vaughan

R A Hammond-Chambers*

A R F Hughes*

V W C Kubitscheck*

B Meuli* (appointed 23 June 2015)

D J N Nabarro*

P A Sparkes* (appointed 21 July 2015)

*Non-Executive Director

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

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 the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payment to creditors

The Company's policy is to comply with suppliers' payment terms.

Statement of disclosure to auditors

The Directors confirm that;

(a) so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

On behalf of the Board

R. M. Entwistle
Chairman

15 March 2016

Independent Auditor's Report to the Members of Hampden & Co plc

We have audited the financial statements of Hampden & Co plc for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 24. 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, 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 Auditors.

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

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 31 December 2015 and of its 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 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.

Matters on which we are required to report by exception

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

Craig Cosham (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Edinburgh

15 March 2016

Statement of Comprehensive Income

	Note	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Interest receivable and similar income		179	2
Interest payable and similar charges		(19)	-
Net interest income	4	160	2
Non-interest income		4	-
Non-interest expense		-	-
Net non-interest income	5	4	-
Income from trading activities		2	-
Total income		166	2
Administrative expenses		(7,904)	(2,761)
Depreciation and amortisation		(360)	(9)
Operating expenses		(8,264)	(2,770)
Operating loss before impairment losses		(8,098)	(2,768)
Impairment on loans and advances to clients		-	-
Loss before tax	6	(8,098)	(2,768)
Tax expense	8	-	-
Loss for the period from continuing operations (attributable to equity holders) and total comprehensive income		(8,098)	(2,768)

Statement of Financial Position

	Note	2015 £'000	2014 £'000
Assets			
Cash and balances with central banks		39,876	-
Loans and advances to clients	14	11,826	-
Loans and advances to banks	14	13,990	5,767
Prepayments and accrued income	14	233	-
Other assets	14	148	-
Intangible assets	12	3,502	3,230
Property, plant and equipment	11	349	110
Investments in subsidiaries	10	-	-
Total assets		69,924	9,107
Liabilities			
Deposits from clients	14	30,242	-
Deposits from banks	14	676	-
Derivative financial instruments	15	-	-
Accruals and deferred income		1,823	1,332
Other liabilities	13	130	900
Total liabilities		32,871	2,232
Equity			
Share capital	18	46,090	15,700
Share premium account	18	9,048	1,162
Retained earnings		(18,085)	(9,987)
Total equity		37,053	6,875
Total liabilities and equity		69,924	9,107

The financial statements on pages 11 to 38 were approved by the Board of Directors and authorised for issue on 15th March 2016 and were signed on its behalf by:

R. M. Entwistle
Chairman

A. K. Mulligan
Director

Company Registration No. SC386922

Statement of Changes in Equity

	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 July 2014		13,264	677	(7,219)	6,722
Loss for the period and total comprehensive income		-	-	(2,768)	(2,768)
Total comprehensive income					
Issue of share capital	18	2,436	731	-	3,167
Direct share issue costs	18	-	(246)	-	(246)
At 31 December 2014		15,700	1,162	(9,987)	6,875
Loss for the period and total comprehensive income		-	-	(8,098)	(8,098)
Total comprehensive income					
Issue of share capital	18	30,390	9,258	-	39,648
Direct share issue costs	18	-	(1,372)	-	(1,372)
At 31 December 2015		46,090	9,048	(18,085)	37,053

Statement of Cash Flows

	Note	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Cash flows from operating activities			
Loss before tax		(8,098)	(2,768)
Reconciliation from loss before tax to net cash flows from operating activities:			
Depreciation of non-current assets		360	9
(Increase) / decrease in receivables		(233)	6
Increase / (decrease) in payables		492	(1,291)
(Increase) in loans and advances to clients and banks		(22,402)	-
Increase in deposits by clients and banks		30,918	-
(Increase) in other assets		(148)	-
Increase in other liabilities		4	-
Net cash used in operating activities		893	(4,044)
Cash flows from investing activities			
Purchase of property, plant and equipment		(280)	(9)
Purchases / development of intangible assets		(591)	(912)
Net cash flows from investing activities		(871)	(921)
Cash flows from financing activities			
Proceeds from issue of shares		39,648	3,167
(Decrease) / increase in amounts held for investors	13	(775)	880
Direct costs of share issuance		(1,372)	(246)
Net cash flows from financing activities		37,501	3,801
Net increase/(decrease) in cash and cash equivalents		37,523	(1,164)
Cash and cash equivalents at beginning of year		5,767	6,931
Cash and cash equivalents at end of year		43,290	5,767

Analysis of cash and cash equivalents at end of year

Cash and balances with central banks	39,876	-
Loans and advances to banks repayable on demand	3,414	5,767
	43,290	5,767

Notes to the financial statements

For the year ended 31 December 2015

1 General information

Hampden & Co plc is a Bank incorporated in the United Kingdom under the Companies Act. The address of the office is 9 Charlotte Square, Edinburgh, EH2 4DR. The nature of the Bank and its principal activities is the provision of banking services to high net worth individuals.

1.1 Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations, as endorsed by the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The impact of accounting standards and interpretations issued but not yet effective is summarised in note 24. The financial statements are presented in sterling.

The prior period relates to the 6 months to 31 December 2014, due to a change in the accounting date.

1.2 Going concern

The Directors have assessed the outlook of the Company over a longer period than the twelve months required by the 'Going Concern' statement in accordance with the 2014 UK Corporate Governance Code. The Directors, having made such enquiries as they considered appropriate and having reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, consider the going concern basis of preparation to be appropriate.

2 Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis, modified to include derivative financial instruments at fair value. The principal accounting policies adopted are set out below.

2.1 Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated losses, if any. Depreciation is calculated on a straight line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Fixtures and fittings	4 years
Computer equipment	5 years

The residual values, useful lives and methods of depreciation are reviewed at each financial period end and adjusted prospectively, if appropriate.

2.2 Intangible assets

Intangible assets, which represent purchased software and licences, are measured on initial recognition at cost. Staff and development costs in relation to the development of software are capitalised at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are deemed to have a finite life and are amortised over 5 to 7 years.

2.3 Cash and balances at central banks

Cash and balances at central banks represent balances held with the Bank of England and any cash holdings. These are stated at amortised cost, which is equivalent to their fair values.

2.4 Amounts payable

Amounts payable are stated at their nominal value. Given the short term, non-interest bearing nature of these instruments, the Directors consider that this equates to fair value.

2.5 Equity instruments

Equity instruments are recorded at the proceeds received. Direct issue costs are charged to equity through the share premium account.

2.6 Leases

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease except where another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

2.7 Taxes

Current tax

Current tax assets and liabilities for the current period are measured at the amount that it is expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the United Kingdom.

Deferred tax

Deferred tax can only be recognised to the extent to which losses carried forward will be recoverable against future taxable profits. Due to the uncertainty associated with the recovery of these amounts against future profits, no deferred tax asset has been recognised at this stage. The recognition of deferred tax requires management to make estimates and judgements about future conditions and events, changes in which could have material impact on the Bank's reported financial position or performance.

2.8 Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Bank operates (its functional currency).

Transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

2.9 Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

2.10 Financial Instruments

Financial assets and financial liabilities are recognised in the Bank's balance sheet when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial Assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income in the period in which they arise. Fair value is determined in the manner described in note 16.

Loans and receivables

Loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets, including redeemable notes classified as AFS, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the statement of comprehensive income. Fair value is determined in the manner described in note 16.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The Bank may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 15.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is disclosed as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities in the relevant note.

2.11 Interest receivable and payable

Interest income is recognised when it is probable that the economic benefits will flow to the Bank and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4 Net interest income

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Interest income on loans and receivables to clients	78	-
Interest income on loans and receivables to banks	94	2
Interest income from available for sale financial instruments	7	-
Interest receivable	179	2
Interest expense on deposits from clients	(18)	-
Interest expense on deposits from banks	(1)	-
Interest payable	(19)	-
Net interest income	160	2

Interest income recognised on impaired financial assets amounted to £Nil (Period ended 31 December 2014: £Nil)

5 Net non-interest income

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Banking income	4	-
Non-interest income	4	-

6 Loss before tax

Loss before tax stated after charging/ (crediting):

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Directors' remuneration	894	355
Depreciation of Property, plant and equipment	41	9
Amortisation of intangible assets	319	-
Operating lease payments in respect of property	269	96

7 Auditors Remuneration

The analysis of the auditor's remuneration is as follows:	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Fees payable to the Bank's auditor and its associates for the audit of the Bank's annual accounts	72	10
Total audit fees	72	10
Taxation compliance services	8	-
Other taxation advisory services	-	-
Total non-audit fees	8	-

8 Taxation

Total tax on profit on ordinary activities was £247 for period ending 31 December 2015 (2014: £362).

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Loss before tax	(8,098)	(2,768)
Tax on loss before tax at standard UK corporation tax rate of 20.25 per cent (2014: 21.5 per cent)	(1,640)	(595)
Effects of:		
- Expenses not deductible for tax purposes	263	2
- Change in unrecognised deferred tax assets	1,377	593
Total tax charge for period	-	-

Deferred tax

Deferred tax is provided as follows:

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Accelerated capital allowances	-	-
Tax losses available	-	-
Other timing differences	(29)	-
Staff Cost accrual	29	-
Provision for deferred tax	-	-

The Bank has losses carried forward to future periods for tax purposes of £13,922,610 (2014: £7,417,625), representing allowable pre-trading expenses. Due to the uncertainty associated with the recovery of these amounts against future profits, no deferred tax asset has been recognised.

9 Employees

The average number of employees during the period was 47 (6 months ended 31 December 2014: 36). Aggregate remuneration for the period, excluding to Directors (disclosed in note 6), was £2,505,858 (6 months ended 31 December 2014: £861,280). Social security costs were £296,181 (6 months ended 31 December 2014: £165,991). Remuneration for the highest paid Director was £225,000 (6 months ended 31 December 2014: £109,167).

10 *Non-current asset investment*

At 1 January 2015 £1 of share in group undertakings was held, representing the £1 invested in Scoban Limited, a subsidiary undertaking that was 100% owned and dormant. This was disposed of during 2015 leaving a balance at 31 December 2015 of £nil.

11 Property, plant and equipment

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 January 2015	58	65	123
Additions	155	125	280
At 31 December 2015	213	190	403
Depreciation			
At 1 January 2015	7	6	13
Charge for the year	10	31	41
At 31 December 2015	17	37	54
Net book value			
At 31 December 2014	51	59	110
At 31 December 2015	196	153	349

	Leasehold improvements £'000	Office equipment £'000	Total £'000
Cost			
At 1 July 2014	58	56	114
Additions	-	9	9
At 31 December 2014	58	65	123
Depreciation			
At 1 July 2014	4	-	4
Charge for the year	3	6	9
At 31 December 2014	7	6	13
Net book value			
At 31 December 2014	51	59	110

12 Intangible assets

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 January 2015	2,344	886	3,230
Additions	581	10	591
At 31 December 2015	2,925	896	3,821
Amortisation			
At 1 January 2015	-	-	-
Charge for the year	243	76	319
At 31 December 2015	243	76	319
Net book value			
At 31 December 2014	2,344	886	3,230
At 31 December 2015	2,682	820	3,502

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 July 2014	1,216	787	2,003
Additions	1,128	99	1,227
At 31 December 2014	2,344	886	3,230
Amortisation			
At 1 July 2014	-	-	-
Charge for the year	-	-	-
At 31 December 2014	-	-	-
Net book value			
At 31 December 2014	2,344	886	3,230

13 Other liabilities

	2015 £'000	2014 £'000
Amounts held for investors	125	900
Other liabilities	5	-
	130	900

Amounts held for investors represented amounts received from investors pursuant to fund-raising activities which have yet to be settled through the issuance of ordinary shares. A liability has therefore been recognised at 31 December 2015 in respect of the amounts received at that date. This balance will be capitalised within one year, and as such is categorised as a current liability.

Other liabilities will be settled within one year, and as such these are categorised as a current liability.

14 Financial instruments

Categories of financial instruments

At 31 December 2015	Loans and receivables £'000	Derivatives at FVTPL £'000	Total £'000
Assets:			
Cash and balances with central banks	39,876	-	39,876
Loans and advances to clients	11,826	-	11,826
Loans and advances to banks	13,990	-	13,990
Total financial assets			65,692
Non-financial assets:			
Prepayments and accrued income			233
Property, plant and equipment			349
Intangible and tax assets			3,502
Other assets			148
			69,924

At 31 December 2015	Financial liabilities at amortised cost £'000	Derivatives at FVTPL £'000	Total £'000
Liabilities:			
Deposits from clients	30,242	-	30,242
Deposits from banks	676	-	676
Derivatives	-	-	-
Total financial liabilities			30,918
Non-financial liabilities:			
Other liabilities			1,953
			32,871

At 31 December 2014	Loans and receivables £'000	Derivatives at FVTPL £'000	Total £'000
Assets:			
Cash and balances with central banks	-	-	-
Loans and advances to clients	-	-	-
Loans and advances to banks	5,767	-	5,767
Total financial assets			5,767
Non-financial assets:			
Prepayments and accrued income			-
Property, plant and equipment			110
Intangible and tax assets			3,230
			9,107

At 31 December 2014	Financial liabilities at amortised cost £'000	Derivatives at FVTPL £'000	Total £'000
Liabilities:			
Deposits from clients	-	-	-
Deposits from banks	-	-	-
Derivatives	-	-	-
Total financial liabilities			-
Non-financial liabilities:			
Other liabilities			2,232
			2,232

15 Derivative financial instruments

	Current - Fair Value		Non-current - Fair Value		Notional Value	
	2015 £000	2014 £000	2015 £000	2014 £000	2015 £000	2014 £000
Assets						
Forward foreign currency contract	-	-	-	-	-	-
	-	-	-	-	-	-
Liabilities						
Forward foreign currency contract	-	-	-	-	222	-
	-	-	-	-	222	-

Forward foreign currency contracts are valued using market quoted forward exchange rates.

The Bank has entered into forward foreign currency contracts to manage currency exposures on the banking book.

16 Fair value

Fair value measurements

The information set out below provides information about how the Bank determines fair values of various financial assets and financial liabilities.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Some of the Bank's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Valuation

Financial assets/ financial liabilities	Valuation technique(s) and key input(s)
Foreign currency forward contracts	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates.

Fair value measurements recognised in the statement of financial position

All derivative liabilities held at fair value in the financial statements were classified as Level 2 at 31 December 2015.

No derivative financial assets or liabilities were held at 31 December 2014.

There were no transfers between Level 1 and 2 during the current or prior period.

17 Financial risk management

Financial risk management objectives

The Bank's Treasury function provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), counterparty credit risk and liquidity risk.

The Bank seeks to minimise the effects of these risks by using both natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Bank's policies approved by the board of Directors, which provide written principles on foreign exchange risk, interest rate risk, counterparty credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports monthly to the Assets and Liabilities Committee and appropriate metrics are presented monthly to the Board and the Risk Management Committee. Metrics are also presented quarterly to the Board Risk Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Market Risk

Foreign currency risk management

The Bank undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts where required.

The Bank does not maintain any material open currency positions, and as such has no material exposure to the effects of fluctuations in foreign exchange rates.

Interest rate risk management

The Bank is exposed to interest rate risk because the Bank accepts deposits from clients and other counterparties at both fixed and floating rates and lends money at both fixed and floating rates. The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings, and by the use of interest rate swap contracts if required. Hedging activities are evaluated regularly to align with the defined risk appetite; ensuring the most cost-effective hedging strategies are applied.

Interest rate sensitivity analysis

The Banks's interest rate exposure is shown in the interest rate repricing table below. The assets and liabilities are shown at the carrying amounts, categorised by the earlier of the next contractual interest repricing date and the maturity date.

At 31 December 2015

	Up to 1 month £000	1-3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Non-interest bearing £000	Total £000
Assets							
Cash and balances with central banks	39,876	-	-	-	-	-	39,876
Loans and advances to clients	11,809	-	-	-	-	17	11,826
Loans and advances to banks	3,414	-	10,576	-	-	-	13,990
Other assets	-	-	-	-	-	4,232	4,232
Total assets	**55,099**	**-**	**10,576**	**-**	**-**	**4,249**	**69,924**
Liabilities							
Deposits from clients	16,115	125	14,002	-	-	-	30,242
Deposits from banks	-	-	676	-	-	-	676
Other liabilities	-	-	-	-	-	1,953	1,953
Total liabilities	**16,115**	**125**	**14,678**	**-**	**-**	**1,953**	**32,871**
Interest rate sensitivity gap	**38,984**	**(125)**	**(4,102)**	**-**	**-**	**2,296**	
Cumulative gap	**38,984**	**38,859**	**34,757**	**34,757**	**34,757**	**37,053**	

At 31 December 2014

	Up to 1 month £000	1-3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Non-interest bearing £000	Total £000
Assets							
Cash and balances with central banks	-	-	-	-	-	-	-
Loans and advances to clients	-	-	-	-	-	-	-
Loans and advances to banks	5,767	-	-	-	-	-	5,767
Other assets	-	-	-	-	-	3,340	3,340
Total assets	**5,767**	**-**	**-**	**-**	**-**	**3,340**	**9,107**
Liabilities							
Deposits from clients	-	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	2,232	2,232
Total liabilities	**-**	**-**	**-**	**-**	**-**	**2,232**	**2,232**
Interest rate sensitivity gap	**5,767**	**-**	**-**	**-**	**-**	**1,108**	
Cumulative gap	**5,767**	**5,767**	**5,767**	**5,767**	**5,767**	**6,875**	

The Bank monitors its exposure to interest rate risk, and reports this to the Assets and Liabilities Committee. One such internally reported measure is calculating the net present value of a 2% change in the yield curve. The results at both 31 December 2015 and 31 December 2014 show an immaterial net present value.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining a liquid asset buffer, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Bank's liquidity risk is monitored by ALCO.

Liquidity risk tables

The following table details the Bank's liquidity analysis for its derivative and non-derivative financial instruments based on contractual maturities.

At 31 December 2015	Up to 1 month £000	1-3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
Financial Assets						
Cash and balances with central banks	39,876	-	-	-	-	39,876
Loans and advances to clients	263	-	330	8,870	2,363	11,826
Loans and advances to banks	3,414	-	10,576	-	-	13,990
Total financial assets	43,553	-	10,906	8,870	2,363	65,692
Financial Liabilities						
Deposits from clients	16,115	125	14,002	-	-	30,242
Deposits from banks	-	-	676	-	-	676
Derivatives	-	-	-	-	-	-
Total financial liabilities	16,115	125	14,678	-	-	30,918
Maturity gap	27,438	(125)	(3,772)	8,870	2,363	
Cumulative gap	27,438	27,313	23,541	32,411	34,774	

At 31 December 2014	Up to 1 month £000	1-3 months £000	3-12 months £000	1-5 years £000	Over 5 years £000	Total £000
Financial Assets						
Cash and balances with central banks	-	-	-	-	-	-
Loans and advances to clients	-	-	-	-	-	-
Loans and advances to banks	5,767	-	-	-	-	5,767
Total financial assets	5,767	-	-	-	-	5,767
Financial Liabilities						
Deposits from clients	-	-	-	-	-	-
Deposits from banks	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-
Maturity gap	5,767	-	-	-	-	
Cumulative gap	5,767	5,767	5,767	5,767	5,767	

Credit Risk

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Credit risk arises from lending to clients, a mix of private individuals, connected SME business lending and treasury counterparties. Credit policies, principles and risk appetite metrics aim to ensure the credit portfolio is of high quality, with a low overall percentage of unsecured lending and relatively low monetary limits for individual unsecured lending cases. Lending propositions are subject to thorough credit assessment, including affordability and stress testing at increased rates at a percentage over the prevailing rate at loan origination.

The Bank only transacts with treasury counterparties that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Bank uses other publicly available financial information and its own trading records to rate its major clients. The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by ALCO annually.

The Bank structures its level of credit risk by placing limits on the amount of risk it takes by individual borrower, groups of borrowers, in addition to concentration risk by product, industry and geographical sectors. These limits are monitored monthly at Credit Committee and Board.

Maximum exposure to credit risk

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the Bank's maximum exposure to credit risk as no collateral or other credit enhancements are held.

Credit quality

Credit risk is also differentiated by credit ratings using a combination of the value of security held and utilising an external ratings agency. In addition all facilities afforded to clients are reviewed on at least an annual basis with knowledge of the client's financial affairs being of paramount importance in the credit assessment process.

The internal credit grades (ICG) are based on the following ratings:

ICG-1 – Very strong affordability, very low loan to security value, negligible risk of default

ICG-2 – Strong affordability, low loan to security value, minimal risk of default

ICG-3 – Good affordability, acceptable loan to security value, very unlikely to result in default

ICG-4 – Satisfactory affordability, either partially secured or unsecured, unlikely to result in default

ICG-5 – Affordability / repayment ability questionable, security may have deteriorated, much greater probability of default

The table below provides a summary of the Bank's asset quality analysed by internal credit grades. At both 31 December 2015 and 31 December 2014 there were no balances past due and no provisions against loans and advances.

At 31 December 2015	**ICG-1**	**ICG-2**	**ICG-3**	**ICG-4**	**ICG-5**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with central banks	39,876	-	-	-	-	39,876
Loans and advances to clients	11,781	-	-	45	-	11,826
Loans and advances to banks	13,990	-	-	-	-	13,990
Commitments	4,691	-	-	*1,303	-	5,994
	70,338	-	-	1,348	-	71,686

*Of the £1.3m commitments categorised as ICG-4, £1m relates to unutilised overdrafts and charge cards.

At 31 December 2014	ICG-1 £000	ICG-2 £000	ICG-3 £000	ICG-4 £000	ICG-5 £000	Total £000
Cash and balances with central banks	-	-	-	-	-	-
Loans and advances to clients	-	-	-	-	-	-
Loans and advances to banks	5,767	-	-	-	-	5,767
Commitments	-	-	-	-	-	-
	5,767	-	-	-	-	5,767

Collateral

The Bank has £221,982 (2014: £Nil) of financial assets which it has pledged as collateral.

18 Share capital

	2015 £'000	2014 £'000
Authorised, allotted, called up and fully paid		
921,417,001 Ordinary shares of £0.05 each	46,070	15,680
95,129,743 Ordinary B shares of £0.0001 each	10	10
95,129,743 Ordinary C shares of £0.0001 each	10	10
	46,090	15,700

	£'000
Authorised, allotted, called up and fully paid:	
At 1 January 2015	15,700
Issued ordinary shares	30,390
At 31 December 2015	46,090

Ordinary shares

During the period, 607,793,534 Ordinary shares were issued at a gross premium of £9,258,247.

Direct issue costs of £1,372,139 (2014: £245,800) associated with the fund-raising activities have been taken to the share premium account.

At 31 December 2015 1,718,828,079 ordinary shares were authorised with a par value of £0.05.

Ordinary B and C Shares

During the period, no Ordinary B shares or Ordinary C shares were issued.

The B and C Ordinary shares have the right to receive any dividend approved by the Board of Directors pro rata alongside the Ordinary shares. The B and C Ordinary shares have significantly restricted participation rights.

Share based incentive scheme

The Bank has established a share based management incentive scheme ("Scheme') which was approved by shareholders at the General Meeting on 20 March 2014. Under the Scheme, B and C Ordinary shares were issued at their nominal value for cash, as noted above. HMRC has confirmed that the fair value of shares did not materially exceed their nominal value at the date of issue. The B and C Ordinary shares can represent a maximum of 20% of the diluted capital and an equal number of B and C shares must be issued.

At 31 December 2015, the number of B and C Ordinary shares held by Directors and management under the incentive scheme was 190,259,486, representing 100% of the B and C Ordinary issued share capital. As part of the conditions of the scheme, C shares can be reduced if certain performance metrics are not met.

The terms of the shares provide that on an exit event, B and C shareholders are entitled to a distribution of capital. This will be distributed as follows:

- Ordinary shareholders will receive an amount equal to the initial weighted average price pro rata to the number of Ordinary shares held by them. The weighted average price represents the price paid for Ordinary Shares issued from 4th February 2014 until the date of Opening of Doors;
- Ordinary shareholders and B shareholders will receive any excess pro rata until ordinary shareholders receive an amount equal to initial price compounded annually at 10%;
- Ordinary shareholders, B shareholders and C shareholders receive any excess pro rata to the number of shares held by them.

An exit event is defined as (i) a sale of the whole of the business and undertaking of the Bank; (ii) the liquidation of the Bank; (iii) a change of control of the Bank ("control" for these purposes being *obtaining an interest in excess of 75 per cent. of the voting rights of the Bank); or (iv) a listing of any* of the shares of the Bank.

At the date of these financial statements any value in relation to an exit event is assessed to be immaterial and consequently, no distribution has been recognised in the financial statements for period ended 31 December 2015.

Holders of B and C shares are required to sell all or part of their holdings back to the Bank if they leave the Bank's employment. At the period end, the potential liability for any such buy-back is less than the £19,024 aggregate issue proceeds of B and C shares. Accordingly, no provision for the cost of buy-back has been made on the grounds of materiality.

Share Premium

In the December 2014 financial statements direct share issue costs were categorised in 'other reserves'. These are now being included in the 'share premium account'. The table below details the gross position.

	2015 £'000	2014 £'000
Share premium account	11,366	2,108
Other reserves representing direct issue costs	(2,318)	(946)
Net Share premium account	9,048	1,162

19 Control

The Directors have assessed that there is no overall controlling party.

20 Related parties

In accordance with IAS 24 *Related party disclosures,* the Bank's key management personnel, being those persons having responsibility for planning, directing and controlling the Bank's activities, are considered to be the Directors. Directors' remuneration for the period is disclosed in note 6 above. No related party transactions have taken place in the current, or previous, period other than normal banking business where related parties are clients. These transactions were made on terms equivalent to those that prevail in arm's length transactions.

Related parties aggregate deposits were £85,134 and aggregate lending was £524 at year end.

21 Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2015 £'000	2014 £'000
- within one year	404	-
- between one and five years	1,207	122
- after five years	-	-
	1,611	122

22 Commitments to lend

The commitments shown in the table below provide an indication of the business volume committed at the period end. Commitments to lend include loan commitments and unutilised overdraft facilities.

	2015 £'000	2014 £'000
Commitments to lend	5,994	-

23 Capital management policy

The European Capital Requirements Directive (Basel II) came into force on 1 January 2007. On 1st of January 2014, Basel III regulations, commonly known as CRD IV revised the definition of capital resources and included additional capital and disclosure requirements. Basel III is an international initiative aimed at implementing a more risk sensitive framework for the calculation of regulatory capital. The Prudential Regulation Authority (PRA) is responsible for the implementation and enforcement of the Directive. The framework consists of three pillars:

- Pillar 1 sets minimum capital requirements that firms must meet for credit, market and operational risk.
- Pillar 2 requires that firms undertake an overall assessment of their capital adequacy, taking into account all risks to which the firm is exposed and whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements.
- Pillar 3 complements Pillar 1 and 2 and improves market discipline by requiring firms to disclose information on their capital resources and requirements, risk exposures and their risk management framework.

The Bank's primary objective in managing capital is to ensure that it has capital which is permanent and meets the requirements of the regulator. The Bank monitors its capital regularly and ensures that its capital exceeds its requirements. This is in line with the Bank's Capital Management policy to maintain a strong base that is comfortably above the minimum capital level set for it by the PRA who enforce the directive.

The Bank's disclosure requirements under Pillar 3 are published annually and are available on the Bank's website (www.hampdenandco.com).

24 New accounting standards and interpretations not adopted

The following International Financial Reporting Standards and IFRIC interpretations applicable to the Bank were issued but are not yet effective. The Bank has chosen not to adopt these early and is in the process of analysing their impact upon its operations. The new standards and interpretations are applicable for accounting periods commencing after the Effective date shown below.

Standard/Interpretation	Effective date
IFRS 9 Financial Instruments (issued November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued July 14)	1/01/18
Amendments to IAS 16 and IAS 38 (Clarification of Acceptable Methods of Depreciation and Amortisation)	1/01/16

The Directors do not expect that the adoption of the amendments to IAS 16 and IAS 38 will have a material impact on the financial statements of the Bank in future periods. IFRS 9 will impact both the measurement and disclosures of financial instruments. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.