Company Registration No. SC386922 (Scotland)

HAMPDEN & CO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

Hampden & Co plc
Company Information

Directors	**A R F Hughes (appointed acting Chairman on 25 September 2018 and Chairman on 1 April 2019)**
	R M Entwistle OBE (Chairman) (retired 25 September 2018)
	G T Hartop (Chief Executive Officer)
	A K Mulligan (Chief Financial Officer)
	J Vaughan (resigned 30 April 2018)
	R A Hammond-Chambers**
	P A Jardine* (resigned 1 October 2018)
	V W C Kubitscheck**
	C G Camroux-Oliver*
	P S R Shedden* (appointed 19 February 2019)
	P A Sparkes*

* Shareholder Nominated Non-Executive Director

** Independent Non-Executive Director

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

Contents

Chairman's Statement

We report to you on progress in 2018, our third full year of trading. Our purpose is unchanged, to offer bespoke private banking with personal service and modern convenience: banking as it should be.

In the year ended 31 December 2018 lending grew by over 40% to £132.5m (2017: £94.2m), deposits grew to £267.5m (2017: £194.6m). Total income grew by 63% to £6.4m (2017: £3.9m). The Bank's loss after tax reduced to £5.6 million (2017: £6.4m).

We were proud to be named "UK Private Bank of the Year" in Spear's Wealth Management awards in November. We also conducted our first client satisfaction survey and were delighted with the feedback received, and that was before our mobile banking application went live for clients early in 2019.

Chair & Board

After an outstanding career of over 50 years, Ray Entwistle, our founder, decided to retire from the role of Chairman in 2018. We thank Ray for all he's done to build Hampden & Co, we wish him well for a deservedly long, happy retirement. Fortunately for us, his retirement is only partial. Ray continues to work for his bank, supporting clients and representing us externally. We are very grateful still to have Ray's wealth of experience.

Paul Jardine left the board following the takeover of our Cornerstone shareholder XLCatlin by AXA. Paul's wise counsel was much appreciated and valued. He is succeeded by Paul Shedden of AXAXL whom we heartily welcome. He too will be a valuable asset to the board. In 2019 we plan to fill the independent non-executive director vacancy to add to business development and banking experience.

Share Capital

After the year end, in April 2019, we were grateful to our three Cornerstone shareholders who invested a further £9.8 million capital. The need for new capital from investors to cover growth, costs and regulatory requirements will continue until the Bank reaches a profitable enough scale to generate its own capital. Our next capital raise will commence later in 2019 for this purpose, for 2020 and beyond. The Going Concern statement refers to this.

Economic Conditions

New investment is of course subject to investors' appetites and economic conditions at the time. Uncertainty is not conducive to investment and economic growth. In 2018 it affected business confidence and caused some to delay investment plans. The global trend towards protectionism does not bode well for growth and confidence. The Bank of England forecasts interest rates to remain low, which reduces the income of banks.

What's Next

Growth in lending and deposits has been consistent, albeit slower and hence more costly than was originally planned. The general level of interest rates since launch has been lower than originally expected, in turn lowering planned income.

Fortunately, Hampden & Co. has an excellent client proposition and is well established operationally. Your directors believe the Bank can offer good returns once profitable scale is reached. Our priority is to grow to a sustainable size and attract the investment needed for that.

We will reach out to as many people as possible who could benefit from award-winning private banking.

Alan Hughes

Alan Hughes, Chairman

15 April 2019

Chief Executive's Business Review

Principal Activities

2018 represents the third full year of trading. The Bank's strategy is not just about combining traditional personal relationships with new digital convenience, it is to be the bank that clients want. The Bank's strategy is to offer bespoke service delivered by experienced private bankers. We believe a thorough knowledge of our clients and their family, combined with tailored services, is how banking should be.

We aim to continue to grow the Bank in a prudent manner, focus on the interest of clients and provide high quality service. In 2018 the Bank continued to add to the services offered, including fixed rate lending and, early in 2019, digital banking. Our first client satisfaction survey gave a most pleasing result (Net Promotor score of over 70). Our priority is to grow the Bank. We are investing more in marketing and distribution to that end.

Financial Performance

In the year ended 31 December 2018 the Bank made a loss after tax of £5.6m (2017: loss after tax of £6.4m). Total income grew by 63% to £6.4m (2017: £3.9m), driven by continued balance sheet growth. Operating expenses grew by 18% to £12.1m (2017: £10.3m), driven primarily by staff costs, of which £0.9m related to share option charges. At the close of the year total deposits from banks and clients was £267.5m (2017: £194.6m). Client lending totalled £132.5m (2017: £94.2m). In 2018 the Bank introduced new lending products including fixed rate lending and intermediary mortgages to encourage safe and prudent growth in lending.

From 1 January 2018 IFRS 9 has been applied retrospectively by adjusting the opening balance sheet as at 1 January 2018 with no restatement to prior periods. Further details can be found in note 2.8. The £0.2m income tax credit in the year (2017: £nil) solely relates to research and development which was claimed from HMRC during the year.

The Bank's capital and liquidity levels exceeded regulatory requirements during 2018. The regulatory capital base was made up of Total Equity of £39.9m (2017: £43.7m) less Intangible Assets of £2.9m (2017: £3.2m) equating to £37.0m (2017: £40.5m), a decrease of £3.5m in the year. The decline in Total Equity was driven by the £5.6m loss for the year, offset by £0.9m capital credit relating to share option charges and £0.8m of additional capital raised during 2018. At year end the Tier 1 Capital Ratio was 41% (2017: 64%). The movement in the Tier 1 Capital Ratio was due to the increase in lending and the trading loss. The Bank does not borrow from other financial institutions to fund its activities.

In April 2019 three Cornerstone shareholders invested £9.8m to support 2019 growth, costs and regulatory requirements. Further capital investment is, and will continue to be, required for this until a profitable scale is reached as currently forecast within the next 2-3 years. Many factors influence the timing of that, primarily the pace of growth. The next funding round will commence during 2019.

Economic and Political Context

The Bank has limited exposure to European currencies other than Sterling and, being predominantly UK focused, is not directly exposed to cross-border disruption from changes to the UK's relationship with the EU. However, the political and economic uncertainty is not conducive to confidence, investment and economic growth. In 2018 it affected business confidence and caused some to delay investment plans. Moreover, the global trend towards protectionism does not bode well for growth and confidence. These economic and political 'head winds', may reduce investors' appetites.

The Bank of England raised its base rate in August to 0.75%, the timing and direction of the next change is unknown. Its latest forecast is for interest rates to stay low for longer. This depresses income of banks.

Chief Executive's Business Review *(Continued)*

Key Performance Indicators ("KPI's")

The overall progress and performance of the Bank is continually monitored by the Board and management. Performance during the year is summarised below:

	31 Dec 2018	31 Dec 2017
Total Capital Ratio	41%	64%
Client loan : deposit ratio	50%	49%
Lending growth	41%	96%
Deposit growth	38%	35%

Priorities for 2019

The path to profitability is longer than originally anticipated. Key to the development of the Bank and improving performance in 2019 & 2020 is lending and deposit growth and securing necessary capital investment. This will build upon the foundations established. Initiatives are in place to achieve this by:

- increasing client acquisition, including from more professional connections;
- maximising the client benefits of the recently introduced digital banking application; and
- growing our reputation as the UK private bank to be with.

Principal risks and uncertainties

The Bank is particularly exposed to reputation, business and capital risks in its growth years. This will remain the case until the viability of the business is established and the Bank has reached profitable scale. During this growth period the availability of sufficient additional capital is uncertain. The success of capital raising depends upon the Bank achieving its planned growth and investors' appetites at the time.

Safe growth and a prudent lending policy remain central to the Bank's risk appetite. Management is cognisant of the need to balance this with the required growth.

The Board has identified the principal risks and uncertainties which could threaten the Bank's business and successful delivery of the Bank's strategy and business plan. These risks, which are monitored and assessed for their impact on the Bank's reputation, are noted below and further detailed risk management disclosures are set out in Note 18 to the Financial Statements. The Directors' Report provides an explanation of the Bank's risk management and governance framework, including the roles of the Board's Audit & Risk Committee ("ARC"), and at the operational level, the Credit Committee ("CC"), Assets & Liabilities Committee ("ALCO") and Risk Management Committee ("RMC").

Strategic Risk, Capital Risk and Business Risks

Strategic risk which includes business risks is the risk that the Bank fails to execute its strategy, or fails to execute elements of its business plan effectively, or to build capabilities, or inability to meet goals due to changes in the economic environment. Management monitors performance trends on a weekly basis with monthly actual and forecast management information and action needed is discussed by both Management and Board.

Forecasts including the quantum and timing of further capital raising are modified to reflect actual and forecast performance.

Capital risk is the risk that the Bank does not have sufficient capital to meet the requirements of the business including under stressed conditions. The Bank is, and will continue to be, dependent on new capital investment until the Bank generates its own.

Principal risks and uncertainties *(continued)*

The Bank has a capital plan. With help from professional advisers, this evaluates the needs, sources and appetites. It is assisted by letters of support received from two Cornerstone shareholders to provide additional capital, up to a pre-defined amount, to support growth and, if appropriate, ensure the Bank continues to meet its regulatory requirements for a period of not less than 12 months following the date of signing these accounts.

The Bank monitors and assesses optimal use of its capital and capital adequacy regularly to ensure its capital exceeds requirements with regular reporting to ALCO, RMC, ARC and Board. This is in line with the Bank's Capital Management policy for maintaining a strong capital base that is above the capital requirement level set for it by the regulator, the Prudential Regulation Authority ("PRA").

The Bank's regulatory disclosure requirements under Pillar 3 (defined in note 25) are published annually and are available to review on the Bank's website (www.hampdenandco.com).

Conduct Risk

Conduct risk refers broadly to practices that give rise to unfair outcomes. The Bank manages this risk by putting clients' interests at the heart of the business and seeking to develop and maintain long term relationships with its clients and, by being focused on providing products and services relevant to their needs. The Bank relies on its reputation to build its business and sees the adherence to good conduct risk principles and delivery of fair outcomes as of paramount importance. The results from the monitoring of client outcomes and other conduct risk indicators are reported to the Risk Committees and Board. High levels of client advocacy contribute to the Bank's growth and help promote shareholder confidence. All staff are required to adhere to an internal Code of Conduct and regulatory conduct rules, which require attainment of 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, SME business lending and treasury counterparties. Credit policies, principles and risk appetite metrics are designed to protect the business throughout economic cycles by ensuring 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 is undertaken within prescribed limits and risk appetite measures, 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 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 a limited level of risk to achieve the Bank's strategic goals and sets its risk appetite and liquidity requirement measures accordingly. It recognizes that in the early stages of development, there is a concentration of depositors and so seeks to establish a loyal, diverse and stable client base. The Treasury function seeks to minimise liquidity risk on a forward-looking basis under the supervision of ALCO. Liquidity and funding positions are reviewed and analysed daily and a monthly review of the liquidity position and the composition of the balance sheet is undertaken by ALCO.

Principal risks and uncertainties *(continued)*

Market Risk

Market risk is the risk that the value of the Bank's earnings and economic value will decrease due to changes in the value of financial market prices. The Bank is exposed to two main types of market risk - interest rate and foreign currency risks - both are managed to reduce the impact of market movements.

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 ALCO.

The Treasury function manages the risk of failing to control the effects of material movements in foreign exchange markets through adherence to agreed limits and risk appetite metrics, overviewed by members of ALCO, and reported to RMC, ARC and Board. Although a significant proportion of client deposit accounts are denominated in US Dollars, currently, and for the foreseeable future, the balances are naturally hedged on both sides of the balance sheet.

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, financial reporting and regulatory risk including financial crime. These risk sources include "cyber" risks, principally in relation to information security and financial crime. Availability, resilience and security of IT Systems are core objectives which are fundamental to meeting clients' needs and maintaining their confidence in the Bank's services. As the pace of technological development increases, so does the threat of new cyberattacks. Accordingly, the Board and ARC have increased their focus on maintaining an effective cyber threat identification and control framework.

Inherent in any growth plan are volume related risks arising from increased transactions, client numbers, new products and distribution methods. These are managed through a matched or proportionate increase in operational capability and capacity as well as internal control.

As the Bank grows and enhances its client services and digital capabilities, it will have due regard to the evolving risks and will develop its people, systems and processes accordingly. Other threats and opportunities to the business arise from the economic, political and regulatory arena, not least the vote to leave the European Union, and these are subject to on-going monitoring and review. Material events are escalated in line with policy to the Board and/or the most appropriate risk committee(s).

The Bank's insurance coverage is reviewed annually. Key risk appetite metrics are monitored, at a minimum, on a monthly basis and reported to the RMC, ARC and Board.

This strategic report was approved by the Board and signed on its behalf by:

G. T. Hartop

Chief Executive Officer

15 April 2019

Directors' Report

The Directors present their report and Financial Statements for the year ended 31 December 2018. 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 and Chairman's statement in accordance with section 414C(11).

Governance Structure

The Bank is led by its Board comprising of a majority of non-executive directors including the Chairman. The Board has established three sub-committees to support proper discharge of its responsibilities: Nomination Committee, Remuneration Committee and the Audit and Risk Committee, which was created after the two committees were merged in November 2018. The changes to board membership in 2018 are shown below.

Directors

The following Directors held office during the year, except as noted, were as follows:

A R F Hughes (appointed acting Chairman on 25 September 2018 and Chairman on 1 April 2019)

R M Entwistle OBE (Chairman) (retired 25 September 2018)

G T Hartop (Chief Executive Officer)

A K Mulligan (Chief Financial Officer)

J Vaughan (resigned 30 April 2018)

R A Hammond-Chambers (Senior Independent Director, Chair of the Remuneration Committee)

P A Jardine* (retired 1 October 2018)

V W C Kubitscheck** (Independent Director, Chair of Audit & Risk Committee)

C G Camroux-Oliver*

P S R Shedden* (appointed 19 February 2019)

P A Sparkes*

* Shareholder Nominated Non-Executive Director

** V Kubitscheck Acting Chair of the Audit & Risk Committee from 27 November 2018 to 10 April 2019. Previously Chair of the Board Risk Committee. A Hughes Chair of the Audit Committee until 25 September 2018.

Risk Management and Governance

The Bank has established a comprehensive risk management and governance framework as an integral part of delivering the Bank's aims and meeting client and shareholder expectations. The Board, being ultimately responsible for identifying and managing the Bank's principal risks, sets and regularly reviews the Bank's risk appetite in the light of strategic, commercial and economic aims alongside statutory and regulatory requirements.

Strong risk management that is strategic in its outlook and underpinned by an overall cautious approach to risk taking is fundamental to building the Bank in line with the traditional nature of private banking on a long term, sustainable basis. This means, amongst other things, that the Bank will remain predominantly UK focused, does not undertake any proprietary trading and manages capital and liquidity in a controlled manner. The Bank uses prudent lending policies, with lending undertaken within the defined limits and overviewed at the Credit Committee. The Bank's regulatory liquidity,

Directors' Report *(continued)*

Risk Management and Governance *(continued)*

capital and leverage ratios are closely monitored and have been maintained within regulatory requirements. The Bank continually reviews and develops its client proposition and services that are relevant to its clients while maintaining a prudent approach to managing risks to the long-term success of the Bank.

The Board considers the principal risks and system of risk governance and internal control as outlined below to be appropriate to the nature of its activities and proportionate to its scale and stage of development.

Risk and Internal Control Governance Framework

Supporting the Board's oversight of the Bank's risk management is the Board Risk Committee ("BRC"), which was merged with the Audit Committee in November 2018 to form the Audit and Risk Committee ("ARC"), made up of Non-Executive Directors. In addition, at the operational level, there are three management committees- RMC, CC and ALCO - which meet at least once each month, comprising executives and other senior managers. Collectively, these committees are referred to as "Risk Committees".

The Bank adopts the 'three lines of defence' model as a core component of its system of risk management and internal control:

- 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 Compliance and Risk Management function is responsible for owning and developing the risk framework within the Bank and 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. While governance responsibility lies with the Board, responsibility for approving the Internal Audit annual budget has been delegated to the ARC. Internal Audit and other third party experts periodically perform independent reviews of the Bank's risk management and system of internal control.

Information on risk management performance is aggregated across the lines of defence and reported to each regular meeting of the Board and Risk Committees.

The Bank continues to invest in its risk management and internal control capabilities to ensure it operates competently within its appetite.

Risk Management Framework

The risk management framework aims to ensure that emerging risks and the risks inherent in operating and growing the Bank are identified proactively, monitored and managed within the Board's

Directors' Report *(continued)*

<u>Risk Management Framework *(continued)*</u>

defined risk appetite and reported to the Risk Committees and the Board. Appropriate policies, authorities, risk tolerances and limits are set that seek to balance opportunities, risks and rewards.

In addition to the Bank's risk governance arrangements, a key element of the risk framework is the business culture as reinforced by important objectives of the Board, which include having:

- Board and Committee members that openly champion client needs and 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 seeks to understand the needs of our clients and treat clients fairly;
- staff who act with integrity and honesty and act within the limits of their delegated authorities and accountabilities; and
- staff who understand and manage the risks they take on behalf of the Bank and are given appropriate training to do so.

The Board is conscious of the need to ensure that the Bank's reputation is effectively managed. As such there is proactive identification and vigilant monitoring of, and response to, events which could potentially damage the Bank's reputation. Staff are actively encouraged to identify and report failings and to 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 processes and reporting lines. The performance appraisal process takes achievement of risk management objectives into account for all staff and the remuneration policy promotes teamwork, reinforcing the culture required to deliver the strategy.

On identification, the impact and probability of potential risks are assessed allowing the Bank to evaluate the level of inherent as well as residual risk, and to consider the necessary mitigating actions for operating within the Board's risk appetite. Scenario analysis and stress testing are additional tools used for gaining more insight and assessing the resilience of internal control strategies, for example, during capital and liquidity adequacy assessments and detailed risk reviews.

Capital Structure

Details of the Bank's share capital, together with movements in the Bank's issued share capital are shown in notes 19 & 25. During the first quarter of 2018 the Bank raised additional capital of £0.8m which was surplus to the fundraising round that occurred at the end of 2017 that raised £15.1m of new capital.

In April 2019 a further £9.8m new capital was raised from three Cornerstone shareholders.

A Company Share Option Plan ("CSOP") was launched during the year to reward employees for long term business growth. Details of the scheme are set out in note 11.

Directors' Report *(continued)*

Going Concern

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

In making this assessment the Directors relied on:

- the need to raise new capital and its likely availability by the first half of 2020;
- the Business Plan;
- the Internal Capital Adequacy Assessment Process ("ICAAP");
- the Internal Liquidity Adequacy Assessment Process ("ILAAP"); and
- their evaluation of the Bank's principal risks and uncertainties, including those that would threaten the Bank's business model, its future performance or solvency.

The Bank has prepared a 5-year Business Plan. The Bank's financial forecasts stem from this Plan which includes a detailed annual budget for year one (2019) and forecasts for years two to five.

The ICAAP and ILAAP are approved by the Board. They:

- identify the risks faced by the Bank now and in the foreseeable future;
- assess the adequacy of current and future capital and liquidity;
- detail key stress tests;
- help define business policies to address risks identified.

Key assumptions within the Plan include client, deposit and lending growth, the necessary investment in operational capability, and the resultant impact on profitability. These indicate the quantum of capital necessary throughout the period covered by the Plan and the new capital investment the Bank must raise before it reaches a size that is capital self-sufficient.

The Directors need to raise additional capital by mid-2020 to support business growth, absorb forecast losses and to allow the Bank to adhere to regulatory capital requirements. The key Cornerstone shareholders have committed to participate in this funding round in proportion to their existing shareholding. Additionally, these Cornerstone shareholders have committed to provide additional capital prior to this, up to a pre-defined amount, to support growth and, if appropriate, ensuring the Bank continues to meet its regulatory capital requirements for a period of not less than 12 months following the date of signing the accounts.

The Directors have a reasonable expectation that the Bank will be able to raise additional capital, continue in operation and meet its liabilities as they fall due over the period of their going concern assessment.

Financial Instruments

Information about the use of financial instruments by the Bank is given in notes 16 & 18 to the Financial Statements.

Research and development

The Bank invested in the development of its core banking platform and was successful in claiming research and development (R&D) relief from HMRC of £219k. See note 8 for further details.

Directors' Report *(continued)*

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 Bank 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 Bank'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 Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank 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 Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of disclosure to auditor

The Directors confirm that;

(a) so far as they are aware, there is no relevant audit information of which the Bank's auditor is 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 Bank's auditor is aware of that information.

Indemnity Insurance

The Bank has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

On behalf of the Board

R. F. H. Lyon

Company Secretary

15 April 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAMPDEN & CO PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Hampden & Co plc (the 'company'):

- ***give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss for the year then ended;***
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 28.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • The appropriateness of preparing the financial statements using the going concern basis of accounting; and • The incorporation of forward-looking macro-economic information into the measurement of expected credit losses on loans and advances to clients. In the prior year, we identified a key audit matter with regards to the accuracy and validity of the calculations supporting the share based payments expense. Specifically, our key audit matter related to the appropriateness of the models and related inputs to calculate the fair value of the executive share options that were granted during the prior year. Given that the fair value of options is only reassessed under specific circumstances and the ongoing accounting for the options is not complex, we do not consider this to be a key audit matter in the current year.
Materiality	The materiality that we used in the current year was £399,000 (2017: £306,000) which was determined on the basis of 1% of the total equity balance as at 31 December 2018 (31 December 2017: 0.8%).

Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	**We have nothing to report in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The appropriateness of preparing the financial statements using the going concern basis of accounting	
Key audit matter description	The company is required to maintain sufficient capital and liquidity to continue in operational existence for the foreseeable future. The director's statement on going concern is on page 9, with the related accounting policy disclosure on page 23. As a result of the regulatory capital requirements associated with the forecast growth in the company's balance sheet, the company's accumulated losses since inception, the company's forecast losses and capital required to sustain its forecast lending growth, the company will need to raise additional capital during 2020 to meet its regulatory capital requirements. The company's ability to achieve its financial performance targets and to continue to raise sufficient capital to meet its regulatory capital requirements is uncertain. We have therefore identified a key audit matter in relation to the appropriateness of the going concern basis of accounting.
How the scope of our audit responded to the key audit matter	Our procedures to assess the ability of the company to continue as a going concern included the following: ***Controls*** We evaluated the design and implementation of key controls over the going concern assessment, including the preparation of the company's financial, capital and liquidity forecasts.

	Financial, Capital and liquidity forecasting We reviewed the papers prepared by management to support the going concern assumption and the company's Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process. We considered the timing and likelihood of potential supervisory action in connection with the company's forecast capital position. We evaluated the reliability of management's forecasting process by back testing historical forecasts. We challenged the achievability of management's financial, capital and liquidity forecasts. This included understanding the factors, including the achievability of financial forecasts, which could affect the potential quantum of additional capital investment in the company during the going concern assessment period. It also included assessing the potential impact of any mitigating actions that management could take that are solely within management's control to ensure that the company continues to meet its regulatory capital requirements in the event of reasonably possible downside scenarios (including the potential impact of Brexit). We reviewed the evidence to support the subscription of capital in April 2019. We also reviewed letters of commitment from certain shareholders, under which they commit to provide additional capital, if required, to ensure the company continues to meet its regulatory capital requirements for a period of at least 12 months from the signing of the financial statements. ***Disclosures*** We reviewed management's statements on going concern disclosed in the financial statements, with reference to the evidence obtained through the procedures noted above.
Key observations	Based on our audit procedures, we have concluded that the directors' use of the going concern basis of accounting in preparation of the financial statements is appropriate.

The incorporation of forward-looking macro-economic information into the measurement of expected credit losses on loans and advances to clients

Key audit matter description	The company has recorded an impairment provision of £29k at 31 December 2018 (31 December 2017: £nil) on loans and advances to clients of £132,847k (31 December 2017: £94,198k). Impairment provisions on loans and advances to clients are detailed within note 18. Management's associated accounting policies are detailed on pages 26 to 29. Following the adoption of IFRS 9 on 1 January 2018, the company measures the impairment provision on loans and advances to clients using an expected credit losses model. Determining expected credit losses is a judgemental area which requires the formulation of assumptions including the probability of default, the exposure at default and the loss given default, all of which should incorporate forward-looking information. Given the degree of judgement involved, we consider that there is a potential for fraud through possible manipulation of this balance. Our key audit matter has been pinpointed to the risk that forward-looking macro-economic information has not been incorporated appropriately into the measurement of expected credit losses. Specifically, management has concluded that there is limited demonstrable correlation between potential changes in macro-economic variables and the

	estimated probabilities of default of the company's loan portfolio. As a result, management has elected not to incorporate the impact of multiple forward-looking macro-economic scenarios in their estimate of future defaults. Furthermore, management's estimate of loss given default does not specifically incorporate multiple forward-looking macro-economic scenarios on the basis that this would not have a material impact on the measurement of expected credit losses, given the highly collateralised nature of the company's loan portfolio. Management's consideration included the potential impact of Brexit on the value of collateral held against the company's loans and advances to clients.
How the scope of our audit responded to the key audit matter	We performed the following procedures to assess the incorporation of forward-looking information into the measurement of expected credit losses on loans and advances to clients: • We evaluated the design and implementation of the overall loan impairment provisioning process. This included specific assessment of the controls over the level of challenge at key management review forums over the probability of default and loss given default assumptions. • We reviewed the report produced by a third party (who was engaged by management) which concluded there was limited demonstrable correlation between changes in macro-economic variables and the probabilities of default on the company's loan portfolio, based on the data sources available to the third party. We reviewed the statistical approach which the third party used to identify potential correlations to make sure that it was appropriate and also checked that the historic data sets used by the third party in their analysis correlated to the types of loans in the company's current loan portfolio. We also assessed the competence of the third party engaged by management to perform the analysis. • We reviewed the sensitivity analysis performed by management which modelled the impact of a downturn economic scenario on the measurement of expected credit losses. This involved a critical assessment of the key macro-economic assumptions used by management in their analysis (including the potential impact of Brexit) and benchmarking to publicly available information.
Key observations	Based on our audit procedures, we concluded that management's methodology was appropriate. We concur with their judgement that the incorporation of forward-looking macro-economic information does not have a material effect on the measurement of expected credit losses on loans and advances to clients.

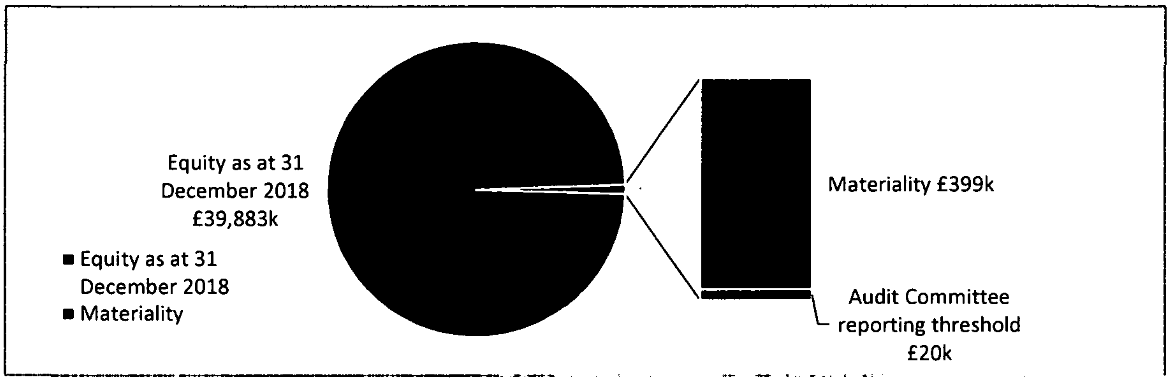
Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£399,000 (2017: £306,000)

Basis for determining materiality	Materiality has been determined as 1% of equity as at 31 December 2018 (2017: 0.8% of equity as at 31 December 2017).
Rationale for the benchmark applied	In our professional judgement the equity balance was determined as the appropriate measure as income statement results are volatile given the early stages of the company's operation.



We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £20k (2017: £15k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including controls, and assessing the risks of material misstatement at the entity level. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

We have nothing to report in respect of these matters.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities
In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit and the audit committee, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in complex accounting judgements, such as the measurement of expected credit losses given the complexities of the judgements involved; and
- obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act. In addition, compliance with the requirements of the United Kingdom's Prudential Regulation

Authority ("PRA") and Financial Conduct Authority ("FCA") were fundamental to the company's ability to continue as a going concern.

Audit response to risks identified
As a result of performing the above, we identified the incorporation of forward-looking macro-economic information into the measurement of expected credit losses on loans and advances to clients as a key audit matter. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the audit committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA and FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Directors' remuneration
Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure
Following the recommendation of the audit committee, we were appointed by the Board of Directors on 9 March 2015 to audit the financial statements for the year ending 31 December 2015 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2015 to 31 December 2018.

Consistency of the audit report with the additional report to the audit committee
Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

Use of our report

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.

Craig Cosham CA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh, United Kingdom
15 April 2019

	Note	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest receivable and similar income		6,022	3,389
Interest payable and similar charges		(561)	(200)
Net interest income	4	5,461	3,189
Non-interest income		577	465
Net non-interest income	5	577	465
Income from currency operations		326	251
Total income		6,364	3,905
Administrative expenses		(11,502)	(9,638)
Depreciation and amortisation		(641)	(627)
Operating expenses	6	(12,143)	(10,265)
Operating loss before impairment losses		(5,779)	(6,360)
Impairment on loans and advances to clients	18	(17)	-
Loss before tax	6	(5,796)	(6,360)
Tax income/(expense)	8	219	-
Loss for the year from continuing operations (attributable to equity holders) and total comprehensive loss		(5,577)	(6,360)

Hampden & Co plc
Statement of Financial Position

	Note	2018 £'000	2017 £'000
Assets			
Cash and balances with central banks	16	91,135	83,278
Loans and advances to banks	16	81,759	58,618
Loans and advances to clients	16	132,488	94,198
Prepayments and accrued income		503	417
Other assets		220	186
Property, plant and equipment	12	195	258
Intangible assets	13	2,910	3,241
Total assets		309,210	240,196
Liabilities			
Deposits from banks	16	-	686
Deposits from clients	16	267,483	193,926
Accruals and deferred income	14	1,756	1,703
Other liabilities	15	1	39
Provisions	24	118	119
Total liabilities		269,358	196,473
Equity			
Share capital	19	59,902	59,369
Share premium account	19	15,066	14,812
Other reserves	19	19	19
Retained earnings		(35,135)	(30,477)
Total equity		39,852	43,723
Total liabilities and equity		309,210	240,196

The financial statements on pages 19 to 54 were approved by the Board of Directors and authorised for issue on 15 April 2019 and were signed on its behalf by:

Graeme Hartop

G. T. Hartop
Chief Executive Officer

A Mulligan

A. K. Mulligan
Chief Financial Officer

Company Registration No. SC386922

	Note	Share capital	Share premium account	Other reserves	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
At 1 January 2017		49,282	9,939	19	(24,344)	34,896
Loss for the year and total comprehensive loss		-	-	-	(6,360)	(6,360)
Issue of share capital	19	10,087	5,043	-	-	15,130
Direct share issue costs	19	-	(170)	-	-	(170)
Equity settled share based payments	11	-	-	-	227	227
At 31 December 2017		59,369	14,812	19	(30,477)	43,723
Impact of initial application of IFRS 9		-	-	-	(14)	(14)
At 1 January 2018 after adopting IFRS 9		59,369	14,812	19	(30,491)	43,709
Loss for the year and total comprehensive loss		-	-	-	(5,577)	(5,577)
Issue of share capital	19	533	268	-	-	801
Direct share issue costs	19	-	(14)	-	-	(14)
Equity settled share based payments	11	-	-	-	933	933
At 31 December 2018		59,902	15,066	19	(35,135)	39,852

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Cash flows from operating activities		
Loss before tax	(5,577)	(6,359)
Reconciliation from loss before tax to net cash flows from operating activities:		
Depreciation and amortisation	641	627
Equity settled share based payments	933	227
Impairment charge for the year	(17)	-
(Increase) in prepayments and accrued income	(86)	(29)
Increase in accruals and deferred income	53	394
(Increase) in loans and advances to clients and banks	(45,597)	(43,213)
Increase in deposits by clients and banks	70,424	55,429
(Increase) in other assets	(36)	(19)
(Decrease)/Increase in other liabilities and provisions	(38)	151
Elimination of foreign exchange differences	1	-
Net cash from operating activities	20,701	7,208
Cash flows from investing activities		
Purchase of property, plant and equipment	(3)	(11)
Purchases / development of intangible assets	(245)	(855)
Net cash flows from investing activities	(248)	(866)
Cash flows from financing activities		
Proceeds from issue of shares	801	15,130
Direct costs of share issuance	(14)	(170)
Net cash flows from financing activities	787	14,960
Net increase in cash and cash equivalents	21,240	21,301
Cash and cash equivalents at beginning of year	125,284	108,938
Effects of foreign exchange rate changes on cash & cash equivalents	2,451	(4,955)
Cash and cash equivalents at end of year	148,975	125,284

Analysis of cash and cash equivalents at end of year

Cash and balances with central banks	91,135	83,278
Loans and advances to banks repayable on demand	57,840	42,006
	148,975	125,284

Notes to the financial statements

For the year ended 31 December 2018

1 General information

Hampden & Co plc ("the Bank") is a bank incorporated in the United Kingdom under the Companies Act 2006. The address of the registered 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 27. The financial statements are presented in sterling.

1.2 Going concern

The Directors have assessed the outlook of the Bank over a longer period than twelve months. The Directors need to raise additional capital by mid-2020 as anticipated in its Business Plan to support business growth, absorb forecast losses and to allow the Bank to adhere to regulatory capital requirements. The success of future capital raising is predicated upon the Bank achieving its Business Plan and investors' appetites at that time. In anticipation of this next capital raise, key Cornerstone shareholders have committed to provide additional capital, up to a pre-defined amount, to support growth and, if appropriate, to ensure the Bank continues to meet its regulatory capital requirements for a period of not less than 12 months following the date of signing the accounts. The Directors, having made such enquiries as they considered appropriate and having reasonable expectation that the Bank 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. The principal accounting policies adopted are set out below.

2.1 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment 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
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. Property, plant and equipment are reviewed for indicators of impairment annually. If there are any indicators of impairment the recoverable amount is determined and compared to the carrying amount to identify whether an impairment loss should be recognised. The recoverable amount is the greater of the fair value less cost to sell and value in use. Any impairment losses are recognised immediately in profit or loss.

2 Summary of significant accounting policies *(continued)*

2.2 Intangible assets

Intangible assets, which represent developed software and software licences, are measured on initial recognition at cost. Staff and development costs in relation to the development of software are capitalised at cost and are recognised when it is deemed probable that the future economic benefits that are attributable to the asset will flow to the Bank. Intangible assets arising from development are recognised when it is demonstrated that the asset can be identified and will be available for use or sale, it is probable that the asset will generate future economic benefit and the expenditure attributable to the intangible asset during its development can be reliably measured. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation commences on development assets when the intangible asset is available for use. Intangible assets are deemed to have a finite life and are amortised over 5 to 7 years, using the straight line method and are reviewed for indicators of impairment annually. If there are any indicators of impairment the recoverable amount is determined and compared to the carrying amount to identify whether an impairment loss should be recognised. The recoverable amount is the greater of the net realisable value of the asset and the amount recoverable from its future use. Any impairment losses are recognised immediately in profit or loss.

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.

Loans and advances to banks that are short-term, readily convertible to known amounts of cash and are subject to insignificant changes in value are classified as cash-equivalents.

2.4 Equity

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

2.5 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.

2.6 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

2 Summary of significant accounting policies *(continued)*

2.6 Taxes *(continued)*

future conditions and events, changes in which could have a material impact on the Bank's reported financial position or performance.

2.7 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 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.

2.8 Financial Instruments (Policy applicable prior to 1 January 2018)

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

Financial assets and financial liabilities were initially measured at fair value. Transaction costs that were directly attributable to the acquisition or issue of financial assets and financial liabilities were added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial Assets

All financial assets were recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms required delivery of the financial asset within the timeframe established by the market concerned and were initially measured at fair value, plus transaction costs. All financial assets were classified as loans and receivables.

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.

Loans and receivables

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

2 Summary of significant accounting policies *(continued)*

2.8 Financial Instruments (Policy applicable prior to 1 January 2018) *(continued)*

Impairment of Financial Assets

Financial assets were assessed for indicators of impairment at each balance sheet date. Financial assets were impaired where there was 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 had been affected. For all other financial assets classified as loans and receivables, objective evidence of impairment could have included:

- 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 was the difference 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 was reduced by the impairment loss directly for all financial assets.

Financial liabilities

Financial liabilities were classified as 'other financial liabilities'.

Other financial liabilities

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

Other financial liabilities were 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.

2.8 Financial Instruments (Policy applicable from 1 January 2018)

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

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.

2 Summary of significant accounting policies *(continued)*

2.8 Financial Instruments (Policy applicable from 1 January 2018) *(continued)*

From a classification and measurement perspective the new standard requires all financial assets except equity instruments and derivatives to be assessed based on the Bank's business model for managing assets and the instruments' contractual cash flow characteristics. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principle and interest, and that are not designated at fair value through the profit and loss account (FVPL), are classified and subsequently measured at amortised cost. The carrying value of these financial assets is adjusted by expected credit losses. All financial assets are measured at amortised cost as they are held to collect contractual cash flows and those cash flows meet the 'solely payment of principle and interest' (SPPI) condition.

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.

Impairment of Financial Assets

The Bank assesses expected credit losses (ECLs) associated with its financial assets, including the exposures arising from loan commitments, on a case by case basis and does not measure expected credit losses on an overall portfolio basis.

The measurement of ECLs reflects reasonable and supportable information that is available without undue cost or effort at the reporting date.

All loan commitments provided by the Bank are contracts that include a loan and an undrawn committed facility. The expected credit losses on undrawn loan commitments are recognised as a loss provision.

The carrying amount of financial assets are reduced by the impairment loss. The low credit risk exemption has not been applied.

The adoption of IFRS 9 has no impact on comparatives. The standard has been retrospectively applied through adjusting the opening balance sheet as at 1 January 2018.

Determining significant increase in credit risk since origination

ECLs are calculated in line with the requirements of IFRS 9 using a three stage impairment model which assesses significant changes in credit risk since origination of financial assets. The measurement of ECLs is dependent on the classification stage of the assets.

Stage 1: For assets that are not credit impaired and have not had a significant increase in credit risk since initial recognition, 12 months ECLs are recognised.

Stage 2: For assets that have experienced a significant increase in credit risk since initial recognition but are not credit impaired, lifetime ECLs are recognised.

Stage 3: For financial assets that are credit impaired at the reporting date, lifetime ECLs are recognised.

2 Summary of significant accounting policies *(continued)*

2.8 Financial Instruments (Policy applicable from 1 January 2018) *(continued)*

The Bank uses a credit scorecard methodology for assessing significant increase in credit risk based on a number of quantitative, qualitative and backstop measures.

Quantitative criteria:

For each financial asset, if the credit score, determined by the credit scorecard methodology, has increased by more than a predetermined threshold relative to the origination score.

Qualitative criteria:

A number of qualitative criteria are also used to assess significant increase in credit risk:

- Bankruptcy;
- Borrowers who are placed on watch list; and
- Pre-delinquency information.

Backstops:

As defined within IFRS 9, the following backstops have been factored into the Bank's credit scorecard:

1. The Bank considers that if an asset's contractual payments are more than 30 days past due then a significant increase in credit risk has taken place;

2. If a position is greater than 90 days past due it is considered to be in default.

Definition of default

At each reporting date the Bank assesses whether or not any financial assets carried at amortised cost are credit impaired; the Bank's definition of credit impaired is aligned with the definition of default. A position is defined as in default when it meets one of the following criteria:

- A facility's contractual payment is more than 90 days past due;
- It is considered that the client is unlikely to pay their credit obligation to the Bank in full, without recourse actions such as the realisation of security (if held).

An instrument is considered to be no longer in default when it no longer meets the above default criteria and has returned to being up to date on its contractual repayments.

Write off policy

In situations where it is evident that a non performing loan/debt is not going to be repaid or that there is a shortfall following realisation of security then the Bank may take the decision to write off the residual debt but may still pursue the client for recovery of the debt.

No assets were written off during the year ended 31 December 2018 and 2017.

Model inputs and assumptions

The ECLs are measured on a 12 month or lifetime basis depending on whether or not a significant increase in credit risk has occurred since initial recognition. The IFRS 9 model developed by the Bank has a number of inputs and assumptions:

Summary of significant accounting policies *(continued)*

2.8 Financial Instruments (Policy applicable from 1 January 2018) *(continued)*

- ECLs are determined by assessing the probability of default, loss given default, exposure at default and discount factor for each individual exposure. The four components are multiplied together in order to derive expected ECLs for the relevant period.
- Probability of default ("PD") represents the likelihood of a borrower defaulting on their financial obligation either over the next 12 months (12m PD) or over the remaining lifetime of the obligation, depending on what stage the financial assets is in at the reporting date. The Bank uses an external consultant to provide probability of default data that has been profiled against the Bank's lending book. As the Bank historically has no instances of default it is not possible to use internally collected data to derive probability of default rates.
- Loss given default ("LGD") is based on collateral recovery value to give an expected loss at default, defined as a percentage of exposure at default ("EAD"). The model uses the market value less a defined haircut to work out the value of collateral for calculating LGD. The haircuts vary between 20-50% and are assessed on a case by case basis depending on the type, location, size and nature of the collateral. The haircut to the market value of the collateral also includes assumptions to reflect the cost of liquidating collateral in a forced sale, legal costs and the time value of money. Haircut percentages and values remain under constant review with the option to increase or decrease to reflect any market movements or forward-looking macro-dependencies of LGD. If the expected proceeds from the collateral exceeds the amount loaned, the entity may have an LGD of 0% and hence an allowance of zero.
- Exposure at default – the model predicts EAD as the expected principle balance outstanding plus three months interest at the time of default. Partial prepayment is excluded from the modelling of EAD as the Bank does not have sufficient prepayment information to accurately predict prepayment rates.
- Discount factor – The standard expects credit losses to reflect the time value of money, this is done through discounting the estimated losses at the reporting date. The Bank has applied an operational simplification to use the interest rate at the time of origination as the basis for the discount rate as an approximation of EIR. This operational simplification of using the interest rate at origination rather than the EIR is not deemed to have a material impact on the ECLs. ECLs are discounted to the reporting date.
- Lifetime ECLs – Lifetime ECLs are the expected credit losses that result from all possible default events over the contractual life of the financial instrument. For revolving credit facilities, such as overdrafts, the contractual term is 12 months. The lifetime of the overdraft facility is therefore taken to be 12 months.
- Forward looking macroeconomic judgements – IFRS 9 requires ECLs to reflect a range of possible outcomes and consider possible future economic conditions. Through analysis received from an economic consultant and management's own analysis (which included consideration of the potential impact of Brexit), management did not deem it necessary to incorporate forward looking economic assumptions into the ECL model at this time based on the fact that adjusting for forward looking information would not have a material impact on the measurement of expected credit losses.

2 Summary of significant accounting policies *(continued)*

2.8 Financial Instruments (Policy applicable from 1 January 2018) *(continued)*

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.

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 'financial liabilities at amortised cost'. There has been no change to the Bank's classification and measurement of financial liabilities as a result of IFRS 9.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs.

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.

Transition to IFRS 9

IFRS 9 replaces IAS 39 for periods on or after 1 January 2018, and the year ended 31 December 2018 represents the first full year of the new standard being in place.

The transition from IAS 39 to IFRS 9 has not resulted in a change to the classification of financial assets or liabilities, all financial assets and liabilities remain classified and measured at amortised cost.

2 Summary of significant accounting policies *(continued)*

2.8 Financial Instruments (Policy applicable from 1 January 2018) *(continued)*

The following table reconciles the prior periods closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with IFRS 9 expected credit loss model as at 1 January 2018:

	£'000s
31 December 2017 Loan loss allowance under IAS 39	0
Remeasurement	14
1 January 2018 Loan loss allowance under IFRS 9	**14**

2.9 Non-interest income

Non-interest income is recognised on an accruals basis when the underlying performance obligation has been satisfied.

2.10 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.

2.11 Pension costs

As part of the Workplace pension law, the Bank has organised that an independent specialist pension provider offers members of staff a defined contribution pension scheme. Payments to the defined contribution pension scheme are recognised as an expense when employees have rendered service entitling them to the contributions. The assets of the scheme are administered separately from those of the Bank in independently administered funds.

2.12 Share based payments

Employees of the Bank receive part of their remuneration in the form of share based payment transactions, whereby employees render services in exchange for options in the Bank's shares. The fair value of share options at the grant date is recognised as an employee expense in the Statement of Comprehensive Income over the vesting period on a straight line basis, based on the Bank's estimate of equity instruments that will eventually vest. The overall cost of the award is calculated using the number of options expected to vest and the fair value of the options at the grant date.

The fair value of the share option plan is calculated at the grant date using either a Binomial valuation model or Black Scholes valuation mode, depending on the rules of the scheme. Inputs into the valuation model include the risk-free interest rate and volatility assumptions. Further details regarding the determination of the fair value of equity-settled share based transactions are set out in note 11. The fair value includes the effect of non-vesting conditions and any market based performance conditions.

2.13 Provisions

A provision is recognised where there is a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of economic resource will be required to settle the obligation, and the amount can be reliably estimated.

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. The Directors do not consider there to be any critical accounting judgements or key sources of estimation uncertainty.

4 Net interest income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest income on loans and receivables to banks	1,520	604
Interest income on loans and receivables to clients	4,502	2,785
Interest receivable	6,022	3,389
Interest expense on deposits from banks	(4)	(4)
Interest expense on deposits from clients	(557)	(196)
Interest payable	(561)	(200)
Net interest income	5,461	3,189

5 Net non-interest income

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Banking income	577	465
Net non-interest income	577	465

6 Loss before tax

Loss before tax stated after charging:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Staff costs & Directors' remuneration	6,822	5,474
Depreciation of property, plant and equipment (note 12)	67	65
Amortisation of intangible assets (note 13)	575	562
Operating lease payments and other property related expenses	956	1,013
Other administrative expenses	3,723	3,151
Operating expenses	12,143	10,265

7 Auditor's Remuneration

The analysis of the auditor's remuneration is as follows:	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Fees payable to the Bank's auditor and its associates for the audit of the Bank's annual accounts	102	85
Total audit fees	102	85
Other assurance services	35	26
Total non-audit fees	35	26

8 Taxation

Total tax income on loss on ordinary activities was £219k for the year ending 31 December 2018 (2017: £nil).

The differences between the total tax income shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax are as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss before tax	(5,796)	(6,360)
Tax on loss before tax at standard UK corporation tax rate of 19 per cent (2017: 19.25 per cent)	(1,101)	(1,224)
Effects of:		
- Research and development tax credit	(219)	-
- Expenses not deductible for tax purposes	20	31
- Increase in unrecognised deferred tax assets	1,081	1,193
Total tax credit for year	(219)	-

R&D eligible deductions in the period since the Bank opened resulted in a tax credit from HMRC of £219k. This was received in the year to 31st December 2018.

The standard rate of UK corporation tax applied to reported profit is 19% (2017: 19.25%). The standard rate of UK corporation tax decreased from 20% to 19% from 1 April 2017 and will reduce further to 17% from 1 April 2020. The effective tax rate of -3.8% differs from the standard rate of tax applied to the reported loss primarily as a result of the non-recognition of a deferred tax asset in respect of the current year tax loss.

The Bank has tax losses carried forward to future periods of £29,617k (2017: £25,016k). Due to the uncertainty surrounding when sufficient future taxable profits will be generated by the Bank that these tax losses can be offset against, no deferred tax asset has been recognised on these losses. No deferred tax asset has been recognised on other deductible temporary differences amounting to £1,809k, comprising fixed asset temporary differences (£1,459k), pension contributions unpaid at the balance sheet date (£31k), CSOP options (£6k) and Tranche 1 of the Share Option Plan of (£313k).

9 Employees

The monthly average Full Time Equivalent "FTE" number of employees (including directors) was 87 (2017: 80).

Aggregate remuneration for the year comprised:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	5,098	4,606
Social security costs	599	490
Pension costs	192	151
	5,889	5,247

10 *Directors' Remuneration*

The aggregate remuneration of the Directors is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Short term employee benefits	1,099	1,086
Post-employment benefits	6	6
Other long term benefits	-	-
Termination benefits	-	-
Share Options Granted	566	174
	1,671	1,266

The total amount of Directors remuneration in accordance with Schedule 5 to the Accounting Regulations was £1,099k (2017: £1,086k) relating to salary and variable pay and £6k of contributions to a money purchase pension scheme (2017: £6k).

No Directors exercised share options during the year. Remuneration of the highest paid director in respect of qualifying services was £330k (2017: £318k).

11 Share Based Payments

The Bank operates two share option schemes. The first is a Share Option Plan ("SOP") scheme for the executive management team that was launched during 2017. This scheme consisted of tranche 1 and tranche 2 share options. The options have a five year vesting period and, if the options remain unexercised after a period of twenty years from grant date, the options expire. All options are equity settled and both the tranche 1 and tranche 2 options have non-market performance conditions and the tranche 2 options also contains non-vesting conditions. No options were exercisable at the end of the period.

Details of the SOP share options outstanding during the year are as follows:

SOP scheme	31st December 2018			
	Tranche 1 (number of shares)	Weighted average exercise price (pence)	Tranche 2 (number of shares)	Weighted average exercise price (pence)
Outstanding at the beginning of the period	125,000,000	6.5	125,000,000	13.08
Granted during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Exercised during the period	-	-	-	-
Expired during the period	-	-	-	-
Outstanding during the period	125,000,000	6.5	125,000,000	13.08
Fair value of shares awarded (pence)	2.88	-	0.79	-

The options outstanding at 31 December 2018 had a weighted average exercise price of 6.5p for Tranche 1 and 13.08p for Tranche 2 options, and a weighted average remaining contractual life of 19 years. On 2 October 2017 125,000,000 tranche 1 and 125,000,000 tranche 2 options were granted; no additional options were granted to the SOP scheme during the year. The aggregate of the fair values of the options granted is £4,600k (2017: £4,600k). The Tranche 1 and Tranche 2 options have been valued using a binomial valuation methodology.

11 Share Based Payments *(continued)*

A HMRC approved Company Share Option Scheme ("CSOP") was introduced during the year and offered to all employees including executive directors. Each employee share option converts into one ordinary share on exercise and no amounts were payable by the recipient on receipt of the option. Options may be exercised at any time from the date of vesting to the date of their expiry. The vesting period is five years, if the options remain unexercised after a period of ten years from the date of grant the options will expire. Options are forfeited if the employee leaves the Bank before the options vest.

The CSOP scheme has a grant price of 6.5p and fair value of 2.538p per option, with an aggregate fair value of £421k. The total expense in the year for the CSOP scheme for the year ended 31 December 2018 was £13k based on a grant date of 5 November 2018. There are no performance conditions or vesting conditions other than a 5 year service condition. A Black Scholes option-pricing model was used to derive the fair value.

	31 December 2018	
	CSOP (number of shares)	**Weighted average exercise price (pence)**
Outstanding at the beginning of the period	-	-
Granted during the period	16,574,286	6.5
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Outstanding during the period	16,574,286	6.5
Fair value of shares awarded (pence)	2.538	-

11 Share Based Payments *(continued)*

The inputs into the fair value models are as follows:

	CSOP	SOP	
		Tranche 1	**Tranche 2**
Weighted average share price	7.5p	7.5p	7.5p
Weighted average exercise price	6.5p	6.5p	13.08p
Expected volatility	30%	30%	30%
Expected life	5 Years	7 Years	5 Years
Risk-free rate	1.08%	1.02%	0.76%

As an unlisted entity, the expected volatility was determined by considering the expected volatility of publicly quoted companies that have private banking / wealth management operations in the UK, and also of recently listed companies with banking operations. The expected life used in the fair value models has been adjusted, based on management's best estimates for the effects of exercise restrictions and behavioural considerations.

It is expected that at the end of the 5 year vesting period all share options will vest.

The Bank recognised a total expense of £933k related to equity settled share based payments transactions (2017: £227k).

12 Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2018	239	200	439
Additions	-	3	3
At 31 December 2018	239	203	442
Depreciation			
At 1 January 2018	62	119	181
Charge for the year	24	43	66
At 31 December 2018	86	162	247
Net book value			
At 31 December 2018	153	41	195

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2017	237	191	428
Additions	2	9	11
At 31 December 2017	239	200	439
Depreciation			
At 1 January 2017	38	78	116
Charge for the year	24	41	65
At 31 December 2017	62	119	181
Net book value			
At 31 December 2017	177	81	258

13 Intangible Assets

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 January 2018	3,780	896	4,676
Additions	245	-	245
At 31 December 2018	4,025	896	4,921
Amortisation			
At 1 January 2018	1,098	337	1,435
Charge for the year	445	131	576
At 31 December 2018	1,543	468	2,011
Net book value			
At 31 December 2018	2,482	428	2,910

During the year £184k of costs incurred on the development of mobile banking were capitalised (2017: £740k). The amortisation period for the asset has not commenced as the asset was under development as at 31 December 2018. The total carrying value of intangible assets whereby amortisation had not yet commenced was £954k as at 31 December 2018.

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 January 2017	2,925	896	3,821
Additions	855	-	855
At 31 December 2017	3,780	896	4,676
Amortisation			
At 1 January 2017	666	207	873
Charge for the year	432	130	562
At 31 December 2017	1,098	337	1,435
Net book value			
At 31 December 2017	2,682	559	3,241

14 Accruals and deferred income

	2018 £'000	2017 £'000
Deferred fee income	157	148
Expense accruals	1,599	1,555
	1,756	1,703

15 Other liabilities

	2018 £'000	2017 £'000
Other liabilities	1	39
	1	39

16 Financial instruments

Categories of financial instruments

At 31 December 2018	Financial Assets at Amortised Cost £'000	Total £'000
Financial Assets:		
Cash and balances with central banks	91,135	91,135
Loans and advances to banks	81,759	81,759
Loans and advances to clients	132,488	132,488
Total financial assets	305,382	305,382

At 31 December 2018	Financial liabilities at Amortised Cost £'000	Total £'000
Financial Liabilities:		
Deposits from banks	-	-
Deposits from clients	267,483	267,483
Total financial liabilities	267,483	267,483

16 Financial instruments *(continued)*

Categories of financial instruments *(continued)*

At 31 December 2017	Loans and receivables £'000	Total £'000
Financial Assets:		
Cash and balances with central banks	83,278	83,278
Loans and advances to banks	58,618	58,618
Loans and advances to clients	94,198	94,198
Total financial assets	236,094	236,094

At 31 December 2017	Other financial liabilities £'000	Total £'000
Financial Liabilities:		
Deposits from banks	686	686
Deposits from clients	193,926	193,926
Total financial liabilities	194,612	194,612

17 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).

There are no financial assets or liabilities measured at fair value at the end of the current or prior reporting period.

Fair value measurements recognised in the statement of financial position

For financial assets and liabilities held at amortised cost, the fair value (classified as Level 3) is not materially different from the carrying value.

18 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 ALCO and appropriate metrics are reported monthly to the Board and the RMC. Metrics are also presented quarterly to the ARC, 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. The Bank's foreign exchange rate risk is managed by natural hedges and/or FX Forward contracts to leave no material FX open positions.

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 Bank'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.

18 Financial Risk Management *(continued)*

Interest rate sensitivity analysis ***(continued)***

At 31 December 2018	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	91,135	-	-	-	-	-	91,135
Loans and advances to banks	64,597	3,008	14,154	-	-	-	81,759
Loans and advances to clients	131,937	-	-	500	-	51	132,488
Other assets	-	-	-	-	-	3,828	3,828
Total assets	**287,669**	**3,008**	**14,154**	**500**	**-**	**3,879**	**309,210**
Liabilities							
Deposits from banks	-	-	-	-	-	-	-
Deposits from clients	216,436	7,451	43,596	-	-	-	267,483
Other liabilities and provisions	-	-	-	-	-	1,875	1,875
Total liabilities	**216,436**	**7,451**	**43,596**	**-**	**-**	**1,875**	**269,358**
Interest rate sensitivity gap	**71,233**	**(4,443)**	**(29,442)**	**500**	**-**	**2,004**	
Cumulative gap	**71,233**	**66,790**	**37,348**	**37,848**	**37,848**	**39,852**	

At 31 December 2017	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	83,278	-	-	-	-	-	83,278
Loans and advances to banks	42,291	-	16,327	-	-	-	58,618
Loans and advances to clients	94,138	-	-	-	-	60	94,198
Other assets	-	-	-	-	-	4,102	4,102
Total assets	**219,707**	**-**	**16,327**	**-**	**-**	**4,162**	**240,196**
Liabilities							
Deposits from banks	-	-	686	-	-	-	686
Deposits from clients	165,241	7,665	21,020	-	-	-	193,926
Other liabilities and provisions	-	-	-	-	-	1,861	1,861
Total liabilities	**165,241**	**7,665**	**21,706**	**-**	**-**	**1,861**	**196,473**
Interest rate sensitivity gap	**54,467**	**(7,665)**	**(5,379)**	**-**	**-**	**2,301**	
Cumulative gap	**54,467**	**46,802**	**41,423**	**41,423**	**41,423**	**43,724**	

18 Financial Risk Management *(continued)*

Interest rate sensitivity analysis *(continued)*

The Bank monitors its exposure to interest rate risk, and reports this to the ALCO. 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 2018 and 31 December 2017 do not show a material change in 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 high-quality liquid assets 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 table below analyses the contractual undiscounted cash flows receivable and payable including future interest receipts and payments of interest by contractual maturity. The amounts presented in the disclosure below differ from those presented in the Statement of Financial Position due to the inclusion of contractual future interest flows.

At 31 December 2018	**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	91,135	-	-	-	-	91,135
Loans and advances to banks	64,482	3,072	14,209	-	-	81,763
Loans and advances to clients	15,854	871	9,040	89,311	42,175	157,251
Total financial assets	**171,471**	**3,943**	**23,249**	**89,311**	**42,175**	**330,149**
Financial Liabilities						
Deposits from banks	-	-	-	-	-	-
Deposits from clients	216,436	7,462	43,711	-	-	267,609
Total financial liabilities	**216,436**	**7,462**	**43,711**	**-**	**-**	**267,609**
Maturity gap	**(44,965)**	**(3,519)**	**(20,462)**	**89,311**	**42,175**	
Cumulative gap	**(44,965)**	**(48,483)**	**(68,945)**	**20,366**	**62,541**	

18 Financial Risk Management *(continued)*

Liquidity risk tables ***(continued)***

At 31 December 2017	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	83,278	-	-	-	-	83,278
Loans and advances to banks	42,292	-	16,327	-	-	58,619
Loans and advances to clients	9,005	2,797	7,682	56,273	36,911	112,668
Total financial assets	**134,575**	**2,797**	**24,009**	**56,273**	**36,911**	**254,565**
Financial Liabilities						
Deposits from banks	-	-	686	-	-	686
Deposits from clients	165,400	7,520	21,005	-	-	193,925
Total financial liabilities	**165,400**	**7,520**	**21,691**	**-**	**-**	**194,611**
Maturity gap	**(30,825)**	**(4,723)**	**2,318**	**56,273**	**36,911**	
Cumulative gap	**(30,825)**	**(35,548)**	**(33,230)**	**23,043**	**59,954**	

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, 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. Management has considered reasonable and possible changes in the key assumptions to the ECL model and have determined that these would not have a material impact on the measurement of expected credit

18 Financial Risk Management *(continued)*

Credit risk management *(continued)*

losses. Further details on the recognition and measurement of financial assets and liabilities can be found in note 2.8.

Impairment of financial assets

The table below summarises the impairment charge for the year in the income statement. Details of the ECL methodology and model assumptions is discussed in detail in accounting policy 2.8.

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Impairment charge on loans and advances to customers	15	-
Provision charge on loan commitments	2	-
Credit impairment charges and other provisions	**17**	-

The £17k (2017: nil) charge reflects the recognition of impairment provisions under IFRS 9. The Bank retrospectively applied IFRS 9 by adjusting the opening balance sheet as at 1 January 2018 with no restatement to prior periods. The retrospective adjustment to the opening balance sheet was £14k. The closing impairment provision as at 31 December 2018 is £31k.

The table below analyses the movement of the loss allowance during the year by asset class:

Loss allowance - Loans and advances to clients at amortised cost	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Loss allowance as at 1 January 2018	**14**	-	-	**14**
Changes in the loss allowance				
- Increase in credit risk due to change in credit risk	-	-	19	19
- Decrease due to change in risk parameters	(8)	-	-	(8)
New financial assets originated or purchased	8	-	-	8
Financial assets that have been derecognised due to repayment	(2)	-	-	(2)
Loss allowance as at 31 December 2018	**12**	-	**19**	**31**

18 Financial Risk Management *(continued)*

Impairment of financial assets *(continued)*

There were no modifications or renegotiations that resulted in derecognition of financial assets. Information about significant changes in gross carrying amount of financial assets during the year that contributed to changes in the loss allowance is provided at the table below:

Loans and advances to clients at amortised cost	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Gross carrying amount as at 1 January 2018	**116,411**	**2,221**	**-**	**118,632**
Changes in the gross carrying amount				
- Transfer to stage 2	(4,839)	4,839	-	-
- Transfer to stage 3		(19)	19	-
New financial assets originated or purchased	66,647	2,312	-	68,959
Financial assets that have been derecognised due to repayment	(19,159)	(2,200)	-	(21,359)
Other changes	(6,665)	(3)	-	(6,668)
Gross carrying amount as at 31 December 2018	**152,395**	**7,150**	**19**	**159,564**

Maximum exposure to credit risk

The table below details the value of collateral held against the Bank's loans and advances to clients.

	Year ended 31 December 2018 £'000	**Year ended 31 December 2017 £'000**
Exposure	158,901	118,367
Collateral	315,661	219,098
Cover	199%	185%

18 Financial Risk Management *(continued)*

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, our credit policy requires that all mortgages, term loans, overdraft facilities and charge card facilities greater than £10k are reviewed on 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 2018 the expected credit loss was £29k against loans and advances and £2k against commitments (2017: £nil).

The accruing past due category captures any exposures that are up to 90 days past due.

No balances were in category ICG 5 in 2018 or 2017.

At 31 December 2018	**ICG 1**	**ICG 2**	**ICG 3**	**ICG 4**	**Accruing Past Due**	**Non-Accrual**	**Impairment Allowance**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cash and balances with central banks:								
Stage 1	91,135	-	-	-	-	-	-	91,135
Loans and advances to banks:								
Stage 1	81,759	-	-	-	-	-	-	81,759
Loans and advances to clients:								
Stage 1	110,968	6,479	6,726	924	-	-	(10)	125,087
Stage 2	7,073	-	-	26	-	-	-	7,099
Stage 3	-	-	-	-	-	19	(19)	-
	290,935	**6,479**	**6,726**	**950**	**-**	**19**	**(29)**	**305,080**
Commitments								
Stage 1	16,907	3,878	2,480	3,416	-	-	(2)	26,679
Stage 2	21	-	-	15	-	-	-	36
Stage 3	-	-	-	-	-	-	-	-
	16,928	**3,878**	**2,480**	**3,431**	**-**	**-**	**(2)**	**26,715**

18 Financial Risk Management *(continued)*

Credit quality *(continued)*

At 31 December 2017	ICG 1 £000	ICG 2 £000	ICG 3 £000	ICG 4 £000	Accruing Past Due £000	Total £000
Cash and balances with central banks	83,278	-	-	-	-	83,278
Loans and advances to banks	58,618	-	-	-	-	58,618
Loans and advances to clients	83,541	4,756	4,500	1,380	21	94,198
Commitments	20,581	30	376	3,184	-	24,171
	246,018	**4,786**	**4,876**	**4,564**	**21**	**260,265**

Collateral

The Bank has £259k (2017: £245k) of financial assets which it has pledged as collateral.

19 Share capital

	2018 £'000	2017 £'000
Allotted, called up and fully paid		
1,198,049,600 (2017: 1,187,382,934) Ordinary shares of £0.05 each	59,902	59,369
	59,902	**59,369**

	2018 £'000	2017 £'000
Authorised, allotted, called up and fully paid:		
At 1 January 2018	59,369	49,282
Issued ordinary shares	533	10,087
At 31 December 2018	**59,902**	**59,369**

Ordinary shares

During the year 10,666,666 (2017: 201,735,166) ordinary shares were issued at a gross premium of £268k (2017: £5,043k).

Direct issue costs of £14k (2017: £170k) associated with fund-raising activities have been recorded in the share premium account.

At 31 December 2018 1,718,828,079 (2017: 1,718,828,079) ordinary shares were authorised with a par value of £0.05 (2017: £0.05).

There are currently no conditions or restrictions in regard to dividends, voting or repayment of capital. Ordinary shares cannot be issued at a discount to par.

19 Share capital *(continued)*

Share premium account

	2018	2017
	£'000	£'000
At 1 January 2018	14,812	9,939
Premium arising on issue of equity shares	268	5,043
Direct share issue costs	(14)	(170)
At 31 December 2018	**15,066**	**14,812**

Other Reserves

Included within other reserves is a capital redemption reserve of £19k (2017: £19k) which was created in 2016 on redemption of the B shares and C shares, which were cancelled for £nil consideration. The B shares and C shares issue proceeds were established as part of a share based management incentive scheme and had significantly restricted participation rights.

20 Control

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

21 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 year is disclosed in note 10.

Key management personnel and their close family members aggregate deposits were £84,557 (2017: £381,272) and aggregate lending was £4,036,067 (2017: £nil) at year end. Committed loans at the year ended 31 December 2018 were £nil (2017: £2.5m).

Hampden Holdings Limited and its subsidiary undertakings are related entities by virtue of a member of the key management personnel's significant influence over the Hampden Holdings Group. The following transactions were undertaken during the year with Hampden Holdings group entities:

Hampden Holdings Limited:

- Deposits at the year ended 31 December 2018 were £1,557,511 (2017: £2,929) and lending was £128 (2017: £296).
- A fee of £12,005 (2017: £136,906) has been charged to Hampden Holdings Limited for the provision of staff and related services, of which £nil was due at 31 December 2018 (2017: £24,010).

Hampden Agencies Limited:

- Deposits at the year ended 31 December 2018 were £95 (2017: £52,467) and lending was £nil (2017: £54,967).

Hampden Legal PLC:

- Deposits at the year ended 31 December 2018 were £81,090 (2017: £0) and lending was £nil (2017: £nil).

21 Related parties *(continued)*

The Bank received insurance services from XL Insurance Company SE, part of the AXAXL Group. The charge for the year was £22,119 (2017: £26,908).

No provisions have been made for doubtful debts in respect of amounts owed by related parties.

These transactions were made on terms equivalent to those that prevail in arm's length transactions.

22 Financial commitments

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

	2018 £'000	2017 £'000
- within one year	553	530
- between one and five years	1,146	1,535
- after five years	-	164
	1,699	**2,229**

Operating lease payments represents rentals payable by the Bank for its office premises.

23 Commitments

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

	2018 £'000	2017 £'000
Commitments to lend	26,715	24,170
Commitments for intangible asset development	312	345
	27,027	**24,515**

24 Provisions

	2018 £'000 Loss Provision	**2018 £'000** Dilapidation Provision
31 December 2017	-	**119**
Impact of transition to IFRS 9	1	-
At 1 January 2018	**1**	**119**
Provided during the year	1	-
Utilised during the year	-	(3)
At 31 December 2018	**2**	**116**

The above dilapidation provision relates to anticipated costs of restoring leased assets to their original condition. It is expected that the provision will be utilised at the end of the lease terms, the longest of which is due to end in 2025. The loss provision is in relation to expected credit losses on undrawn lending commitments.

25 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).

26 Adoption of new and amended IFRS

During the year to 31 December 2018, the Bank has adopted a number of new accounting standards and amendments to standards which became effective with relevant EU endorsement for annual periods beginning on or after 1 January 2018:

IFRS 9 'Financial Instruments'

IFRS 9 has replaced IAS 39 'Financial instruments: Recognition and measurement' and was effective from 1 January 2018. The classification and measurement requirements of IFRS 9 have been applied retrospectively by adjusting the opening balance sheet, with no requirement to restate comparative periods. IFRS 9 is discussed in greater detail within the accounting policy 2.8

IFRS 15 'Revenue from contracts with customers'

The Bank has reviewed the requirements of the standard and there has been no significant impact.

Amendments to IFRS 2 'Classification and measurement of share-based payments'

The amendments to IFRS 2 provide clarification on the classification and measurement of share-based payment transactions. There has been no impact on the Bank on adoption of the amendments.

27 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.

- Annual improvements to IFRS cycle 2015 -2017 were issued in December 2017 making a number of minor amendments to IFRS as part of the annual improvements process. Amendments have been made to IFRS 3 'Business Combinations', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The effective date of the 2015-2017 annual improvements cycle is 1 January 2019.
- IFRS 16 'Leases' was issued in 2016 to replace IAS 17 'Leases' with an effective date of 1 January 2019. In a departure from IAS 17, IFRS 16 specifies a single lease accounting model and there is no classification test. All applicable leases will be brought on balance sheet as a right of use lease asset and lease liability. The Bank's estimated impact on the opening balance sheet, through the application of a modified retrospective approach to transition, would be to create a right of use asset and lease liability of £2.5m. This represents the Bank's property leases. The Bank currently leases 3 commercial properties in Edinburgh and London. More extensive disclosure will be required by IFRS 16.

28 Post Balance Sheet Event

In April 2019 Cornerstone shareholders invested £9.8m to support 2019 growth.

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