Company Registration No. SC386922 (Scotland)

HAMPDEN & CO PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

Hampden & Co plc

Company Information

Directors	**R M Entwistle (Chairman)**
	G T Hartop (Chief Executive Officer)
	A K Mulligan
	J Vaughan
	R A Hammond-Chambers*
	A R F Hughes*
	V W C Kubitscheck*
	B Meuli*
	D J N Nabarro*
	C G Camroux-Oliver* (appointed 15 November 2016)
	P A Sparkes*

***Non-Executive Director**

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

Contents

Chairman's Statement

I am pleased to report that our bank, Hampden & Co, continued to make good progress in 2016. By the end of the year our growing client base held deposits with us of £143 million (an increase of £113 million over the year) and loans from us of £48 million (up from £12 million).

We have weathered the external headwinds with almost zero interest rates being a particular challenge for a fledgling bank. We are however pleased with progress and with the reception and the positive reaction we have received from clients. We have seen a marked pick up in the rate of growth of lending in recent months and this is an important and positive development on our road to profitability.

Of particular significance during the year was taking on 1,300 clients from the Bank of Butterfield, who closed their private banking operations in the UK. These new clients, being individuals and companies associated with Lloyd's Insurance though the Hampden Group in London, have brought us a significant volume of high quality business, including substantial deposits.

We are building our bank on the premise that, in an age impersonalised by technology but impacted by financial complexity, personal service remains an important requirement for many and particularly for high net worth clientele. We are further focusing on delivering family banking services to those that want it. It is clear to us that a combination of the advantages of technology based transacting and the comfort and flexibility of a personal service is a powerful offering and one that is inevitably rather more difficult for very large, system driven banks to provide.

One of the biggest challenges that we - and indeed all banks - face is the rapid change of banking practices brought about by the development of technology. We, as a private bank, offer personal relationship banking. This means offering our clients a high quality service from their personal banker and, in addition, all the convenience that modern technology can provide. During the year, we enhanced our internet banking capability and we have now embarked upon providing mobile banking services.

We decided - well before opening our doors - that we would focus our business on private banking and not offer other financial services - most specifically wealth management. This decision allows us to develop potential banking relationships with the clients of wealth managers, IFAs, law firms, etc. without conflicts of interests with them; we are already developing some promising relationships.

In November Charlie Camroux-Oliver, a member of the Hampden Group Board, joined as a Non-executive Director. I'm delighted to welcome Charlie to the Board.

Share Class Rationalisation

In December we cancelled the B & C shares that shareholders had approved in 2014 in order to comply with current regulations. The Remuneration Committee has been working on a replacement scheme for key members of the senior management team, which we will recommend for approval to shareholders at the forthcoming annual general meeting. We regard it equally important that all members of staff have the opportunity to become shareholders so we are also currently considering the introduction of a new staff share scheme.

Looking Forward

Each year the board of directors and members of the senior management team meet out of office for a strategy away day. The focus is on our goals and the long term strategies needed to achieve them. During this year's meeting, held in February, we reviewed our plans in the light of our experience and the external headwinds. We reaffirmed the potential for a highly respected and profitable private bank - encouraged as we have been by the recent acceleration of our business numbers.

In light of that, we have commenced the process of raising additional capital necessary to realise our growth potential and will be reporting our plans to shareholders in due course.

I would like to end my statement by thanking first of all our new clients for showing faith in us and engaging in a banking relationship with us - without them we have no business; secondly a thank you to all of our staff and our non-executive directors for their commitment and devotion to our clients and the business; and finally to you, our shareholders, thanks for the faith you have shown in us by being shareholders - we aim to make your investment a good and profitable one in the years to come. I hope and believe that by this time next year I will be able to report to you further growth as we take advantage of the opportunities that lie before us.

Strategic Report

Principal Activities and Business Review

The Directors present their Strategic Report for the year ended 31 December 2016.

Hampden & Co plc ("the Bank") is a company that was incorporated with the strategic goal of launching and operating a new private bank in the United Kingdom. The Bank commenced operations on the 4th June 2015 and the year ended 31 December 2016 represents the first full year of trading. The delivery of the Bank's strategy is through the adoption of a traditional, conservative private banking business model based on a high quality service. The Bank provides a discreet, personal service delivered with care and courtesy by dedicated and experienced private bankers. When combined with a thorough knowledge of the client and related family members, tailored services and continuity of personnel, the Directors believe this is highly appealing to its target market. The Directors aim to continue to grow the Bank's deposit base and lending book in a prudent manner with a focus on client interest and fair client outcomes aligned with high quality service.

The Bank's capital and liquidity levels exceed regulatory requirements. The regulatory capital base constitutes Total Equity of £34.9m (2015: £37.1m) less Intangible Assets of £2.9m (2015: £3.5m) equating to £32.0m (2015: £33.6m), a decrease of £1.6m in the year. The business has a Tier 1 ratio of 86% (2015: 165%). The movement in the Tier 1 capital ratio is principally due to the increase in lending. Surplus liquidity funds are placed with highly rated counterparties. The Bank does not borrow from other financial institutions to fund its activities.

Financial Performance

The financial results for the year to 31st December 2016 show an operating loss of £6.3m (2015: £8.1m). Expenditure totalled £7.9m (2015: £8.3m), which was predominantly driven by a continued investment in our systems, people and operational build. Expenditure was greater in the prior year due to the set up costs associated with the launch of the Bank. Total income grew to £1.6m (2015: £0.2m), driven by a rise in our lending book. The Directors do not recommend the payment of a dividend at this stage of the Bank's development.

The Board is pleased to report that both deposits and lending increased during the year. At the close of the year deposit volumes were £144.1m (2015: £30.9m), an increase of £113.2m with client lending totalling £48.1m (2015: £11.8m). During the year the Bank took on over 1,300 individuals and companies associated with the Lloyd's of London insurance market as new clients, attracting £78.4m of deposits.

Total shareholder's funds decreased by 6% to £34.9m during the year, primarily driven by the forecast losses in 2016, offset by an increase in called up share capital following the regulatory approval of our fourth cornerstone investor, Drake Enterprises A.G.

Risk Management and Governance

Strong risk management that is underpinned by an overall low appetite for risk is fundamental to growing the Bank on a long term, sustainable basis in line with the traditional nature of private banking. This means, amongst other things, that the Bank is UK focused, does not undertake any proprietary trading and manages capital and liquidity in a prudent manner. Fundamentally, the Bank is attentive to being relevant to its clients and their needs within a family and business context.

The managing and monitoring of risks to the Bank is ultimately the responsibility of the Board. The Board sets and regularly reviews the Bank's risk appetite in the light of strategic, commercial and economic aims and statutory/regulatory requirements. A robust risk management and governance framework has been developed as an integral part of delivering the Bank's aims and meeting client and shareholder expectations.

Risk Management and Governance *(continued)*

Governance Framework

Supporting the Board's oversight of the Bank's risk management is the Board Risk Committee ("BRC"), comprising Non-Executive Directors, which reviews and challenges the effectiveness of the overall risk management framework. In addition, at the operational level, there are three risk committees - Risk Management Committee ("RMC"), Credit Committee ("CC") and Assets and Liabilities Committee ("ALCO") - which meet at least once each month, comprising executives and other senior managers.

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 Audit Committee. The Audit Committee is satisfied that the Internal Audit function has appropriate resources to operate effectively.

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 Board considers the risk management framework and principal risks as outlined below to be appropriate to the nature of its activities and proportionate to its scale and stage of development. Independent reviews of the Bank's risk management and system of internal control are carried out periodically. In 2016, no significant weaknesses in the system of internal control have been identified.

Risk Management Framework

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

Risk Management and Governance *(continued)*

- staff that seek to understand the needs of our clients and treat clients fairly;
- staff that act with integrity and honesty and act within the limits of their delegated authorities and accountabilities; and
- staff that 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, any 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.

Principal Risks

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 ("deep dives").

The Board has identified the principal risks which could threaten the Bank's business model 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.

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, by being focused on providing products and services relevant to their needs. The Bank relies heavily on its reputation to grow its business and sees the adherence to good conduct risk principles and delivery of fair outcomes as of paramount importance. High levels of client advocacy contribute to the Bank's success 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.

Risk Management and Governance *(continued)*

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 on a daily basis and a monthly review of the liquidity position and the composition of the balance sheet is undertaken by ALCO.

Capital Risk

The Bank's primary objective is to ensure that it has capital that is permanent and meets the requirements of the regulator so that the business is resilient. Dependency on investor's capital is recognised during the initial years before the Bank starts to generate its own capital. The Bank monitors and assesses capital adequacy regularly to ensure its capital exceeds requirements with regular reporting to ALCO, RMC, BRC and Board. This is in line with the Bank's Capital Management policy for maintaining a strong capital base that is comfortably 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 are published annually and are available to review on the Bank's website (www.hampdenandco.com).

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 cognisant of the risks associated with the prolonged ultra-low interest rate environment in which it operates. 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, BRC 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.

Key risk appetite metrics are monitored, at a minimum, on a monthly basis and reported to the RMC, BRC and Board.

Risk Management and Governance *(continued)*

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.

Market Context

2016 was a year that produced some big political surprises - most notably the British electorates decision to leave the European Union and America's election of President Trump. These - and other - events have added to the uncertainties about the future over and above those already existing such as the ultra-low interest rate environment. However, there are positive ingredients within these uncertainties - including the stimulative effect of the fall in the value of Sterling, the robust nature of the UK economy post the Brexit vote, the opportunities it opens up if properly handled and the prospect of accelerating economic growth in America and possibly the rest of the world. It is not impossible that there will emerge over the next 18 or so months a gradual increase in the interest rates - much needed by our economy and particularly by the banking sector. That would be most helpful but I must stress that we are not planning on it. It will, however, happen one day - sooner or later.

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 2016	**31 Dec 15**
Capital adequacy ratio	86%	165%
Liquidity coverage ratio	740%	8,787%
Client loan : deposit ratio	34%	39%
Lending growth	307%	
Deposit growth	374%	

No prior year comparatives have been provided for the lending growth and deposit growth ratios as trading commenced on 4th June 2015.

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 to be appropriate.

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

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

Going Concern *(continued)*

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

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

As the Bank is still in its infancy, the Board is required to make assumptions regarding the achievement of the strategic goals and ability to acquire appropriate funding to support business growth. The Directors have commenced the process of raising additional capital necessary to realise our growth potential. The Directors have a reasonable expectation that the Bank will be able to continue in operation and meet its liabilities as they fall due.

On behalf of the Board

R. M. Entwistle

Chairman

29 March 2017

Directors’ Report

The Directors present their report and Financial Statements for the year ended 31 December 2016. Information regarding future developments and risk management as required by Schedule 7 to the Accounting Regulations to be contained in the Directors’ Report has been included in the Strategic Report in accordance with section 414C(11).

Financial Instruments

Information about the use of financial instruments by the Bank is given in notes 15, 16 & 18 to the Financial Statements.

Capital Structure

Details of the Bank’s share capital, together with movements in the Bank’s issued share capital are shown in notes 19 & 24.

Directors

The following Directors have held office during the year:

R M Entwistle (Chairman)

G T Hartop (Chief Executive Officer)

A K Mulligan

J Vaughan

R A Hammond-Chambers*

A R F Hughes*

V W C Kubitscheck*

B Meuli*

D J N Nabarro*

C G Camroux-Oliver* (appointed 15 November 2016)

P A Sparkes*

*Non-Executive Director

Directors' Report (continued)

Ray Entwistle, Chairman

Ray is a Chartered Banker with over 50 years' experience in the banking industry. In 1977, he established the first branch of Lloyds Bank in Scotland, before joining Adam & Company in 1984, where he became Chief Executive in 1993 and Chairman in 2005. He established the Bank (then known as Scoban) in 2010. Ray also has considerable non-executive director experience with other financial services companies as well as other industries and a number of charities, such as Chairman of Bonhams Scotland and Trustee of the Royal High School Preservation Trust.

Graeme Hartop, Chief Executive Officer

Graeme is a qualified Chartered Accountant and Chartered Banker with over 25 years' experience in the banking industry. He was Head of Finance at Adam & Company before joining Scottish Widows Bank in 1993 as Finance & Operations Director - where he became Managing Director in 2003. Graeme joined the Bank in 2013. He was a Council member at the Chartered Banker Institute and Vice-President from 2007 to 2010.

Andrew Mulligan, Finance Director

Andrew is a qualified Chartered Accountant with over 10 years' experience in the banking industry. After qualifying, he started his career in finance with Scottish & Newcastle plc, before joining the Royal Bank of Scotland Group in 2004. He became Finance Director of Adam & Company in 2006 and joined the Bank in 2011.

Jeremy Vaughan, Managing Director Banking

Jeremy has over 35 years' experience in the banking industry, working initially for National Westminster Bank, before joining Hill Samuel Bank in 1989. In 1997, he moved to Adam & Company where he was a Banking Director until 2013 when he joined the Bank. Based in London, he has responsibility for the Edinburgh and London Banking teams.

Alex Hammond-Chambers, Senior Independent Director

Alex is an experienced financial services professional. He worked for 27 years at the investment management firm, Ivory & Sime, ending up as Executive Chairman. He also served as the overseas governor of the National Association of Securities Dealers, which ran the NASDAQ, and as Chairman of the Association of Investment Companies. Since retiring from Ivory & Sime, he has served as a Director of many companies, mainly but not exclusively, investment companies. He joined the Board in 2010 and is Chairman of the Remuneration Committee.

Alan Hughes, Deputy Chairman, Non-Executive Director

Alan is a Fellow of the Chartered Institute of Financial Services and spent 35 years with HSBC where he was General Manager and member of the EU executive board. He ran significant subsidiaries of HSBC including serving as Chief Executive of First Direct Bank. He introduced the HSBC name in the UK. Since 2004 he has held a variety of non-executive directorships in financial services and the public sector. He is Pro-Chancellor of Loughborough University. He joined the Hampden Board in 2014 and is Chairman of the Audit Committee.

Directors' Report *(continued)*

Vicky Kubitscheck, Non-executive Director

Vicky is a specialist in risk governance with over 30 years' experience in the financial services industry, leading and establishing systems of risk management and governance in an evolving regulatory environment. Until recently, she was a member of the Executive at Police Mutual Group as Chief Risk Officer and Compliance Director. She is also a board advisor, an author and President of the Insurance Internal Audit Group. Vicky joined the Board in 2014 and is Chair of the Risk Committee.

Benji Meuli, Non-executive Director

Benji is a highly experienced senior executive in the financial services industry. Together with financial skills acquired over a period of more than 35 years, he brings a wide range of other experience, including strong investment, treasury and strategic acumen. Benji spent the first twenty five years of his career with JP Morgan and Morgan Stanley, before joining Swiss Re as a member of the Executive Board in 2004. He became an Executive Director of Catlin Group in June 2009, later becoming Chief Financial Officer. In 2015, he was appointed Chief Investment Officer of XL Catlin Group until his retirement in December 2016. He is also a non-executive director of GAM Holding AG. Benji joined the Board in 2015

David Nabarro, Non-executive Director

David is an experienced investment banking professional. He was formerly an individual member of the London Stock Exchange and a director of Prudential Bache Capital Funding, after which in 1990 he founded Nabarro Wells & Co., a corporate finance advisory firm, which acted as a nominated adviser for AIM. He now works as professional corporate financier through his own firm, Cato Strategic. He was a founder director of Hampden in 2010 and is both a non-executive director and Chairman of the Nominations Committee.

Charlie Camroux-Oliver, Non-executive Director

Charlie practised as a solicitor with Barlow Lyde Gilbert and Charles Russell between 1993 and 2003, specialising in company commercial and (re)insurance law. In 2003 he joined the Hampden Group as General Counsel and now deals with transactional matters on behalf of the Group. Charlie joined the Board in 2016.

Peter Sparkes, Non-executive Director

Peter is an experienced Finance Director who has held senior roles in industry across the world. He is fluent in English and Mandarin and, together with financial skills acquired over a period of more than 25 years, Peter brings experience in a wide range of other areas, including Information Technology, business planning, project management and strategic acumen. Peter now runs Corvus Management Services Ltd, a Management and Consulting Company based in Hong Kong that provides family management services. Peter joined the Board in 2015.

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 company and of the profit or loss of the company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

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

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

Statement of disclosure to auditors

The Directors confirm that;

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

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

On behalf of the Board

R. M. Entwistle
Chairman

29 March 2017

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

We have audited the financial statements of Hampden & Co plc for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other 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 and the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Craig Cosham (Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

Edinburgh

29 March 2017

Statement of Comprehensive Income

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest receivable and similar income		1,502	179
Interest payable and similar charges		(214)	(19)
Net interest income	4	1,288	160
Non-interest income		172	4
Net non-interest income	5	172	4
Income from currency operations		179	2
Total income		1,639	166
Administrative expenses		(7,282)	(7,904)
Depreciation and amortisation		(616)	(360)
Operating expenses		(7,898)	(8,264)
Operating loss before impairment losses		(6,259)	(8,098)
Impairment on loans and advances to clients		-	-
Loss before tax	6	(6,259)	(8,098)
Tax expense	8	-	-
Loss for the year from continuing operations (attributable to equity holders) and total comprehensive loss		(6,259)	(8,098)

Statement of Financial Position

	Note	2016 £'000	2015 £'000
Assets			
Cash, cash equivalents and balances with central banks		101,954	39,876
Loans and advances to clients	15	48,137	11,826
Loans and advances to banks	15	26,499	13,990
Prepayments and accrued income		555	233
Other assets		168	148
Intangible assets	12	2,948	3,502
Property, plant and equipment	11	312	349
Total assets		180,573	69,924
Liabilities			
Deposits from clients	15	143,415	30,242
Deposits from banks	15	681	676
Derivative financial instruments	16	-	-
Accruals and deferred income	13	1,574	1,823
Other liabilities	14	7	130
Total liabilities		145,677	32,871
Equity			
Share capital	19	49,282	46,090
Share premium account	19	9,939	9,048
Other reserves	19	19	-
Retained earnings		(24,344)	(18,085)
Total equity		34,896	37,053
Total liabilities and equity		180,573	69,924

The financial statements on pages 15 to 43 were approved by the Board of Directors and authorised for issue on 29 March 2017 and were signed on its behalf by:

R. M. Entwistle
Chairman

A. K. Mulligan
Director

Company Registration No. SC386922

Statement of Changes in Equity

	Note	Share capital	Share premium account	Other reserves	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
At 1 January 2015		15,700	1,162	-	(9,987)	6,875
Loss for the year and total comprehensive loss		-	-	-	(8,098)	(8,098)
Issue of share capital	19	30,390	9,258	-	-	39,648
Direct share issue costs	19	-	(1,372)	-	-	(1,372)
At 31 December 2015		46,090	9,048	-	(18,085)	37,053
Loss for the year and total comprehensive loss		-	-	-	(6,259)	(6,259)
Issue of share capital	19	3,211	963	-	-	4,174
Direct share issue costs	19	-	(72)	-	-	(72)
Cancellation of ordinary B shares and C shares	19	(19)	-	19	-	-
At 31 December 2016		49,282	9,939	19	(24,344)	34,896

Statement of Cash Flows

	Note	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Cash flows from operating activities			
Loss before tax		(6,259)	(8,098)
Reconciliation from loss before tax to net cash flows from operating activities:			
Depreciation and amortisation		616	360
(Increase) in prepayments and accrued income		(322)	(233)
(Decrease) / Increase in accruals and deferred income		(250)	492
(Increase) in loans and advances to clients and banks		(45,258)	(22,402)
Increase in deposits by clients and banks		110,608	30,918
(Increase) in other assets		(20)	(148)
Increase in other liabilities		3	4
Elimination of foreign exchange differences		1	-
Net cash from operating activities		59,119	893
Cash flows from investing activities			
Purchase of property, plant and equipment		(25)	(280)
Purchases / development of intangible assets		-	(591)
Net cash flows from investing activities		(25)	(871)
Cash flows from financing activities			
Proceeds from issue of shares		4,050	39,648
(Decrease) in amounts held for investors	14	-	(775)
Direct costs of share issuance		(72)	(1,372)
Net cash flows from financing activities		3,978	37,501
Net increase in cash and cash equivalents		63,072	37,523
Cash and cash equivalents at beginning of year		43,290	5,767
Effects of foreign exchange rate changes on cash & cash equivalents		2,569	-
Cash and cash equivalents at end of year		108,931	43,290

Analysis of cash and cash equivalents at end of year

Cash, cash equivalents and balances with central banks	101,954	39,876
Loans and advances to banks repayable on demand	6,977	3,414
	108,931	43,290

Notes to the financial statements

For the year ended 31 December 2016

1 General information

Hampden & Co plc 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 25. 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 and have commenced the process of raising additional capital necessary to realise our growth potential. 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, modified to include derivative financial instruments at fair value. The principal accounting policies adopted are set out below.

2.1 Property, plant and equipment

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

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

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

2.2 Intangible assets

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

2.3 Cash, cash equivalents and balances at central banks

Cash and cash equivalents comprise balances at central banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. These are stated at amortised cost, which is equivalent to their fair values.

In the Statement of Cash Flows, cash deposits with banks which are repayable on demand and subject to insignificant risk of change in value are also classified to be 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 future conditions and events, changes in which could have 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 the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

2.8 Financial Instruments

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

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

Financial Assets

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

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

2.8 Financial Instruments *(continued)*

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income in the period in which they arise. Fair value is determined in the manner described in note 17.

Loans and receivables

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

Impairment of Financial Assets

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

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

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

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

Derecognition of financial assets

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

2.8 Financial Instruments *(continued)*

ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

Financial liabilities and equity

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the statement of comprehensive income. Fair value is determined in the manner described in note 17.

Other financial liabilities

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

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

2.8 Financial Instruments *(continued)*

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Bank may enter into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in note 16.

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

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

2.9 Non-interest income

Non-interest income is recognised on an accruals basis when the underlying service has been provided.

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

The Bank offers 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 an independently administered fund.

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.

3 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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.

Impairment losses on loans and advances to clients

The Bank reviews its loan and advances to clients to assess whether an impairment loss should be recorded in the Statement of Comprehensive Income. Impairment provisions are made when there is objective evidence that an event since initial recognition of an asset has adversely affected the amount or timing of future cash flows from the asset. Judgement is applied, on a case by case basis, in estimating the amount and timing of future cash flows when determining the impairment loss. No impairment provision has been recognised against the loans and advances to clients in the current or prior year.

Deferred tax asset

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. There is currently no deferred tax asset recognised for the current or prior year.

4 Net interest income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Interest income on loans and receivables to clients	1,143	78
Interest income on loans and receivables to banks	359	94
Interest income from available for sale financial instruments	-	7
Interest receivable	1,502	179
Interest expense on deposits from clients	(209)	(18)
Interest expense on deposits from banks	(5)	(1)
Interest payable	(214)	(19)
Net interest income	1,288	160

Interest income recognised on impaired financial assets amounted to £Nil (2015: £Nil).

5 Net non-interest income

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Banking income	172	4
Non-interest income	172	4

6 Loss before tax

Loss before tax stated after charging/ (crediting):

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Staff costs & Directors' remuneration	4,250	3,696
Depreciation of Property, plant and equipment (note 11)	62	41
Amortisation of intangible assets (note 12)	554	319
Operating lease payments in respect of property	452	269
Other administrative expenses	2,580	3,939
Operating expenses	7,898	8,264

7 Auditors Remuneration

The analysis of the auditor's remuneration is as follows:	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Fees payable to the Bank's auditor and its associates for the audit of the Bank's annual accounts	72	72
Total audit fees	72	72
Audit related assurance services	9	-
Taxation compliance services	8	8
Total non-audit fees	17	8

8 Taxation

Total tax on loss on ordinary activities was £nil for year ending 31 December 2016 (2015: £247).

The differences between the total tax charge 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 2016 £'000	Year ended 31 December 2015 £'000
Loss before tax	(6,259)	(8,098)
Tax on loss before tax at standard UK corporation tax rate of 20 per cent (2015: 20.25 per cent)	(1,252)	(1,640)
Effects of:		
- Expenses not deductible for tax purposes	18	263
- Change in unrecognised deferred tax assets	1,234	1,377
Total tax charge for year	-	-

The standard rate of UK corporation tax applied to reported profit is 20% (2015: 20.25%). The applicable rate of UK corporation tax has changed following substantive enactment of the Finance (No 2) Act 2015 and Finance Act 2016. The standard rate of UK corporation tax will decrease from 20% to 19% from 1 April 2017 and then reduce further to 17% from 1 April 2020. The effective tax rate of 0% 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.

Deferred tax

Deferred tax is provided as follows:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Other timing differences	-	(29)
Staff Cost accrual	-	29
Provision for deferred tax	-	-

8 Taxation *(continued)*

The Bank has tax losses carried forward to future periods of £19,939,998 (2015: £13,922,610). 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 £1,134,847 - fixed asset temporary differences (£1,114,476) and pension contributions unpaid at the balance sheet date (£20,371).

9 Employees

The monthly average Full Time Equivalent "FTE" number of employees (excluding directors) was 60 (2015: 47).

Aggregate remuneration for the year, excluding to Directors (disclosed in note 10) comprised:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	2,754	2,506
Social security costs	317	296
Pension costs	95	-
	3,166	2,802

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 2016 £'000	Year ended 31 December 2015 £'000
Short term employee benefits	1,080	894
Post-employment benefits	4	-
Other long term benefits	-	-
Termination benefits	-	-
Share based payments	-	-
	1,084	894

Remuneration of the highest paid director in respect of qualifying services was £295,000 (2015: £225,000).

11 Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2016	213	190	403
Additions	24	1	25
At 31 December 2016	237	191	428
Depreciation			
At 1 January 2016	17	37	54
Charge for the year	21	41	62
At 31 December 2016	38	78	116
Net book value			
At 31 December 2015	196	153	349
At 31 December 2016	199	113	312

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

12 Intangible assets

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 January 2016	2,925	896	3,821
Additions	-	-	-
At 31 December 2016	2,925	896	3,821
Amortisation			
At 1 January 2016	243	76	319
Charge for the year	423	131	554
At 31 December 2016	666	207	873
Net book value			
At 31 December 2015	2,682	820	3,502
At 31 December 2016	2,259	689	2,948

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

13 Accruals and deferred income

	2016 £'000	2015 £'000
Deferred fee income	365	62
Expense accruals	1,168	1,754
Interest payable	41	7
	1,574	1,823

14 Other liabilities

	2016 £'000	2015 £'000
Amounts held for investors	-	125
Other liabilities	7	5
	7	130

Amounts held for investors represented amounts received from investors pursuant to fund-raising activities which had yet to be settled through the issuance of ordinary shares. A liability was therefore recognised at 31 December 2015 in respect of the amounts received at that date. This balance was to be capitalised within one year, and as such was categorised as a current liability. This was settled during 2016.

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

15 Financial instruments

Categories of financial instruments

At 31 December 2016	Loans and receivables £'000	Derivatives at FVTPL £'000	Total £'000
Financial Assets:			
Cash, cash equivalents and balances with central banks	101,954	-	101,954
Loans and advances to clients	48,137	-	48,137
Loans and advances to banks	26,499	-	26,499
Total financial assets	176,590	**-**	176,590

15 Financial instruments *(continued)*

At 31 December 2016	Financial liabilities at amortised cost £'000	Derivatives at FVTPL £'000	Total £'000
Financial Liabilities:			
Deposits from clients	143,415	-	143,415
Deposits from banks	681	-	681
Derivatives	-	-	-
Total financial liabilities	144,096	-	144,096

At 31 December 2015	Loans and receivables £'000	Derivatives at FVTPL £'000	Total £'000
Financial Assets:			
Cash, cash equivalents and balances with central banks	39,876	-	39,876
Loans and advances to clients	11,826	-	11,826
Loans and advances to banks	13,990	-	13,990
Total financial assets	65,692	-	65,692

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

No impairment provision has been recognised against the loans and advances to clients in the current or prior year.

Deposits from clients have increased substantially year on year, partly through the acquisition of 1,300 new clients associated with Lloyd's Insurance business.

16 Derivative financial instruments

	Current - Fair Value		Non-current - Fair Value		Notional Value	
	2016 £000	2015 £000	2016 £000	2015 £000	2016 £000	2015 £000
Assets						
Forward foreign currency contract	-	-	-	-	-	-
	-	-	-	-	-	-
Liabilities						
Forward foreign currency contract	-	-	-	-	-	222
	-	-	-	-	-	222

Forward foreign currency contracts are valued using market quoted forward exchange rates. There were no open foreign currency contracts at the year-end 2016. At year-end 2015 the Bank had entered into forward foreign currency contracts to manage exposures on the banking book.

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 reporting period.

Fair value measurements recognised in the statement of financial position

There were no derivative liabilities held at fair value at 31 December 2016.

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

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

For financial assets and liabilities held at amortised cost, the fair value 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 presented monthly to the Board and the RMC. Metrics are also presented quarterly to the BRC, 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)*

At 31 December 2016

	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, cash equivalents and balances with central banks	101,954	-	-	-	-	-	101,954
Loans and advances to clients	48,088	-	-	-	-	49	48,137
Loans and advances to banks	9,244	7,000	10,255	-	-	-	26,499
Other assets	-	-	-	-	-	3,983	3,983
Total assets	**159,286**	**7,000**	**10,255**	**-**	**-**	**4,032**	**180,573**
Liabilities							
Deposits from clients	122,668	3,830	16,917	-	-	-	143,415
Deposits from banks	-	-	681	-	-	-	681
Other liabilities	-	-	-	-	-	1,581	1,581
Total liabilities	**122,668**	**3,830**	**17,598**	**-**	**-**	**1,581**	**145,677**
Interest rate sensitivity gap	**36,618**	**3,170**	**(7,343)**	**-**	**-**	**2,451**	
Cumulative gap	**36,618**	**39,788**	**32,445**	**32,455**	**32,445**	**34,896**	

At 31 December 2015

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

18 Financial Risk Management *(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 2016 and 31 December 2015 do not show a significant 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 2016	**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, cash equivalents and balances with central banks	101,970	-	-	-	-	101,970
Loans and advances to clients	6,186	284	5,470	29,661	14,899	56,500
Loans and advances to banks	9,245	7,037	10,333	-	-	26,615
Total financial assets	**117,401**	**7,321**	**15,803**	**29,661**	**14,899**	**185,085**
Financial Liabilities						
Deposits from clients	122,668	3,853	16,974	-	-	143,495
Deposits from banks	-	-	685	-	-	685
Total financial liabilities	**122,668**	**3,853**	**17,659**	**-**	**-**	**144,180**
Maturity gap	**(5,267)**	**3,468**	**(1,856)**	**29,661**	**14,899**	
Cumulative gap	**(5,267)**	**(1,799)**	**(3,655)**	**26,006**	**40,905**	

18 Financial Risk Management *(continued)*

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

Credit Risk

Credit risk management

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

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

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

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

18 Financial Risk Management *(continued)*

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 2016 £'000	Year ended 31 December 2015 £'000
Exposure	72,269	17,820
Collateral	109,226	36,110
Cover	151%	203%

Credit quality

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

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

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

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

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

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

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

The table below provides a summary of the Bank's asset quality analysed by internal credit grades. At both 31 December 2016 and 31 December 2015 there were no balances past due and no provisions against loans and advances.

At 31 December 2016	ICG-1 £000	ICG-2 £000	ICG-3 £000	ICG-4 £000	ICG-5 £000	Total £000
Cash and balances with central banks	101,954	-	-	-	-	101,954
Loans and advances to clients	45,283	1,354	309	1,191	-	48,137
Loans and advances to banks	26,499	-	-	-	-	26,499
Commitments	20,178	1,458	641	1,855	-	24,132
	193,914	**2,812**	**950**	**3,046**	**-**	**200,722**

18 Financial Risk Management *(continued)*

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

Collateral

The Bank has £267,409 (2015: £221,982) of financial assets which it has pledged as collateral.

19 Share capital

	2016 £'000	2015 £'000
Authorised, allotted, called up and fully paid		
985,647,768 (2015: 921,417,001) Ordinary shares of £0.05 each	49,282	46,070
0 (2015: 95,129,743) Ordinary B shares of £0.0001 each	-	10
0 (2015: 95,129,743) Ordinary C shares of £0.0001 each	-	10
	49,282	**46,090**

	£'000
Authorised, allotted, called up and fully paid:	
At 1 January 2016	46,090
Issued ordinary shares	3,211
Cancellation of ordinary B shares and C shares	(19)
At 31 December 2016	**49,282**

Ordinary shares

During the year, 64,230,767 (2015: 607,793,534) ordinary shares were issued at a gross premium of £963,461 (2015: £9,258,247).

Direct issue costs of £72,418 (2015: £1,372,139) associated with fund-raising activities have been recorded in the share premium account.

During the year the ordinary B shares and C shares were cancelled for £nil consideration.

19 Share Capital *(continued)*

At 31 December 2016, 1,718,828,079 (2015: 1,718,828,079) ordinary shares were authorised with a par value of £0.05 (2015: £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.

Share premium account

	£'000
At 1 January 2016	9,048
Premium arising on issue of equity shares	963
Direct share issue costs	(72)
At 31 December 2016	**9,939**

Other Reserves

Included within other reserves is a capital redemption reserve which was created on redemption of the B shares and C shares, which were cancelled for £nil consideration. The B shares and C shares were established as part of a share based management incentive scheme and had significantly restricted participation rights. At 31 December 2015, the number of B shares and C shares held by Directors and management under the incentive scheme was 190,259,486 representing 100% of the B and C issued share capital.

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 £233,155 (2015: £85,134) and aggregate lending was £nil (2015: £524) at year end. Interest expense on deposits was £194 (2015:£nil).

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. Hampden Holdings Limited and its subsidiary undertakings were not related parties in the prior year and as such no prior year comparatives have been disclosed. The following transactions were undertaken during the year with Hampden Holdings group entities;

Hampden Holdings Limited:

- Deposits at the year ended 31 December 2016 were £35,537.
- A fee of £40,127 has been charged to Hampden Holdings Limited for the provision of staff and related services, of which £23,536 was due at 31 December 2016.

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:

	2016 £'000	**2015 £'000**
- within one year	415	404
- between one and five years	793	1,207
- after five years	-	-
	1,208	**1,611**

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

23 Commitments to lend

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

	2016 £'000	**2015 £'000**
Commitments to lend	**24,132**	**5,994**

24 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.

24 Capital management policy *(continued)*

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).

25 New accounting standards and interpretations not adopted

Annual improvements to IFRS cycle 2012 -2014 were issued in September 2014 making a number of minor amendments to IFRS. An amendment to IAS 1 'Presentation of Financial Statements' was issued in December 2014 to clarify the application of materiality to financial statements. The implementation of these requirements has not had a material impact on the Bank's accounts

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

Standard/Interpretation	**Effective date**
Annual improvements to IFRS cycle 2014-2016 were finalised in December 2016 and effective for periods beginning on or after 1 January 2018. The implementation of these requirements are not expected to have a material impact on the Bank's financial statements.	1/01/18
IAS 7 Statement of Cash Flows has been amended to improve information provided to users of financial statements regarding an entity's financing activities. The amendments are effective for annual periods beginning on or after 1 January 2017.	1/01/17
IAS 12 Income Taxes amended for recognition of deferred tax assets for unrealised losses is effective for annual periods beginning on or after 1 January 2017. The bank is assessing the effect of adopting this standard on its financial statements.	1/01/17
IFRS 9 Financial Instruments (issued November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued July 14). The Bank is continuing to assess its effect on the Bank's Financial Statements and the Bank is working to ensure an effective transition to IFRS 9.	1/01/18

25 New accounting standards and interpretations not adopted *(continued)*

IFRS 15 establishes a single comprehensive model for entities in use in accounting for revenue arising from contracts with clients and supersedes a number of existing standards and interpretations from its effective date for accounting periods on or beginning on or after 1 January 2018. IFRS 15 introduces principles to recognise revenue by allocation of transaction price to performance obligations. The bank is assessing the effect of adopting this standard on its financial statements.	1/01/18
IFRS 16 specifies how to measure, present and disclose leases and is effective for accounting periods on or beginning on or after 1 January 2019. The bank is assessing the effect of adopting this standard on its financial statements.	1/01/19

It is not expected that the adoption of IFRS 15 or IFRS 16 will have a material impact on the financial statements of the Bank in future periods. IFRS 9 will impact both the measurement and disclosures of financial instruments.