Annual Report
for the year ended 31 March 2024

C. Hoare & Co.
PRIVATE BANKERS SINCE 1672

Company Number: 00240822

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ANNUAL REPORT 2024

Chairman's Foreword

The bank has had another very good year despite continued market uncertainty and geopolitical tensions. The adaptability and agility of our business model, reinforced by our conservative approach to banking and our balance sheet, mean we are well positioned for the future.

For the first half of the year, inflationary pressures remained elevated. The Bank of England implemented three further interest-rate increases, taking the base rate to its current peak of 5.25% in August. By the second half of the year, inflation was starting to fall, helped by lower energy prices, and the prospect of a soft landing increased. Though the property market has remained subdued, house prices have held up reasonably well, reflecting rising real wages and a tight labour market. Central banks underestimated the reemergence of inflation in 2021 and are understandably cautious about loosening policy prematurely. Inflation appears to be on a downward trajectory, and the financial markets are pointing to interest-rate cuts later this year. The outlook remains sensitive to global factors, such as events in Ukraine and the Middle East, and politics will loom large, with countries containing half the world's population going to the polls this year. But in my experience the influence of politics on the economy is generally overestimated; as we saw in the UK in the autumn of 2022, markets generally force governments to course-correct destabilising policies.

Higher interest rates provide an opportunity to reward depositors, and C. Hoare & Co. has consistently passed on rate rises quickly to our customers. Rising rates also helped the bank initially to re-establish interest-rate margins which had become unsustainably compressed in the years of cheap money. Interest-rate margins have now passed their peak and are settling back to a more normal level, with the blended average customer deposit rate rising steadily as customers choose to secure higher rates on notice and fixed term deposits.

In times of uncertainty, we take comfort from an improvement in the bank's financial position. The Tier 1 Capital ratio has risen from 21% to 23%, with Tier 1 Capital ending the year at £483 million. Liquidity remains robust and the bank ended the year with £1.3 billion on deposit at the Bank of England. We expect our financial position to remain strong in the year ahead.

The bank's profits from core activities increased significantly this year (as they did last year) but are expected to normalise in 2025 as we pass this year's peak in margins. Elevated interest rates and the end of quantitative easing contributed to deposits dipping in 2022-23, a trend which continued into the first half of the current year, with deposits falling to £6 billion, before returning to modest growth in the second half of the year. Lending growth picked up pace, returning to a more normal level of around 6%, reflecting the bank's ability to adapt quickly to changes in the external environment. Our bespoke and agile loan proposition and emphasis on building long term relationships should ensure the bank is well positioned for continued growth.

Chairman's Foreword *continued*

As signposted last year, interest rates stabilising and reduced market volatility have meant the mark-to-market headwinds seen in the previous two years have dissipated. As a result, our treasury book has made a bigger profit. This trend is expected to continue into the current year, though we expect the impact to be more muted over time.

Our investment reserve has continued its steady growth. This was created to make the bank's excess capital work by investing globally and, ideally, outside banking. In effect, it insures the bank against near-zero interest rates. The investment case has been proven, as performance of the reserve has tended to have an inverse relationship with that of the banking book. In the twin interests of resilience and stability, we will keep the reserve under review.

Continued inflationary pressures and higher headcount resulted in bank costs increasing markedly for the second year. The bank continued to invest in its transformation plan with a further £14 million in additional investment spend, broadly in line with last year. Strong progress has been made to deliver our goals of simplifying processes for customers and colleagues, refreshing our technology, embedding hybrid working and improving resilience. I am particularly pleased that Google Pay and Apple Pay are now available to our customers. Cost and headcount growth is expected to moderate next year as inflationary pressures reduce and the bank passes the peak of its transformation plan.

Specific impairment charges decreased in the year to £3.7 million and there was further good news in the final resolution of several high-value historic cases, which has reduced our exposure to any future downward pressure on house prices. The bank's detailed and rigorously monitored internal credit metrics continue to reflect the low-risk nature of the book and robust and effective controls.

We were pleased to welcome our newest partner, Abigail Malortie. Abigail is a qualified lawyer with extensive commercial experience, and has also worked in the charity and public sectors.

We have also appointed Marion King as a non-executive director. Marion comes with deep experience gained around the world in payments and related technologies. We thank Johanna Waterous, who has stood down after six years on the board.

Finally, I would like to thank everybody working at the bank and, more importantly, our customers. Some of you come from families that have banked with C Hoare & Co. for generations. Others of you will have joined the bank in the last year. We strive to provide all of you with the best possible service, and we are, as ever, grateful for your trust.

N. I. Macpherson

The Rt. Hon. Lord Macpherson of Earl's Court GCB
Chairman

Strategic Report

The directors present their Strategic Report on C. Hoare & Co. and its subsidiaries ("the bank" or "the Group") for the year ended 31 March 2024.

1. Statement of Directors' Responsibility under Section 172 of the Companies Act

Section 172 Statement

Our purpose is to be good bankers and good citizens. We recognise that our purpose can only be achieved by addressing the interests of all stakeholders, including customers, colleagues, regulators, owners, suppliers and the wider community in which we operate.

Section 172 of the Companies Act requires us to confirm that our directors have acted in a way that is most likely to promote the success of the bank for the benefit of its members as a whole, and that in doing so they have had regard to (amongst other matters):

- the likely consequences of any decisions in the long term;
- the need to foster the bank's business relationships with suppliers, customers and others;
- the interests of our colleagues;
- the impact of the bank's operations on the community and environment;
- the desirability of the bank maintaining a reputation for high standards of business conduct; and
- the need to act fairly between members of the bank.

The consequences of decision-making in the long term

The strong financial position of the bank, coupled with its ownership structure, allows the Board to set and maintain a long-term perspective when making decisions.

The Board is responsible for leading the bank in the way which it believes is most likely to promote its long-term sustainable success and to have a material positive impact on our society and the environment.

This year, the bank developed three principles to help guide its activities. These principles are to:

- Achieve a measurable positive effect on the environment;
- Deliver better outcomes for the bank through harnessing diverse thinking; and
- Facilitate relationships between customers to drive philanthropy, environmental stewardship and successful transitions between family generations.

These principles provide long-term direction and focus for activity across the bank. They are an expression of what is important to us in exemplifying both good banking and good citizenship over a medium-term horizon.

For more information on our Governance, please see section 9 of this report.

Fostering strong relationships with our stakeholders

As good bankers and good citizens, we seek to build strong relationships with all our stakeholders. The Board regularly discusses how to engage with its key stakeholders and the impact that its actions have on them. All matters submitted to the Board include an analysis of which stakeholders will be affected and how their interests have been considered.

This year the Board has had substantive discussions on its customers, colleagues, regulators, suppliers and the environment.

For more information on how the bank engages with its key stakeholders, please see sections 3 to 8 of this report.

The interests of our colleagues

Our colleagues are integral to our business and play a critical role in delivering our strategy. The talent, engagement and wellbeing of those who work at the bank is a major area of focus for the Board, which receives regular reports on a wide range of people issues. This commitment to our people is reflected in our most recent colleague Net Promoter Score of +62, which has increased from +55 in the prior year and which compares with an average of +32 across the financial services industry (source: The Happiness Index).

The shareholders, or partners, engage with colleagues across the bank every day, in formal and informal settings. This allows them to develop a deep understanding of colleagues' perspectives on a wide range of matters.

For more information on our Colleagues, please see section 4 of this report.

Our impact on the community and environment

As a registered B-Corporation, we have a constitutional requirement embedded in our articles of association to ensure that we have a material positive impact on society and the environment. This commitment to the environment is also reflected in our guiding principles. In practice, it means that the Board manages the bank in a holistic way that takes into account economic, social and environmental matters. The Board actively promotes discussion of our wider impact, with time devoted to climate change and to our relationship with customers involved in industries that are seen as potentially harmful to social or environmental health.

For more information on Community and Environment, please see sections 5 and 7 of this report and also our Impact Report.

Maintaining high standards of business conduct

We are committed to acting ethically and with integrity in all our stakeholder relationships, and to implementing and enforcing effective systems and controls to ensure human rights principles are upheld and modern slavery is not taking place in any part of our business or anywhere in our supply chains. We build long-standing relationships with our customers and suppliers, and we make clear our expectations of business behaviour.

The bank is committed to conduct business in accordance with the highest ethical and legal standards. The bank has zero tolerance for the activities of bribery and corruption and is committed to acting professionally, fairly and with integrity in all its business dealings and relationships. To mitigate bribery and corruption risks, the bank employs a risk-based approach with comprehensive controls, including an Anti-Bribery and Corruption policy, regular colleague training, and ongoing assessments of both the risks and implemented controls.

Our most recent customer survey confirmed that we are significantly ahead of the market in terms of customer satisfaction. Continued delivery of exceptional personal service was highly commended, as were the bank's security, fraud-prevention measures, communication with customers and general efficiency.

For more information on our Customers and our Suppliers, please see sections 3 and 6 of this report.

Acting fairly between members of the bank

Founded in 1672 by Richard Hoare, C. Hoare & Co. has been owned by the Hoare family for twelve generations. The current shareholders, or partners, are fully engaged in all aspects of our business and meet with colleagues and customers on a daily basis.

The partners' deep understanding of the needs of private banking customers, developed over those twelve generations, ensures the continuity of the bank's culture, values and purpose, as well as true parity between members.

For more information on our Governance, please see section 9 of this report.

2. Key Strategic Metrics as Good Bankers and Good Citizens

CUSTOMER SATISFACTION

96% ↑ 1.0% YoY

The percentage of customers who are 'very satisfied' or 'satisfied' in all aspects of their relationship with the bank.

COLLEAGUE ENGAGEMENT

89% ↑ 1.0% YoY

The percentage of colleagues who find their roles at the bank engaging.

MEAN GENDER PAY GAP

13% ↑ 5.0% YoY

Reporting carried out March 2021, in line with regulatory requirements.

CARBON FOOTPRINT

342t ↓ 7.3% YoY

Measured in carbon tonnes, using the location-based method.

PROFIT BEFORE TAX

£80.8m ↑ 19.4% YoY

MASTER CHARITABLE TRUST

£70.1m ↑ 4.6% YoY

The amount donated across all MCT funds to support charities globally.

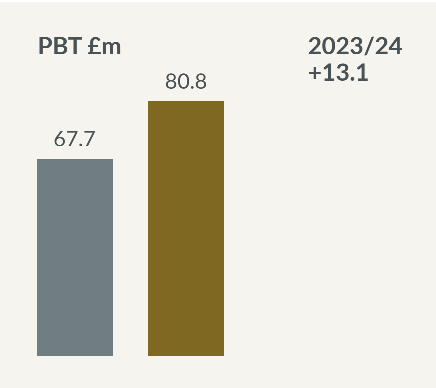
DEPOSIT BALANCES

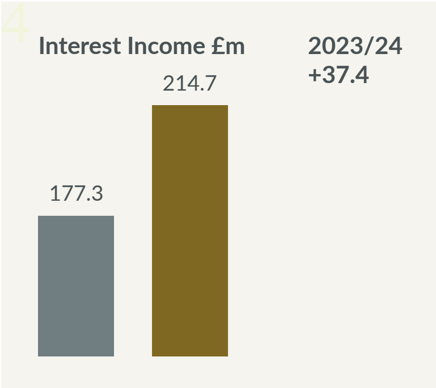
£6,097m ↓ 1.9% YoY

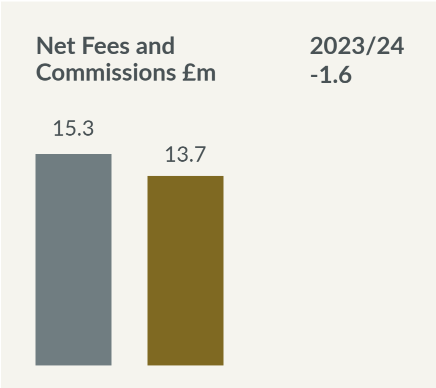
LENDING BALANCES

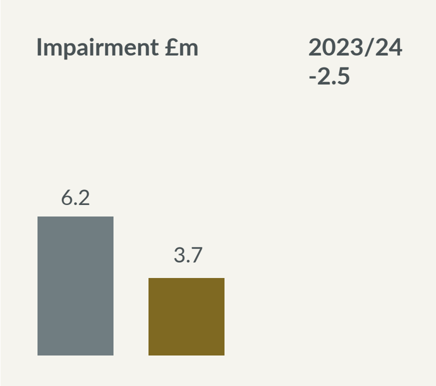
£2,210m ↑ 6.3% YoY

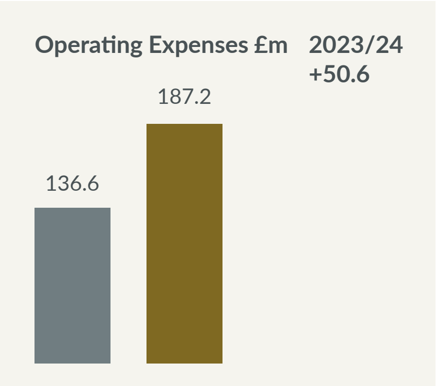
Financial Performance Review and the Market Environment

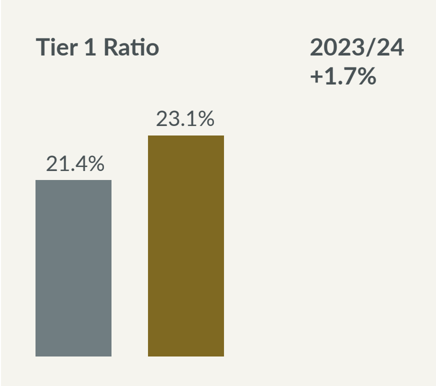












2022/23 2023/24

Financial Performance

Profit before tax (PBT) increased by £13.1m to £80.8m in 2023/24 (2022/23: £67.7m). This was largely driven by net interest income from core activities of £214.7m (2022/23: £177.3m) which showed an increase of £37.4m. This is due to the increase in base rate to an average of 5.05% (2022/23: 2.23%) driving higher Treasury income. Costs increased by £50.6m in 2023/24 to £187.2m (2022/23: £136.6m), predominantly driven by continued investment into our internal transformation plan, inflationary pressures and increased charitable giving reflecting higher profitability. Customer deposits declined £117m (1.9%) to £6,097m (2022/23: £6,214m). The level of fixed deposits increased by 21.7% as customers sought to lock in higher returns. Customer lending grew 6.3% to £2,210m (2022/23: £2,080m). Treasury balances decreased by £201m due mainly to the decline in deposits and increase in lending, partially offset by higher profits increasing reserves.

Impairment decreased by £2.5m to £3.7m in 2023/24 (2022/23: £6.2m). The decrease in impairment was due both to lower specific cases and to a lower general provision. Potential problem loans continue to be monitored and the loan book is expected to stay resilient to wider economic uncertainty. Tier 1 capital (including current year profits) increased by £55m to £483m. The bank remains well capitalised with its Tier 1 ratio of 23.1% (1.7% higher than prior year) and chooses to hold far more capital than required for regulatory purposes. Also, since 2018, more than 20% of total customer deposits have been held at the Bank of England to ensure deep and secure liquidity for customers.

The bank maintained its commitment to philanthropy with a £12.0m donation to the Golden Bottle Trust, an increase of £5.5m on 2022/23.

Market Overview

Despite the continued war in Ukraine and rising tensions in the Middle East, inflation fell significantly throughout the year in the US, EU and the UK as supply chain bottlenecks receded, commodity prices returned closer to historic levels and wage growth slowed. In the UK, inflation halved from c8% in April 2023 to 4% in March 2024 and reduced to 2.3% in April 2024.

Base rate rose from 4.25% last April to its expected peak of 5.25% in August. The higher interest rate supported very strong bank profits. As base rate increased, the bank remained quick to raise deposit rates for customers, who continued to move their money from instant access accounts to higher-paying fixed term and notice accounts.

With inflation expected to reduce and economic growth expected to remain subdued, the Bank of England base rate is expected to fall next year. Falling base rate, in addition to a greater proportion of deposits on higher paying fixed term and notice accounts, will result in net-interest-margin and profit compression, although profits remain strong relative to the historic base rate environment where interest remained consistently below 1%.

UK GDP growth remains sensitive to domestic and global headwinds and is expected to remain low in 2024. While it is hoped that the cost-of-living crisis has peaked for most of the population, a further 1.6m mortgage customers will revert from historic low rates to higher rates in 2024, reducing deposable income and likely leading to a continued increase in the rate of mortgage defaults and arrears.

UK house prices declined 1% in 2023. This was less than feared, although there were significant regional variances. Some areas still saw annual growth, but the south-east of England saw a 5.7% drop. With mortgage costs continuing to increase for many and affordability remaining challenging, house price growth could be subdued. Lloyds bank, the biggest UK lender, expects house price growth of 1.5% in 2024.

After three different prime ministers in 2022, 2023 saw relative stability at 10 Downing Street, with the same prime minister beginning the year as ending it. With a general election confirmed, there is the potential for another change in prime minister – but any market response is currently projected to be minimal.

Following the failure of Silicon Valley Bank (SVB) and Credit Suisse in the prior year, the current year was relatively stable for the banking sector. The results of the UK annual stress test indicate that the major *'UK banks would be resilient to a severe stress scenario that incorporated persistently higher advanced-economy inflation, increasing global interest rates, deep and simultaneous recessions in the UK and global economies with materially higher unemployment, and sharp falls in asset prices.'*

Despite continued market uncertainty, the bank's conservatively managed, UK-centric lending portfolio remains resilient, as historic impariment on the balance sheet has been resolved and we are free from material new impairment. The bank closely monitors a lending watch list and maintains a prudent approach to new lending.

The bank's high-quality tailored customer service, combined with increased investment in technology, means it is well positioned to remain nimble and alert to customers' changing needs. Our exemplary service, exceptional customer experience and prudent approach leaves the bank resilient to external uncertainty and well positioned for continued growth in the years ahead.

3. Customers

Good bankers and good citizens

Close personal relationships are at the heart of our business. These are founded on deep trust, and on the bank's values of honesty, empathy, excellence and social responsibility. We aim always to forge long-term relationships (some families have been with the bank for centuries), while also facilitating relationships between customers to drive philanthropy, environmental stewardship and successful transitions between family generations.

We have continued to grow our customer relationships and are grateful for the many introductions which generally come from our professional network and existing customers. Higher interest rates provide an opportunity to reward depositors, and the bank has been keen to provide a simple offering paying a fair rate of return. This is supported by a very stable and conservative balance sheet which is appreciated both by existing customers and by customers new to the bank.

Our new customers tell us that they appreciate meeting an owner of the bank – one of our partners – and consider this an extra level of reassurance. And if one of our customers is in need of an adviser, we have a wide network of contacts in the intermediary community. Our aim is to grow sensibly and sustainably. We have been busy hiring and expanding our relationship teams in London and the regions. We are also doubling our resources across East Anglia, the South West, North West and Yorkshire and the North East.

> "We treat our customers as we would wish to be treated ourselves - with a high level of personal service."
>
> **Alexander Hoare**
> Partner & Director

Beyond our Fleet Street office and Lowndes Street branch, relationship managers with extensive local knowledge look after customers in East Anglia and the North East, the North West and Yorkshire, and the South West of England. This ensures our regional customers receive the highest level of face-to-face, personal service, and it allows us to build useful connections across the country.

This year we have been focused on meeting our customers' needs as efficiently and effectively as possible. On average, we answered customer calls within three seconds, and 81% of customer queries were dealt with at the first point of contact. We have created a number of centres of excellence that allow us to streamline the way in which we provide customer services, from customer joining processes to customer risk reviews. This allows us to continue to provide truly excellent customer service at an ever-faster pace.

As a pure banking service, we are free to work with our customers' professional advisers. Many of these professional relationships have been in place for decades, and customers appreciate our ability to make independent referrals.

Consumer Duty

The Financial Conduct Authority Consumer Duty came into force in July 2023. This regulation is focused on ensuring that firms deliver good customer outcomes by providing products and services that offer fair value, enable informed decision-making, and provide support that meets the needs of customers. At C. Hoare & Co., these principles lie at the heart of our purpose to be 'good bankers and good citizens'. Nonetheless, in the course of 2023 we undertook an extensive programme of work to ensure that our policies and processes are aligned with enhanced regulatory expectations. We reviewed all our products and services to satisfy ourselves that they continue to meet customer needs and offer fair value, and we tested our customer communications for clarity and effectiveness.

Customer Events

A varied programme of events allows us to build and curate close customer communities based on shared interests and values. This opportunity to connect with like-minded individuals and organisations is a highly valued component of the bank's offering.

This year we have hosted a wide range of events, including our popular series of Winter Talks, covering topics ranging from renewable energies to fraud prevention and intergenerational family dynamics. Customers joined events held at Fleet Street both in person and via Zoom. Our regional customers enjoyed coming together for special events hosted at venues such as Holkham Hall in Norfolk and Bramham Park in Yorkshire.

As ever, it was the greatest pleasure to host our customers and receive their kind comments. With an expanded Events team, we look forward to developing this distinctive feature of the bank in the coming year.

Fraud prevention

The bank has continued to bolster its defences through the introduction of advanced fraud technology. This includes the addition of real-time fraud detection technology and the move to sophisticated machine-learning models through our partners. Since fraudsters continue to try to exploit customers in an attempt to circumvent these fraud controls, customer awareness and education is a continued focus for the bank. We have run a number of successful hybrid fraud-prevention events for customers this year, and we have provided fraud warnings to customers via different channels, including post, email, and SMS. In the coming year we are looking to increase fraud messaging by adding content to our digital channels and providing warnings via the telephony banking channel.

Feedback and focus

The bank continually strives to ensure its services are best-in-class, and we consider our annual Net Promoter Score (NPS) customer survey an important endorsement of our success. We have retained our market-leading score of +71 (peer average, +33), and the survey confirmed customers' appreciation of the exceptional personal service delivered by relationship managers and our wider Banking Team. Customers' experience when calling the bank continues to score very highly, while the bank's security, fraud-prevention initiatives and general efficiency were warmly commended, along with the clarity and effectiveness of our communications.

Evolving Services

We listen carefully to customers' feedback so as to gain better understanding of their evolving requirements. In the coming year, we will continue to focus on improvements to our technological and digital offering. Many new features are planned. Over the past twelve months, we have made considerable progress, with more than 100 enhancements to our web and mobile applications, including the option for customers to switch from paper to electronic statements. Customers have been asking to use digital wallets, and are now able to use Apple Pay and Google Pay when making purchases in stores and online.

4. Colleagues

Colleague Engagement

Our people are the key to the success of the bank.

The Board and partners engage with colleagues in a number of ways to ensure that actions taken by management, and approved by the Board, are delivering the colleague strategy.

This engagement includes:

- Updates on our people, and on the progress of our people strategy, provided by the Chief People Officer at Board meetings throughout the year;
- Review of colleague survey results, together with appropriate challenge to management on proposed actions; we survey our colleagues three times each year, and a full annual Happiness and Engagement survey is carried out in November;
- Hosting Senior Leadership team meetings to create an environment where senior leaders meet to ensure that there is consistent messaging, while getting to know each other and sharing experiences;
- Hosting colleague engagement sessions throughout the year to bring mid-level colleagues together to provide them with an opportunity to share their thoughts and suggestions;
- Direct contact with colleagues, both formal and informal, where colleagues are encouraged to share their views and opinions; the bank has a 'speak up' culture in which colleagues are encouraged to raise any concerns or questions (this is a key leadership principle of the Management Team and the Board); and
- Regular meetings with the C. Hoare & Co. Employee Forum (CHEF), which consists of a representative group of colleagues. The CHEF is consulted by management on major changes across the bank.

Colleague Strategy

The bank's colleague strategy is designed to help our colleagues to feel engaged, motivated and supported to be their best.

In 2023/24, there has been particular focus on the following areas:

- **Leadership Development** If we want our people to feel supported and enabled to perform, it is vital that we have effective leaders across the bank. Our Leadership Academy for our top 50 leaders, which was launched in 2022/23, completed the last of six modules in August 2023, with ongoing development at the quarterly senior leadership team meetings. The goal of the Leadership Academy is to support individual development and to strengthen the collective leadership cohort. Developing future leaders from within is a key strategy at the bank, so in October we began a new development programme. Called Emerging Leaders, this programme sees 25 mid-level colleagues begin a 12-month course, designed to challenge them and to broaden their skills in the areas of self-awareness, communication, collaboration and people leadership.
- **Colleague and line-manager development** The annual colleague survey in 2021/22 made it clear that colleagues wanted to see further investment in career development. To that end, the bank has launched two programmes: the Management Excellence programme for line managers, and the Your Way core-skills development programme for all colleagues. Both started in January 2023. 82% of colleagues now say they are supported in their personal development.
- **Talent and Succession** Since 2022 we have been running a revised approach to identifying talent and strengthening our succession plans. This is supported by quarterly formal talent reviews at Management Team meetings. We have identified potential successors to our key leadership roles and made sure those potential successors have robust development plans in place to support their progression, including personalised coaching where appropriate.
- **Equity, Diversity and Inclusion (ED&I)** The bank aims to be a truly inclusive employer, and in 2022/23 we launched a revised ED&I strategy to help us fulfil that aim. In the course of the year, the bank recruited four graduates from a range of backgrounds, to add to our existing cohort. Our internal policies support flexible work patterns, and in 2022/23 we made improvements to our policies regarding support for new parents. We also launched a number of new networks that support the wider ED&I strategy. These include the Race & Ethnicity Network, the Disability Network, the Family & Carer Network and the LGBTQ+ Network. These networks, which are colleague-led, help us focus on inclusive initiatives in the wider world such as Black History Month, International Day of the Disabled Person, Anti-Bullying Week, and Pride. Our existing networks, the Women's Network and the Wellbeing Network, held events to mark International Women's Day, World Menopause Day and Mental Health Awareness Week.
- **Hybrid Working** Our continued commitment to a hybrid operating model has ensured that colleagues continue to have the opportunity to work both in the office and remotely for some of the time, depending on their role. Colleagues are expected to spend time in the bank each week, and are recognising the benefits of doing so. We have fully refurbished our office space and created new collaboration zones and

meeting spaces to encourage cross-team working. This year, we provided all colleagues with new high-specification laptops, and upgraded other office technology, such as WiFi and meeting room video capability, to ensure that hybrid working is seamless and effective for the bank and for colleagues.

Colleague Happiness

Our success in delivering the People Strategy was clearly evidenced in our latest Colleague Happiness and Engagement Survey, which was undertaken in November 2023. The Colleague Net Promoter Score now stands at +62, up from +55 in 2022/23 and significantly above our strategic target of +35. In addition, scores for happiness and engagement, as well as the inclusion score ('bring whole self to work'), exceeded our targets and were at or above our scores in the previous year.

The survey showed improvements and good results across all areas, but some stand out as particular strengths. These include relationships between colleagues (95% positive) and the extent to which colleagues believe we put customers at the heart of our business (96% positive). The results also demonstrated how we are continuing to embed our purpose to be 'good bankers and good citizens'. When colleagues were asked about the extent to which they believe their role contributes to our purpose, the responses were 93% positive. The most improved areas in the survey reflected the positive impact of the transformation programme (up by 10% to 78%) and the change over the past two years in the extent to which colleagues feel supported to work on their development (up from 56% to 82%).

Equal Opportunities

The bank continues to be an equal-opportunities employer, and recruits the most suitable applicant for any given vacancy. The impact of such an approach can be seen in our gender pay mean gap, which for the 2024 statutory reporting year was measured at 13% (compared to the current average of 28% in UK banks, according to PwC UK's report on Gender Pay Reporting, 2023). We have taken further action this year to improve the representation of women at senior levels of the bank. These steps will not yet be reflected in pay gap reporting.

The bank believes that its success depends on its people. To benefit from employee's different skills, perspectives and experiences the bank strives to create an environment where everyone has a chance to succeed. The bank has put in place a Diversity and Inclusion Policy to ensure that everyone has the same opportunities for employment, career development and promotion based solely on their ability and suitability for the work. This means we offer reasonable adjustments for those who have a disability, health condition or are neuro-diverse and may benefit from some support throughout the colleague lifecycle, starting with the recruitment experience.

We have also further enhanced colleague benefits, with a focus on continuing to foster an inclusive workplace. We enhanced family-friendly policies (including an increase in fully-paid paternity leave, increased carers' leave, the introduction of support for fertility treatment, and return to work coaching for returning mothers) as well as offering a new salary-sacrifice nursery care benefit. The bank has also launched a Personal Financial Coaching service, and access to mental wellbeing support from clinical psychologists.

It is crucial that all colleagues feel they are competitively rewarded for their work. This is especially important in the present external market environment. Starting in 2024, we have brought forward our annual pay review to April each year, three months earlier than was previously the case. In May 2023, the bank's strong 2022/23 performance enabled us to reward colleagues with bonus payments that were at pre-Covid levels.

5. Community

Social responsibility is one of the bank's core values. We understand we have a responsibility to give back to our community, and to mitigate our environmental impact.

Good Bankers and Good Citizens

Our purpose is to be good bankers and good citizens. This principle guides all our activities. To ensure that we are always moving forwards, we have put in place a 'Good Bankers and Good Citizens Forum', the responsibility of which is to ensure our purpose is fully embedded and to monitor progress as our thinking evolves. In 2022, we successfully gained B-Corporation certification. We achieved a score of 97.7 without making significant changes to our usual business practices. This year, we introduced some guiding principles to focus our purpose in areas where we felt we could add value – environmental stewardship, diversity of thought, and connecting our customers through networks. These principles were set to drive activity in the longer term, and have led to the formation of new working groups. Additionally, our purpose leaders have continued to work diligently, ensuring our culture and values are consistently embedded across the organisation.

Hoare Family Philanthropy (The Golden Bottle Trust)

Over the course of the year, the bank made charitable donations of £12.0m to The Golden Bottle Trust (GBT) – an increase on the previous year, when the total was £6.5m. The partners continue to donate an average of 10% of the bank's profits to charity each year.

The GBT was set up in 1985 to further the philanthropic aims of the Hoare family. Each year, more than 350 grants are made to causes important to the family, setting an example that both colleagues and customers can follow. In the past year, the GBT distributed grants totalling £3.15m (2023: £2.65m).

The GBT has developed an approach whereby both grants and investments are designed to create a positive impact. The trust first decided to include impact investments in its portfolio in 2011. In 2016 the GBT co-created a multi-asset social impact investment fund called Snowball IM, and in 2019 the GBT put the final liquid portion of the portfolio into discretionary impact mandates. This means that 100% of the GBT's resources are set to have positive social or environmental effects – an approach known as Total Portfolio Impact.

There are four core strands to the GBT's giving, aligned to four of the United Nations' 17 Sustainable Development Goals (SDGs).

- SDG 3 concerns Good Health and Wellbeing. The GBT has chosen to focus on Mental Health.
- SDG 10 is termed Reduced Inequalities. Here, our focus is on: refugees, prisoners and reoffenders, and young people experiencing financial inequality.
- SDG 13 covers Climate Action. For this, the GBT adopts an eco-system granting approach: this recognises that multiple interventions are necessary for positive impact.
- SDG 17 is termed Partnership for the Goals. The GBT enters into strategic partnerships with charities that aim to remove obstacles to achieving the SDGs.

Customer Philanthropy

Our hope is for our customers to become 'enabled givers'. We look to support them in this by providing thought leadership, as well as tools to support their philanthropy. This support comes in various forms, including the Master Charitable Trust (MCT); this is the Donor-Advised Fund administered by Hoares Trustees Limited, a subsidiary of the bank. In the past year, the MCT recorded £70.1m (2022/23: £67.0m) of donations.

Colleague Philanthropy

This year we have continued to support colleagues as practitioners of philanthropy via the Philanthropy Circle. The work of the circle consists of sessions in which colleagues are taught about aspects of our philanthropic practice, such as:

- Aligning priorities: this involves agreeing on focus areas, based on what the group cares about most;
- Understanding due diligence and the importance of necessary checks; and
- Focusing on smaller charities and trust-based giving: this includes learning the principles of unrestricted funding and the value of small and medium charities.

Colleagues are then asked to agree on one grant funded by the bank. This task tests decision-making skills and helps colleagues get to know one another, but it also provides valuable insight into the everyday challenges faced by philanthropists.

To encourage colleagues' charitable giving, we double-match all charitable donations made via our Give-As-You-Earn (GAYE) scheme. As at 31 March 2024, 361 employees were donating via GAYE (63% of all colleagues). We run our payroll giving scheme through the Charities Aid Foundation and have received their Diamond Award. Since 2012, colleagues have together donated more than £3.2m to charities of their choosing.

Until November, we supported ThinkForward as our Charity of the Year. This charity supports young people who are at risk of being NEET (not in education, employment or training) after they leave school and provides long-term coaching to prepare them for the world of work.

At the end of 2023, we selected a new Charity of the Year to support – City Harvest. This charity works across London to collect food that would otherwise be wasted and redistributes it to those who need it; they currently distribute food providing around 1.2 million meals each month. We look forward to getting to know City Harvest better in the coming year, and we have set in place plans for volunteering and fundraising.

This year, we also launched a new initiative – Charity of the Month. Colleagues across the bank have been divided into 12 groups and each group has been asked, once a year, to pick a charity close to their hearts for which they raise money and awareness. The new initiative has provided a great opportunity for colleagues to get involved with charitable giving in support of the bank's philanthropic goals. After just seven months, colleagues have raised over £123,000 for seven charities: Blind Aid, The Sickle Cell Society, Beyond Food, Spread a Smile, Magical Taxi Tour, The Paul Alan Project, and Lives Not Knives.

Colleague Volunteering

We encourage all colleagues to volunteer in their local community. This year we have seen colleagues donate more than 850 hours of volunteer time to a wide range of charities, including:

- City Harvest: sorting and packing food to reduce food waste and support food banks;
- The Tree Council: planting trees at a London primary school; and
- Sal's Shoes: sorting and packing second-hand shoes to be delivered to those who can't afford them.

We encourage all volunteers to take their allowance of paid volunteering days, and we aim to be flexible, so they can volunteer in a range of different settings. Colleagues might, for example, subscribe to volunteering opportunities that come through the bank, or they might help out with the summer fair at their children's school.

Our Impact Report

This year, we were pleased to present our fourth Impact Report. The report sets out our social and environmental impact alongside key data on our colleague, customer, and supplier relationships.

This is an important document for us, because it demonstrates publicly how our purpose as 'good bankers and good citizens' shapes the way we do business.

To read the Impact Report, please visit:

www.hoaresbank.co.uk/financial-reports

6. Suppliers

Building Relationships

Working effectively with the bank's suppliers is integral to the excellent personal service that we offer to our customers, and we are committed to acting ethically and with integrity in our supplier relationships. We seek to build long-term relationships with our third-party vendors, working together to achieve our goals. Active and positive interaction with our suppliers is as important as it has ever been. The bank considers strategic partnerships to be key to positive delivery, and we take pride in ensuring that the organisations with which we partner understand our purpose, operating in a manner aligned to the bank's core values. We speak. We listen. We deliver together.

Governance and Oversight

Governance and oversight of the supplier network are of paramount importance. The Supplier Management Council provides oversight of the business-as-usual activities of the supplier network. The council reviews, discusses and supports decision-making related to the bank's suppliers and the associated risk profile to help ensure resilience for our Important Business Services. The Council supplements a defined Supplier Management function at the bank set up to support ongoing partnerships and supplier relationships at all levels. We engage on a 'full contract lifecycle'. Value for money is not defined simply by cost. Working together, we seek the best value from all of our supplier relationships with exceptional service levels as the key consideration.

The success of our external partnerships is founded on honest, open relationships with suppliers, and on the provision of evidence to support oversight. Standards are reinforced via regular service-review meetings. The strong relationships we have built with our suppliers provide a foundation for success by helping us to be resilient and to prevent disruption to the bank's operations caused by major external events such as the recent global pandemic.

In Q1 2023, the bank hosted a face-to-face event with 80 of our key suppliers, enabling positive re-engagement after the pandemic. This event was well received, with great feedback from both suppliers and our internal vendor relationship managers. It served to highlight the importance that the bank places on deep personal relationships with our third-party providers. In light of the success of last year's event, we are already planning another such event later in 2024.

7. Environment

Climate Strategy

We are mindful that our activities have an impact on the environment, and we seek to operate our business in a sustainable manner. As a certified B-Corporation, we are committed to ensuring that we achieve a measurable positive effect on the environment through our business and operations.
The bank's climate strategy is presented to the Board annually. The strategy has three key elements:

- To achieve proportionate regulatory compliance;
- To understand and reduce the complete environmental impact of our activities; and
- To encourage informed decision-making for our customers and colleagues through knowledge sharing and increased awareness.

Regulatory Compliance

This year the bank continued to take a proportionate approach to regulatory compliance. We have improved our approach to converting climate impacts into monetary losses for reporting within the ICAAP. The bank's exposure to financial risks resulting from climate change remains low, as does the bank's risk of stranded assets within the Treasury book.

For more information on how we manage climate-related risks and opportunities, please see section 8 of this report.

Understanding our impact

We have calculated and reported on our Scope 1 and Scope 2 emissions since 2020. This year, our focus has been on calculating our complete carbon footprint. To help us do so, we engaged Positive Planet, an organisation with a strong track record in supporting companies measure, reduce and offset emissions. The work gave us a better understanding of our Scope 3 emissions and helped us to identify the data that we need to obtain to improve the accuracy of our calculations.

A roadmap for improved data accuracy over the next 12 months is being developed.

As part of a range of green measures adopted by the bank this year:

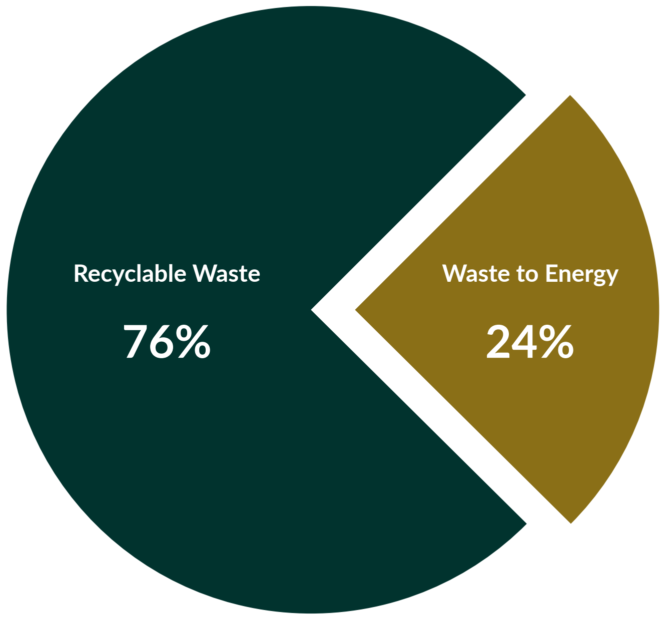
- We have deployed energy-efficient laptops to all colleagues, removing old, inefficient desktop computers.
- We have significantly reduced the energy we use in our Data Centres, reducing the number of servers we use to operate the bank and consolidating onto new energy-efficient devices.
- We continued to roll out green lighting across the estate. This upgrade involves 'smart' measures such as movement and daylight controls. About 92% of our estate now has LED lighting.
- We continued to improve the EPC rating of our property estate and remain on track to achieve a B rating by April 2028.
- Our Catering Team is passionate about protecting the planet and minimising our environmental impact. For that reason, we have made sustainability a core pillar of our business, focusing on reusable materials, responsible sourcing, and innovative waste management.
- We prioritise reusables: ceramics, glass, and steel are our materials of choice for tableware and equipment, eliminating single-use plastics and their waste stream.
- We diligently recycle all waste streams, including food, coffee beans and pods, paper, cardboard, plastic, and glass. We drain and decontaminate food waste, ensuring efficient processing and cleaner waste streams.
- We support local suppliers within the London metropolitan area, reducing transport emissions and fostering community partnerships. We aim to minimise second deliveries and paper usage through digital ordering. Many of our suppliers use electric vehicles for deliveries, further reducing our carbon footprint. We prioritise minimal and recyclable packaging from our suppliers.
- We source ethically, supporting Fair Trade Coffee, RSPCA Assured & Free-Range Meat, MCS certified Fish, and other responsible producers.
- We are proud to be 95% sustainable with minimal food waste thanks to our GG10 aerobic digestive composter. This innovative system transforms food scraps into nutrient-rich compost, which we use to nourish our on-site gardens.
- We use energy-efficient equipment, including low-energy, sleep-mode drinking water taps. We have also installed grease traps in our drains, reducing the amount of grease that goes back into the water systems.
- We now have a paperless statements option for our sole, corporate and Visa card accounts.
- We installed more than 500 plants in colleague areas to support the reduction of carbon dioxide. The maintenance of the plants provided 450 hours of work for women who are serving prison sentences or have recently been released.

Recycling remains a priority: 76% of our waste is currently recycled. We have separate waste streams for recycled waste, food waste and non-recyclable waste. All electrical waste is disposed of in accordance with the WEEE (Waste of Electrical and Electronic Equipment) Regulation 2006, or else the hardware is donated to charities.

We continue to partner with Bio Collectors and Greener than Green waste collectors. Their 'zero to landfill' policy means that all waste streams are recycled where possible. Unrecyclable waste is not sent to landfill. Instead, it goes through a 'waste to energy process' and is made into fuel blocks or sources for electrical power stations. And we receive loose deliveries from our food suppliers, so as to minimise packaging.

We continue to seek out ways to reduce, rather than offset, emissions, as we feel the voluntary carbon-offset market is not sufficiently mature. We are, however, actively engaging

Materials recycled by the bank in the last 12 months



with market leaders in this space to find a credible approach to offsetting in future.

Encouraging informed decision-making

To support our customers with an interest in environmental stewardship, we continue to promote and encourage natural capital, biodiversity loss reversal, and regenerative farming projects. This frequently involves staging talks and other events such as dinners, where we can bring together individuals with common cause or overlapping interests. This past year, talks have covered themes such as renewable energy, land management, and women in the rural economy. We have partnered with organisations such as the CLA and the Worshipful Company of Farmers to deliver relevant and up-to-date content for our customers.

We are also raising awareness of the bank's climate strategy and increasing colleagues' understanding of their impact on the environment. Carbon Literacy training has been provided to key colleagues, and we are increasingly looking across our change projects to ensure we understand the impact they will have on the climate. Our goal is to embed sustainability into day-to-day decision-making in the same way as we have embedded our purpose across the organisation.

Through the Golden Bottle Trust, the Hoare family continues to support a number of environmental causes, using both grants and investments to have a positive impact. Causes range from the preservation of salmon and eel to the restoration of peatland and seagrass. Our activity also encompasses the funding of technology designed to have a positive effect on the environment.

You can find out more about the activities of the Golden Bottle Trust in its annual report:

www.hoaresbank.co.uk/golden-bottle-trust

Emissions Summary (Location-Based) (Unaudited)

Scope	Emissions Source (Location-Based)	Energy Use kWh	Emissions kgCO2e	Emissions tCO2e	Intensity Ratio tCO2e / turnover	Emissions tCO2e	Intensity Ratio tCO2e / turnover
		Location Based FY 2024				Location Based FY 2023	
Scope1 (Direct)	Fuel use by owned and rented vehicles travel	40,318.9	8,937.2	8.9	0.0	3.9	0.0
	Gas Oil	63,724.1	16,568.3	16.6	0.1	22.1	0.2
	Natural gas consumed in offices	468,200.5	85,647.4	85.6	0.3	105.4	1.0
Scope2 (In-Direct)	Electricity consumed in offices (including EV charging)	1,112,552.7	230,380.8	230.4	0.9	236.1	2.2
TOTAL		**1,684,796.2**	**341,533.7**	**341.5**	**1.3**	**367.5**	**3.4**

Streamlined Energy and Carbon Reporting (SECR)

We continue to publish our location-based carbon footprint, as this data provides the most complete picture of our emissions. The location-based method calculates the emissions for which the bank is responsible through its purchasing decisions.

This year, we saw a 7% reduction in our scope 1 and 2 carbon footprint (this equates to a 17% reduction over the last two years). This was predominantly driven by a decrease in our energy usage; for example, parts of the bank were closed at quieter times of the year, reducing energy expenditure for heating, cooling and lighting.

We saw a small increase in our footprint associated with business travel compared to last year. This was expected, as we are now travelling further in different regions of the UK to ensure our regional customers receive the highest level of face-to-face, personal service.

Our total location-based emissions for the year were 341.5 tCO_2e (tonnes of CO_2 equivalent), with an intensity ratio of 1.3 tonnes of CO_2 equivalent per million pounds of income. The largest proportion of our greenhouse gas (GHG) emissions was accounted for by office electricity use, which represents 67.5% of total emissions (230.4 tCO_2e).

The following methodology has been applied to calculate the required energy and carbon data for SECR:

- Energy consumption data for gas and other fuels used at the bank's properties has been gathered in the form of supplier invoices;
- Electricity energy data has been gathered in the form of supplier invoices, meter readings and half-hourly data;
- Oil is used for an oil-fired boiler plant and backup generator plant. A summary of emissions for gas and oil used by the properties is included in the tables below;
- Mileage data has been provided as a lump sum used by C. Hoare & Co.;
- In the absence of specific mileage data for employee travel, the bank used total financial claims made for travel by employees. It was assumed petrol was the fuel used;
- The total energy data associated with each data source has been collated to calculate the total energy usage;
- Total energy usage has been converted to GHG emissions by applying the appropriate 2020 UK Government GHG Conversion Factors for Company Reporting, in line with the GHG Protocol Corporate Standard methodology; and
- The selected metric for the emissions intensity ratio is total turnover. Carbon emissions have been reported for each category per £m for the reporting period. This year, the turnover was £271.7m (2023: £210.5m).

8. Task Force on Climate-Related Financial Disclosures (TCFD) Reporting

8.1 Governance

Board Oversight of Climate-Related Risks and Opportunities

In the past year, climate-related issues have been reviewed, discussed and challenged at Board level. The Board has received updates on the work to implement the PRA's requirements for climate risk, and has approved an updated climate strategy.

Management Oversight of Climate-Related Risks and Opportunities

Under the Senior Managers Regime, responsibility for ensuring that the risks arising from climate change are adequately identified and managed sits jointly with the Chief Operating Officer and the Chief Risk Officer. Climate change responsibilities have been formalised into the relevant committees of the bank. The bank has also established a Climate Action Steering Committee which consists of a team of senior individuals across the bank, and is co-chaired by the Chief Risk Officer and the Chief Operating Officer. This committee has been providing review and challenge of the approach and key outputs of the climate risk management framework. As we strive to achieve a measurable positive impact on the environment, the bank will continue to review these outputs, to implement new ways of thinking and set ourselves goals to improve and alter behaviours.

8.2 Strategy

Our main focus is on collating reliable climate data and taking action to minimise our emissions in line with our guiding principle to have a measurable positive effect on the environment.

We have set in place plans to implement a number of actions that will have a positive effect, not only on our carbon footprint, but also on our wider environmental impact.

In the short term, our priority is to improve the accuracy of our data and reduce the number of assumptions used to calculate our Scope 3 emissions.

Climate-Related Risks and Opportunities

In accordance with regulatory obligations, climate-related risks and opportunities that are inherent to the bank's day-to-day business operations have been assessed over the short, medium, and long

Table 1 Climate Strategy

To be good bankers and good citizens		
To achieve a measurable positive effect on the environment		
To achieve proportionate regulatory compliance	To understand and reduce the complete environmental impact of our activities	To encourage informed decision making for our customers and colleagues through knowledge sharing and increased awareness

term. These risks and opportunities have been considered across several of the bank's Principal Risks and Uncertainties:

- Credit Risk;
- Market Risk;
- Liquidity Risk; and
- Operational Risk.

Climate-Related Risks and Opportunities have a direct financial impact on industries, and manifest in either physical or transition risks. The bank's lending exposure to these risks has been comprehensively reviewed as part of SS3/19 regulatory requirements and TCFD Disclosures. Physical Risk has been quantitively assessed through the bank's lending exposure to direct and indirect climate hazards, including subsidence, river and sea flooding, and urban flooding and landslide. Our focus is on the impact these hazards could pose to the physical collateral held by the bank, namely residential and commercial property.

External research and data modelling was carried out in order to assess the probability of default and loss. The potential for default and loss arising from these scenarios was explored over the short term; longer term impact was also assessed.

Transition Risks and Opportunities are industry-specific, and arise as the result of the global transition to a lower carbon economy. The bank's lending exposure to Transition Risk has been assessed on a qualitative, top-down basis, at industry-level concentration, specific to the bank's loan book.

In accordance with the SS3/19 and TCFD guidance, detailed research has been conducted on the key drivers for Transition Risk for each industry – Policy and Legal, Technology,

Market and Reputation – with each being assessed for their materiality over the short, medium, and long-term.

Both Physical and Transition risks were validated by industry subject-matter experts across the bank, and shared with the Climate Action Steering group and ALCo for inclusion in the ICAAP.

As a result of the assessments undertaken, the bank believes that the risks are not material, and the research we have carried out allows the Board to stay up-to-date with emerging risks and so maintain better oversight of the Climate Strategy.

In addition to the Physical and Transition Risk assessment, the bank has assessed its exposure to industries which the TCFD considers to have the highest vulnerabilities to climate-related risks. The timescale over which the bank will remain exposed to these industries, with their associated vulnerabilities, has also been considered.

As part of the bank's desire to make continuous improvements to its Climate Risk assessment methodologies, roadmaps have been put in place to enhance the granularity of our reporting. For example, we have devised a methodology for completing a bottom-up analysis of industry-specific transition risks, so as to allow for further quantitative assessment.

The Climate Action Steering group has representation from across the bank, including Risk, Legal and Compliance, and holds regular meetings to discuss and complete current climate-related workstreams, horizon-scan for future risks, and set metrics and targets aligned to the bank's climate strategy.

The continuing work of the Climate Action Steering Group is used, alongside completed analysis, to inform the Board in its oversight of the Climate Strategy. This is in line with SS3/19 regulation and TCFD disclosure requirements.

Impact of Climate-Related Risks and Opportunities

The bank has been working to calculate its complete carbon footprint; this will help us better understand which actions the bank can take to reduce the impact of climate-related risks.

Financial impacts have been estimated through the implementation of a climate modelling analysis, estimating the potential for impacts on customers and future loss risks, as well as longer-term industry-specific opportunities and challenges.

Considering Different Climate-Related Scenarios

In addition to estimating the short-term physical impact and the short, medium and long term transition risk, the bank has completed an estimation of the longer-term impact of physical risk in line with the Intergovernmental Panel on Climate Change scenarios, RCP 2.6, RCP 4.5 and RCP 8.5.

The findings of all the Climate Risk Scenarios/Modelling showed an immaterial impact on the bank's overall capital position, but they did highlight the need to improve our awareness of future security level risks and associated levels of insurance cover required.

8.3 Risk management

Identifying and Assessing Climate-Related Risks

The bank has identified the following climate-related risks:

(a) Credit Risk

There is a risk of increased financial loss arising from a customer failing to meet their obligations to the bank. Both physical and transition factors of climate risk can have a detrimental financial impact on industries. This in turn can manifest in financial pressures for our customers. These risks are proactively managed across the lending book, and climate-related losses are factored into the bank's five-year ICAAP stress.

(b) Market Risk

Government/Regulator transition towards a low carbon economy may result in policy/regulation change, leading to significant market repricing. There is a risk that climate-related events could affect the prices of assets held by the bank, and that adverse fluctuations in currency exchange rates could affect investments held. The bank maintains a range of Early Warning Indicators, which are overseen at its Asset and Liability Committee (ALCo), to assess the external market conditions and respond accordingly.

(c) Liquidity Risk

There is a risk that the bank has insufficient sources of liquidity available for immediate conversion into liquid assets, so as to meet its liabilities when they become due, without incurring a loss of capital and/or income in the process. This risk is overseen by the bank's ALCo and proactively managed by Treasury, with oversight from the Finance and Risk department. Each counterparty of the bank is subject to annual review by ALCo, whereby the impact ESG credentials of that counterparty are considered in respect of both counterparty credit risk and the liquidity risk of its products.

(d) Operational Risk

There is risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Climate change is an increasing driver of a variety of operational risks, from people/human behaviours and regulatory changes in the short term to extreme weather events affecting resilience, third parties and facilities in the long term. The bank has governance structures in place to monitor these changes and ensure appropriate steps are taken to mitigate any emerging risks.

Managing Climate-Related Risks and Integration with Overall Risk Management

The bank has no appetite for undertaking direct lending business with corporate customers, or for lending directly when, in the bank's opinion, to do so would pose a significant Environmental, Social or Governance (ESG) risk. These include, but are not limited to:

- Mining of natural resources (e.g., coal, iron ore);
- Oil and gas extraction (both onshore and offshore);
- Coal power generation; and
- Chemical production.

A 'Three Lines of Defence' model has been adopted by the bank to embed the Climate Risk Strategy and Management into the bank's overall Risk Management Framework.

First Line of Defence (1LoD) – Day-to-day risk management and control

The 1LoD is responsible for identifying, mitigating, monitoring, and reporting climate-related risks.

Second Line of Defence (2LoD) – Risk and Compliance oversight, policies and methodology

2LoD is responsible for embedding the climate risk frameworks and policy, creating key risk metrics, and providing oversight and challenge of the 1LoD procedures, controls and reporting of risk-related information.

Third Line of Defence (3LoD) – Internal Audit

The Internal Audit function is responsible for providing independent assurance regarding the design and operating effectiveness of the Climate-Risk Strategy and Management Framework as part of the overall Risk Management Framework.

8.4 Metrics and Targets

Since 2020 the bank has calculated and reported on its Scope 1 and Scope 2 emissions, and has been taking proactive steps to reduce these emissions year on year. Last year, as a result of our carbon reduction plan, the bank saw a 7% decrease in its Scope 1 and Scope 2 emissions.

The bank has made significant progress in reducing its Scope 1 and Scope 2 emissions, given the constraints of its 24/7 business model and of the listed status of the buildings from which it operates. The bank's long-term goal is to maintain its current low levels of Scope 1 and Scope 2 emissions by continuing to purchase green energy, and by investing in carbon-reducing products such as electric cars and LED lighting. As new products and technologies come to market, the bank will explore ways to further reduce its Scope 1 and Scope 2 emissions.

This year, for the first time, the bank calculated its total carbon footprint. The work provided us with a better understanding of our emissions and helped us identify the data we need to obtain to improve the accuracy of our calculations. A roadmap for improving the accuracy of our data over the next 12 months is being developed. As we improve the accuracy of our data, we will be in a better position to set credible long-term targets for reducing our Scope 3 emissions.

9. Governance

Regulatory Framework

The bank is authorised and subject to prudential regulation and supervision by the Prudential Regulation Authority (PRA). It is also subject to conduct regulation and supervision by the Financial Conduct Authority (FCA). The PRA and the FCA apply the Senior Managers and Certification Regime (the SMCR), which imposes regulatory approval, individual accountability and a fitness and propriety framework in respect of senior and key individuals within the bank. The bank maintains a Management Responsibilities Map which describes its management and governance arrangements in line with the requirements and expectations of the Senior Managers Regime. SMCR training is provided to all those who hold Senior Manager Function responsibilities, to ensure they are able to discharge their duties appropriately, and to ensure all colleagues understand how SMCR Conduct Rules apply to their role.

The bank is subject to regulatory initiatives undertaken by the UK Payment Systems Regulator (PSR) as a participant in payment systems regulated by the PSR, and it engages with the Information Commissioner's Office and HMRC. Our engagement with regulators ensures we serve our stakeholders' best interests and provides us with important oversight of the bank's management of the various elements of our business model.

The Board

The Board is the key governance body responsible for the overall strategy, business performance and risk management of the bank. It comprises independent non-executive directors, the Chief Executive Officer and the bank's partners.

The Board delegates day-to-day executive management of the bank to the Chief Executive Officer, who directs the Management Team to deliver against the bank's strategy.

More details of the roles and responsibilities of the Board, the Management Team and other bank committees can be found in section 9.1.

The Board currently consists of the Chief Executive Officer, the Chairman, four independent non-executive directors and six executive directors. The gender split is seven men to five women.

In addition to formal meetings, Board members meet regularly with the Chief Executive Officer and members of the Management Team to discuss key strategic matters.

9.1 Risk Management and Governance Structure

The Company's and the Group's business is stable and concentrates on the supply of banking and ancillary services to generations of customers. The bank experiences regular patterns of income and expenditure, which are well understood by the bank's Management Team. This stability enables the Board and the Management Team to monitor risks closely and to detect and manage emerging risks at an early stage.

The bank's approach to risk management is to maintain balance between risk and potential reward, thereby achieving its strategic objectives without exposing the bank to unacceptable residual risk. The principal risks affecting the bank are explained in the next section. The Risk Management Framework has been simplified and updated. It articulates risk governance structures, risk appetite, risk monitoring framework and bank policies required to achieve the bank's risk management objectives.

These objectives are:

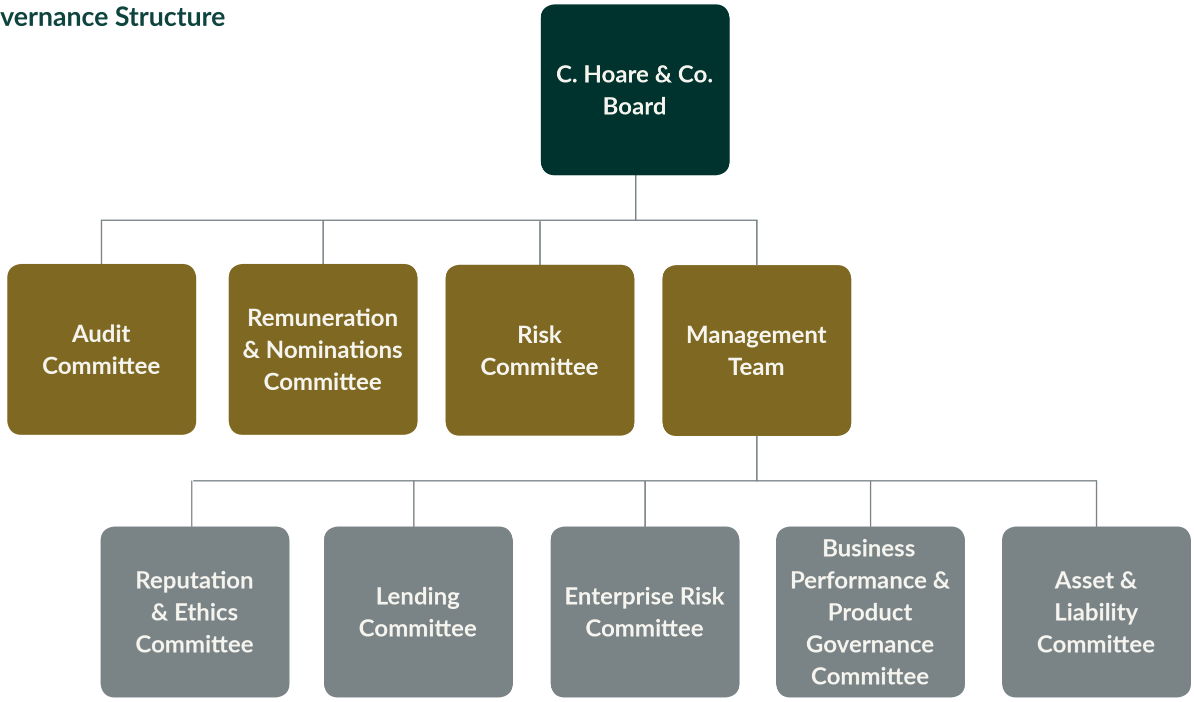
i. To articulate and communicate the Board's risk appetite and to ensure that the bank's risk profile operates within its defined parameters;

ii. To ensure significant risks are identified, measured, managed, monitored and reported in a consistent and effective manner across the bank;

iii. To re-assess on a regular basis capital requirements and liquidity impacts implied by the bank's risk exposures;

iv. To collect and report all components of risk information in order to provide a comprehensive view of the bank's risk exposure both to the Board and to its committees, allowing them to evaluate risk-adjusted performance against strategic objectives; and

Table 2 Governance Structure



v. To ensure that a robust risk-governance structure and risk culture is maintained.

A description of the bank's risk management and governance structure can also be found in the bank's Pillar 3 disclosures. These disclosures, which are unaudited, are available on the bank's website:

www.hoaresbank.co.uk/financial-reports

The Risk Management Framework is based on the principles and guidance prescribed by the Committee of Sponsoring Organisations and is reviewed and approved at least annually by the Board.

(a) Risk Appetite Statement

Board Strategic Objective

The Hoare family's vision for the business is for it "to continue to be the pre-eminent private bank in the UK". The bank's strategic objective is to build profitable long-term relationships with its customers and to offer an exceptional personalised service.

Board Approved Risk Appetite Statement and Risk Appetite Metrics

In order to meet its strategic objectives, the bank is willing to take risk consistent with the bank's values, provided this does not threaten the bank's reputation or sustainability. The Board articulates the level of risk that the bank is willing to accept in achieving its strategic objectives both in total and for individual risk categories. This is articulated in the Risk Appetite Statement which is reviewed and updated at least annually.

The Board also articulates the level of risk the bank is willing to accept, both quantitatively and qualitatively, through the use of key risk indicators and early warning indicators.

(b) Governance Structure

The Board of Directors ("the Board"), its committees, sub-committees and the Three Lines of Defence model form the bank's risk management governance structure.

The primary structure for the current year is shown in Table 2 above.

Board of Directors

The Board is the key governance body responsible for overall strategy, business performance and risk management of the bank.

The Board has established the following committees to provide support in discharging its responsibilities:

- Audit Committee;
- Risk Committee;
- Remuneration & Nominations Committee; and
- The Management Team.

The Board is responsible for providing leadership in the following areas:

i. Setting of strategic objectives and the monitoring of implementation thereof by the Management Team;

ii. Development, implementation and monitoring of effective policy, governance and procedures at the bank to execute the strategy;

iii. Development of the bank's culture;

iv. Oversight and approval of the allocation and maintenance of the bank's capital, funding and liquidity and the stress thereof; and

v. Guidance and oversight of key functions delegated to the Management Team, ensuring that the bank operates within the Risk Management Framework and remains compliant with all relevant regulation.

Remuneration & Nominations Committee

Remuneration & Nominations Committee, in conjunction with the partners, is responsible for providing leadership in:

i. The appointment of directors and Management Team members, ensuring robust succession planning;

ii. A formal, transparent and rigorous process of selection and oversight of partner directors and non-executive directors; and

iii. The setting of principles, parameters and governance over the bank's remuneration policy, including the review and approval of senior management remuneration and that of non-executive directors and material risk takers (colleagues whose actions are deemed to have material impact on the bank's risk profile).

Audit Committee

Audit Committee is responsible for supporting and advising the Board in its oversight of the following areas:

i. Whistleblowing and safeguarding the independence of, and providing oversight of, the performance of internal audit, including ensuring sufficient budget and resources - the committee were satisfied that budget and resources were sufficient;

ii. Ensuring effective management and maintenance of the bank's capital, funding (where applicable) and liquidity and the reporting thereof; and

iii. External audit and preparation of the annual financial statements.

Risk Committee

Risk Committee is responsible for supporting and advising the Board in its oversight of the following areas:

i. Monitoring the effectiveness of the Risk Management Framework, ensuring that the bank operates in a manner consistent with its risk appetite and strategy;

ii. Independence, autonomy and effectiveness of the bank's policies and control environment; and

iii. Oversight of Risk, Compliance, Financial Crime, Information Security, and recovery planning/resolution.

Management Team

The Board delegates day-to-day executive management of the bank to the Chief Executive Officer who directs the Management Team to deliver in line with the bank's strategy. Each Management Team member is regulated under the Senior Managers and Certification Regime (the SMCR, as described at the start of section 9), meaning they are subject to regulatory approval, individual accountability and a fitness and propriety framework.

The Management Team is responsible for supporting and advising the Board in its oversight of the following areas:

i. Development and maintenance of the bank's business model as set by the Board;

ii. Adoption of the bank's culture in the day-to-day management of the bank;

iii. Allocation of all prescribed responsibilities and monitoring the effective implementation of policies and procedures at the bank;

iv. Induction, training and professional development of all bank colleagues, with special emphasis on senior managers and key function holders;

v. Ensuring that compliance, risk management, treasury, finance and other operational functions operate within the Risk Management Framework of the bank;

vi. Managing the allocation and maintenance of the bank's capital, funding (where applicable) and liquidity in compliance with requirements of the regulatory authorities; and

vii. Ensuring the integrity of the bank's financial, management and regulatory reporting, implementing the firm's internal stress tests and ensuring accuracy and timeliness of information provided to the regulatory authorities in this respect.

Membership of the Management Team is made up of the following individual roles:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Operating Officer and Company Secretary;
- Chief Risk Officer;
- Chief Technology Officer;
- Chief Product Officer;
- Head of Private Banking; and
- Head of Treasury and People.

The Management Team has in turn established the following sub-committees to support its responsibilities:

i. Asset & Liability Committee;
ii. Lending Committee;
iii. Business Performance & Product Governance Committee;
iv. Enterprise Risk Committee; and
v. Reputation & Ethics Committee.

Asset and Liability Committee

The Asset and Liability Committee oversees the bank's balance sheet, including its free capital. It is also responsible for allocating funds within the balance sheet with the aim of managing liquidity, capital adequacy and financial strength risks.

Lending Committee

The Lending Committee oversees the bank's approach to customer and counterparty credit risk. It reviews the credit risk appetite and makes recommendations to the Board, oversees the overall lending portfolio, and sanctions individual deals against delegated authority limits. It is also responsible for monitoring all credits that are classified as heightened risk.

Business Performance and Product Governance Committee

The Business Performance and Product Governance Committee provides oversight and leadership of the bank's product and service proposition, including product pricing, aligning it to the bank's strategy and core customer needs, for good customer outcomes.

Enterprise Risk Committee

The Enterprise Risk Committee is responsible for ensuring that the bank is managing its key risks within its Board-approved risk appetite. It supports all Senior Management Function (SMF) holders of the bank to discharge their specific and collective responsibilities in relation to risk management, i.e. identification, measurement, management, monitoring and reporting.

This includes the Chief Risk Officer's responsibility for the delivery and maintenance of the bank's Risk Management Framework (RMF) and all SMF holders' respective responsibilities for implementation of the RMF and the management of risk.

Reputation and Ethics Committee

The Reputation and Ethics Committee meets as required to discuss potential threats and situations that might affect the bank's reputation with its various stakeholders.

Three Lines of Defence Model

A Three Lines of Defence model has been adopted by the bank to embed the Risk Management Framework.

First Line of Defence (1LoD) – People responsible for day-to-day risk management and control

Each department is responsible for recommending its business risk appetite for Board approval. The 1LoD owns the management of individual risks and controls directly linked to its business operations. This includes identifying, mitigating, monitoring and reporting risks.

Second Line of Defence (2LoD) – Risk oversight, policies and methodology

The 2LoD is responsible for establishing risk frameworks and policy, facilitating the implementation of effective risk management practices by the 1LoD, providing oversight of the 1LoD and supporting the 1LoD in reporting adequate risk-related information through the bank's risk governance structure.

Third Line of Defence (3LoD) – Internal Audit

The Internal Audit function is responsible for providing independent assurance on the design and operating effectiveness of the Risk Management Framework, including providing assurance regarding the bank's internal control framework. Internal Audit is also responsible for validating the Risk Appetite Statement and the bank's adherence to the Risk Appetite Statement approved by the Board.

9.2 Principal Risks and Uncertainties

The Board has ultimate responsibility for identifying and managing the bank's principal risks in order to achieve its strategic objectives. The Risk Committee and Management Team, supported by the 2LoD Risk and Compliance functions, provide oversight and monitor the effectiveness of internal controls and risk management processes, and report on these matters to the Board. The following section sets out the principal risks and uncertainties to which the bank is exposed and explains how these risks are mitigated.

(a) Customer Credit Risk

Customer Credit risk is the risk of financial loss arising from a borrower failing to meet contractual financial obligations. The risk arises from loans and advances to customers of the bank. The bank seeks to limit loan losses by maintaining a conservative credit portfolio managed via a robust credit risk framework. As part of that framework, the bank has established risk appetite metrics aligned to its lending policy. The bank's customer credit risk exposures and performance against risk appetite are monitored and reported to the Lending Committee, the Management Team, the Risk Committee and the Board. The bank conducts stress tests to ensure that the bank remains within its risk appetite.

(b) Treasury Credit Risk

Treasury credit risk is governed by risk appetite limits assigned to counterparties to ensure that credit is only extended to high quality counterparties, where credit limits are determined in accordance with their respective credit ratings. In addition, there is a maximum exposure limit for all institutions, in line with the bank's regulatory reporting requirements on large exposures.

The bank's policy is to lend to a restricted list of financial institutions. The main selection criteria are the stability and reputation of the institution.

The Asset and Liability Committee regularly reviews the authorised list of bank counterparties and authorises any amendments to the approved list of counterparties and their respective credit limits. The Asset and Liability Committee also gives ongoing consideration to changes in external credit ratings, and amends counterparty limits as appropriate.

(c) Capital Risk

Capital risk is the risk of insufficient quantity or quality of capital being available to meet regulatory requirements or support the strategic objectives of the bank. The bank's policy is to maintain a stable capital base in line with the capital risk appetite established by the Board.

The bank's regulatory capital and leverage ratios are monitored closely to ensure that the bank meets current and future known regulatory requirements under business planning and within stressed forecast positions. The bank's current and forecast capital positions are reported monthly to Asset and Liability Committee, the Management Team and to the Board.

The bank maintains a minimum capital risk appetite threshold that ensures capital remains above the regulatory minimum even in a stress scenario. The minimum threshold is dynamic and refreshed following each five-year-plan cycle and Internal Capital Adequacy Assessment Process (ICAAP). Capital adequacy is assessed on an annual basis through the ICAAP and more frequently in the event of a material change in capital or business operations. The ICAAP is the bank's own assessment of its capital needs and is based on stress testing scenarios measuring the impact of material risks affecting the bank. The ICAAP is presented at least annually to Asset and Liability Committee, the Management Team and Audit Committee for review and challenge, and ultimately to the Board for review, challenge and approval.

(d) Liquidity and Funding Risk

Liquidity risk is the risk that the bank is unable to meet its financial obligations as they fall due. The risk arises from mismatches in the timing of cash flows.

Funding risk is the risk that the bank does not have sufficient funding available in the medium and longer term to fund its customer lending and other longer term or illiquid assets. The risk arises when the funding needed for illiquid asset positions cannot be obtained at the expected terms, as and when required.

The bank does not use wholesale banking to source funds. Instead, the bank funds its operation through customer deposits in the form of current accounts and savings deposits. Although a significant proportion of customer deposits are repayable on demand, they have typically remained stable and reliable through historic periods of market stress.

The bank measures and manages liquidity in accordance with the liquidity risk appetite set by the Board, and maintains a conservative liquidity and funding profile to ensure that it is able to meet its financial obligations under normal and stressed conditions. Daily monitoring and control processes are in place to address internal and regulatory liquidity requirements.

The bank assesses adequacy of its liquidity annually through the Internal Liquidity Adequacy Assessment Process (ILAAP) and more frequently in the event of a material change in liquidity. The ILAAP is the bank's own assessment of its liquidity needs, and is based on stress testing and scenario analysis of the impact of material risks affecting the bank. The ILAAP is presented at least annually to Asset and Liability Committee, the Management Team and Audit Committee for review and challenge, and ultimately to the Board for review, challenge and approval.

(e) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads, will affect the bank's future cash flows or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on residual risk taken. Market risk is principally a concern in the banking book since the bank does not operate a significant trading book. Instead, the bank generally holds assets until maturity (consistent with the articles of the Capital Requirements Regulation) and makes investments on a long-term basis. The bank also holds an investment portfolio, primarily as a source of income diversity to complement core banking activities. The portfolio is subject, in part, to equity market price movements. All investments depend on Board approval of allocated capital and are subject to limits and controls monitored by Asset and Liability Committee. The bank's market risk exposures arise from:

Interest Rate Risk

Interest rate risk is the potential for reduced net interest income and a reduction in net present value ("economic value") in the event of adverse changes in interest rates. As part of its prudent balance-sheet risk management, the bank monitors, manages, reports and where necessary appropriately mitigates its interest rate risks — namely, gap risk, basis risk, option risk and credit spread risk.

The Board is responsible for the bank's interest rate risk policy and appetite and has delegated ongoing oversight to Asset and Liability Committee. The Treasury department is responsible for managing interest rate risk within policy and appetite, with oversight from the Finance and Risk departments.

Asset and Liability Committee has set limits for various types of interest rate risk, including:

- Economic value sensitivity to a parallel shift of +/-2% in interest rates;
- Economic value of equity sensitivity to various interest rate shocks prescribed by the regulator ("Supervisory Outlier Test"). The regulatory threshold is set at 15% of Tier 1 capital;
- Net interest income sensitivity over a 12-month period to a downward parallel shift in interest rates, combined with a restricted pass-through rate; and
- Potential exposures to unrealised losses on non-customer assets under a severe stress test scenario, based on the worst observed changes in value during the global financial crisis and the European sovereign debt crisis.

In order to mitigate interest rate risk, the bank aims to hedge naturally where appropriate, i.e. where the repricing nature of its assets and liabilities are matched. Interest rate swaps are used to hedge any unmatched exposures, as set out in the bank's policy.

Foreign Currency Risk

Foreign currency risk arises from foreign currency needs of the bank's customers and, less materially, from US dollar-denominated investments (see below). Neither exposure forms a significant part of the balance sheet.

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

The foreign exchange dealers have authority to deal in forward foreign exchange contracts on behalf of the bank to manage FX exposure risk, within specified limits. The resultant positions are independently monitored and reported monthly on a currency-by-currency basis to Asset and Liability Committee.

A small portion of the bank's investments are made in US dollar-denominated funds, which give rise to FX risk exposure on the undrawn components of those commitments. There are limits established for unmatched FX exposures in the bank's investments that are monitored and reported to Asset and Liability Committee, but typical practice has been to hedge such exposure. The bank uses derivatives to manage fluctuations in foreign exchange risk. It uses currency swaps, if the asset is denominated in a foreign currency, and forward foreign exchange contracts to hedge foreign exchange exposure. As part of its responsibilities, Asset and Liability Committee approves the use of specified derivative instruments within agreed limits and business activities.

Inflation Risk

The combination of events such as the COVID-19 pandemic, the Ukraine-Russia war, movements in global oil and gas prices, and Brexit transition have created economic pressure, particularly in respect of increased inflation. The UK economy has experienced a more sustained period of higher inflation, which, although it is now normalising, continues to put pressure on the bank's costs over the medium term.

Increased inflation has been matched by an increase in the Bank of England base rate, which has had a positive effect on the bank's interest income.

The bank is also mindful that rising interest rates may affect borrowers, particularly in their ability to afford loan repayments and interest costs. The bank has an established credit risk framework, as mentioned in the credit risk section, to support the evaluation of customer affordability and to support our customers' evolving needs.

(f) Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, human error, or external events including legal risk, financial crime risk and information security risk. The definition excludes strategic and reputation risk, which are addressed elsewhere within the bank's Risk Management Framework.

The bank recognises that operational risk is inherent in all its products, activities, processes and systems. The Board has approved an operational risk framework to ensure that operational risks are adequately identified, monitored and controlled and that any losses resulting from inadequate or failed internal processes, human error and systems, or external events are minimised in line with the bank's risk appetite.

Each department is responsible for operating within the bank's risk appetite, and each department owns the management of the individual risks directly linked to its business operations.

This includes identifying, mitigating, monitoring and reporting risks, and ensuring that activities are undertaken within policy requirements. The Risk department is responsible for establishing, documenting and implementing effective risk management practices within the bank and for providing oversight of the risk management and reporting process. (Please also refer to the Three Lines of Defence, above.)

The key elements of the Operational Risk Framework are:

- Risk and Control Self-Assessments;
- Key Risk and Emerging Risk Reporting;
- Key Risk Indicators;
- Operational Risk Events and External Loss Data; and
- Operational Risk Scenario Analysis (for ICAAP).

Business units are responsible for the ongoing application of the operational risk management processes and policies.

Operational Resilience is the ability to prevent, respond to, recover from and learn from operational disruption events. It is the outcome of effective risk management and aims to minimise the impact and likelihood of intolerable harm to customers, colleagues and the financial sector of the UK. Embedding a discipline of 'resilience thinking' across the bank supports our staff in their efforts to be 'good bankers and good citizens'.

The bank recognises the importance of operational resilience and has continued to make significant progress throughout 2023 to further bolster the resilience of the bank – building on its solid foundation as a long-serving, strong and stable organisation. This resilient position is demonstrated by the deliverables outlined within the bank's annual operational resilience self-assessment – including various strategic technology deliveries. Additional areas of opportunity and development have been identified. These can be further refined in 2024 to continue improving the bank's resilience.

(g) Conduct Risk

Conduct risk is the risk of inappropriate behaviour towards customers which leads to unfair or inappropriate customer outcomes. The bank expects the conduct and treatment of its customers, colleagues and third-party suppliers to be consistent with the bank's values and regulatory expectations. Conduct risk consideration is embedded in product and service design principles and processes, to ensure that resultant products and services are aligned with the bank's values, as well as meeting the FCA's Consumer Duty requirements focused on good customer outcomes. The bank has established a robust set of systems and controls, including regular training of staff. Risk appetite metrics for conduct risk have been established and are monitored by Enterprise Risk Committee, the Management Team, Risk Committee and the Board.

(h) Reputational Risk

The bank's standing in the eyes of its customers, regulators, counterparties, colleagues and the general public is of critical importance to the Board. It is the Board's view that reputational risk arises as a consequence of other types of risk, and as such potential reputational impact is also considered when any risk is assessed. The bank established the Reputation and Ethics Committee to ensure appropriate focus is maintained. The Management Team, Risk Committee and the Board also monitor a range of associated risk appetite metrics.

(i) Regulatory Compliance

As a regulated entity, the bank is subject to regulatory requirements. Compliance risk is the risk that the bank fails to observe the letter and spirit of all relevant laws, codes, rules, regulations and standards of good practice.

The regulatory landscape continues to evolve. The bank has a dedicated compliance function that provides advice and oversight to the business on regulatory developments and regulatory issues, and conducts regular monitoring. The bank has also established risk appetite limits that are closely monitored by the Management Team, Risk Committee and the Board.

(j) Climate Risk

Climate risk is the threat of financial loss or adverse non-financial impacts associated with climate change. Climate change has the potential to affect the bank directly (Company-related risks) and indirectly (predominantly via the lending book). Climate risks are anticipated to arise both through direct physical effects, such as flooding or subsidence, and indirect transitory effects typically associated with the transition to a lower-carbon global economy.

The most common transition risks relate to policy and legal actions, technology changes, market responses, and reputational considerations. Opportunities will also be created as global economies transition towards net-zero emissions.

For more information on how we manage climate-related risks and opportunities, please see section 8 of this report.

(k) Technology and Change Risk

The bank's business model is dependent upon the technology platform employed to deliver service to customers of the bank. Technology is increasingly seen as a differentiating factor within the banking industry. The Management Team and the Board have recognised this trend and have consequently devoted significant resource to ensuring that the technology platform evolves, so that we can respond efficiently to customer and stakeholder needs.

This results in change/execution risk, which is defined as the risk that, in delivering its change agenda, the Group fails to ensure compliance with laws and regulation, maintain effective customer service and availability, and/or operate within the Group's risk appetite.

The change process is subject to review by committee that ensures all change projects delivered are equally responsive and robust. At the same time, cybersecurity is an increasing threat, and the bank continues to invest to ensure the security of its customers and various stakeholders.

The bank also recognises the rapid emergence of Artificial Intelligence (AI) technologies and considers them to be both a risk and an opportunity. The bank is actively managing current and future potential impacts from AI technologies and is establishing a robust framework to manage both the change/execution considerations and ethical considerations.

This includes evolving the bank's risk management framework and data governance practices, as appropriate.

(l) People Risk

The bank's business model is dependent upon its people and their level of capability and engagement. Having the right people in the right positions, with robust skill development and succession planning, is key to building a long-term business.

To this end, the Management Team, Remuneration & Nominations Committee and the Board are significantly involved in important people decisions to ensure that the bank successfully attracts, retains and develops talent. The People team has focused on delivering the Board-approved people strategy, as part of which the Chief People Officer leads the bank's Enabling People transformation workstream. The strategy is delivering enhanced training and development across all levels, particularly to improve people-management capability. This also ensures that appropriate standards and conduct are maintained throughout, as the bank continues to develop its hybrid-working capability.

Detailed disclosures on credit risk, liquidity risk, interest rate risk, foreign exchange risk and the use of derivatives are set out in Notes 12 and 31 in accordance with FRS 102 'Financial Instruments: Disclosures'. The banks's capital management is detailed in the Directors' Report on pages 25 to 28.

A fuller description of the bank's principal risks can be found in the bank's unaudited Pillar 3 disclosures which are available on the bank's website:

www.hoaresbank.co.uk/financial-reports

By Order of the Board

19 June 2024

Ms K. White
Company Secretary
C. Hoare & Co.
37 Fleet Street
London
England
EC4P 4DQ
Registration Number: 240822

Directors' Report

The Directors of C. Hoare & Co. ('the bank' or 'the Company') present their Annual Report and audited consolidated financial statements of the bank and its subsidiaries, Hoares Trustees Limited, Messrs Hoare Trustees Limited, and Hoare's Bank Pension Trustees Limited ('the Group'), for the year ended 31 March 2024.

This year, on 15 March 2024, the bank sold the Trusts and Estates business, Messrs Hoare Trustees Limited. Hoares Trustees Limited was appointed to be the sole trustee of the Master Charitable Trust on 15 April 2024. Please see note 36 on page 84 for more information.

The financial statements were approved by the Board on 19 June 2024.

1. Principal Activities

C. Hoare & Co. is an unlimited company with share capital, incorporated and domiciled in the United Kingdom with registered office and principal place of business at 37 Fleet Street, London, EC4P 4DQ. The principal activity of the bank, and its subsidiaries, is the provision of banking and ancillary services to a predominantly high-net-worth customer base.

2. Results and Dividends

The financial results for the year are set out in the Statement of Comprehensive Income on page 37.

Total comprehensive income for the year of £54.3m (2023: £41.6m) will be used to strengthen reserves and support future growth.

The Board recommends an ordinary share dividend for the year of £50 per share (2023: £50), resulting in a total dividend of £6,000 payable in June 2024 (2023: £6,000).

3. Capital Management

The bank's policy is to have a strong capital base to provide resilience; to maintain customer, creditor and market confidence; and to sustain future development of the business.

There have been no material changes to the bank's capital management during the year. The primary source of new capital for the bank is retained profits. The Board is conscious of the need for retained profits to be sufficient to grow capital in line with business growth, and to meet regulation-driven expectations of higher capital ratios across the industry. The Board is responsible for capital management. The Board, MT and Asset and Liability Committee all receive regular reports on the current and forecast level of capital.

The bank continues to monitor, proactively, developments in the regulatory landscape, and to incorporate the impact of forthcoming regulatory changes to the capital forecasts. This ensures that the bank maintains a strong capital base that exceeds minimum regulatory requirements.

The bank measures the amount of capital it holds using the regulatory framework defined by the Capital Requirements Directive and Regulation (CRD IV) which took effect on 1 January 2014 and was implemented in the UK by the Prudential Regulation Authority (PRA) and later onshored into UK law under the European Union (Withdrawal) Act 2018.

The bank's regulatory capital comprises two tiers:

- Common Equity Tier 1 capital is the highest form of regulatory capital under CRD IV, which includes the share capital; reserve fund; audited retained profits and losses from previous years; property and heritage asset revaluation reserves; plus, any regulatory adjustments; and
- Tier 2 capital, which comprises the bank's collective allowance for impairment.

The bank does not have any Tier 1 capital that is not Common Equity Tier 1.

4. Capital Adequacy Requirements

The bank calculates its Pillar I capital at a consolidated level using the standardised approach to credit risk, market risk and operational risk from the Basel III framework. The regulatory minimum of total capital is calculated at the standard rate of 8% of the risk weighted assets.

Pillar II Supervisory Review Process includes the requirement for the bank to undertake an Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP represents an internal aggregated view of risks faced by the bank, which are not covered by Pillar 1 framework. Pillar 2A sets out the additional regulatory capital as determined by the PRA, through the issuance of a firm-specific Total Capital Requirement (TCR), following the Supervisory Review and Evaluation Process (SREP). The bank's TCR is 10.9% of Risk Weighted Assets (RWAs), of which at least 56.3% must be met with CET1.

Other Capital buffers required to be met from CET1 capital include:

- Capital Conservation Buffer (CCoB), a standard buffer calculated as 2.5% of RWAs, designed to provide for losses in the event of a severe but plausible stress; and
- Countercyclical buffer (CCyB) is expressed as a percentage of RWAs to the bank's UK exposures. The Financial Policy Committee is responsible for setting the UK countercyclical capital buffer rate, which for the UK is currently set at 2%.

Pillar 3 complements Pillar 1 and Pillar 2, and aims to encourage market discipline by developing a set of disclosure requirements which allow market participants to assess the scope of application of Basel III, capital, risk exposures and risk assessment processes, and hence the capital adequacy of the firm. The bank's total regulatory capital ratio increased year on year from 21.7% to 23.3%, while the Common Equity Tier 1 ratio increased from 21.4% to 23.1%. The capital ratios remain comfortably above the regulatory requirements. The increase in total regulatory capital during the year was due to retained profits.

Full details of the bank's regulatory capital framework are disclosed in the bank's Pillar 3 disclosures which are unaudited and are available on the bank's website:

www.hoaresbank.co.uk

The banks regulatory capital, risk weighted assets and capital ratios at 31st of March were as follows:

Group	2024 £000	2023 £000
Common Equity Tier 1 capital		
Ordinary share capital*	**120**	120
Reserve fund*	**22,598**	22,598
Profit and loss account*	**457,424**	402,610
Property revaluation reserve*	**20,544**	21,022
Heritage assets revaluation reserve*	**10,982**	10,982
Intangible assets adjustment for CRR II treatment	**(28,432)**	(25,895)
Net defined benefit obligation*	**-**	(2,894)
Total Common Equity Tier 1 capital and Total Tier 1 capital	**483,236**	428,543
Tier 2 capital		
Collective Impairment Allowance*	**4,878**	5,313
Total Tier 2 capital	**4,878**	5,313
Total regulatory capital	**488,114**	433,856
Risk weighted assets	**2,091,044**	1,997,896
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted assets	**23.3%**	21.7%
Common Equity Tier 1 capital expressed as percentage of risk weighted assets	**23.1%**	21.4%

**Denotes that the figure is audited. All other figures are unaudited.*

5. The Board of Directors

Directors of the bank holding office during the year and up to the date of signing the financial statements were as follows:

The Rt. Hon. Lord Macpherson of Earl's Court GCB
(Chairman)

Mr A. S. Hoare

Mrs V. E. Hoare

Mr S. M. Hoare

Mrs A. S. Hoare

Mr A. R. Q. Hoare

Mr R. R. Hoare

Ms D. S. Brightmore-Armour

Mr A. J. McIntyre

Mrs I. Gary-Martin

Mr G. E. C. Andrews

Ms M. R King (appointed 2 April 2024)

Ms J. E. M. Waterous (resigned 31 December 2023)

The bank has professional indemnity insurance and directors' and officers' liability insurance for the directors which gives appropriate cover for any legal action brought against them. This cover is renewed annually and was in place throughout the financial year.

6. Disclosure of Information to Auditors

Directors who held office at the date of approval of this Directors' Report confirm that they have made themselves aware of any relevant audit information and that all relevant audit information was shared with the bank's auditors.

7. Statement of Directors' Responsibilities

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

The directors are responsible for preparing the C. Hoare & Co. group's financial statements and company financial statements (the "financial statements") and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Group and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

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

- select suitable accounting policies and apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going-concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and Company, and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

By Order of the Board

19 June 2024

Ms K. White
Company Secretary
C. Hoare & Co.
37 Fleet Street
London
England
EC4P 4DQ
Registration Number: 240822

Independent Auditors' Report to the Members of C. Hoare & Co.

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2024 and of the Group's profit and the Group's cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Consolidated Financial Statements (the "Annual Report"), which comprise: the consolidated and Company balance sheets as at 31 March 2024; the consolidated statement of comprehensive income, the consolidated and Company statement of changes in equity and the consolidated cash flow statement for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- We scoped our audit to gain sufficient audit assurance over all material financial statement line items
- The Group and Company operate solely in the UK and the Company is the only significant component of the Group

Key audit matters

- Valuation of provisions for impairment of loans and advances to customers (Group and Company)
- Valuation of Heritage Assets - Paintings (Group and Company)

Materiality

- Overall Group materiality: £2,416,000 (2023: £2,143,000) based on 0.5% of Tier 1 Capital (2023: 0.5% of Tier 1 Capital).
- Overall Company materiality: £2,345,000 (2023: 2,076,000) based on 0.5% of Tier 1 Capital of Tier 1 Capital (2023: 0.5% of Tier 1 Capital).
- Performance materiality: £1,812,000 (2023: 1,607,000) (Group) and £1,758,000 (2023: £1,557,000) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, 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.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Valuation of provisions for impairment of loans and advances to customers (Group and Company)	
The Group and Company have loans and advances to customers of £2,116m (2023: £1,967m) which is net of a provision for impairment of £13.9m (2023: £22.3m). This provision is split between a collective provision of £4.9m (2023: £5.3m) to account for losses where a loss event may have occurred but is yet to emerge and a specific provision of £9.0m (2023: £17.0m) to cover losses on loans where a loss event has occurred. The collective provision is derived from the bank's historical loss rate incurred in the past five years. The specific provision is assessed by reference to the estimated fair value of the collateral held against the exposure. Determining provisions for impairment of loans and advances to customers involves management judgement and is subject to a high degree of estimation uncertainty. Management makes various assumptions when estimating these provisions. The significant assumptions that we focus on in our audit included those with greater levels of management judgement and for which variations had the most significant impact on the provisions. Specifically, these related to the valuation of collateral for credit impaired customers. We considered this a key audit matter because management makes subjective judgments over both the timing of recognition and the size of impairment provisions, and individual exposures in excess of audit materiality.	We held discussions with the Audit Committee over provisions for impairment of loans and advances to customers with a significant focus on the rationale for the accounts identified within the specific provision. We evaluated the design and tested the operating effectiveness of relevant controls, including governance and credit review meetings which approve lending decisions. We tested material loans and advances to customers identified as impaired by management and formed our own judgement as to whether the provisions recorded on these exposures were appropriate. This included assessing: • Relevant evidence about the customer's ability to repay; • The appropriateness of collateral valuation estimates; • External projections of future movements in property price and how these compared to the estimated collateral realisations assumed in the impairment provisions. • We also assessed the completeness of the credit impairment provision, including by: • Testing a sample of customer accounts identified as 'non-performing' but for which no impairment was recorded, including by obtaining evidence to support how the collateral held is in excess of the exposure; and • Assessing whether the collective provision was appropriate in light of uncertainties relating to the nature of the loan book and the valuation of collateral held against most exposures. We also evaluated and tested the Credit Risk disclosures made in the Annual Report and Consolidated Financial Statements 2024.

Key audit matter	How our audit addressed the key audit matter
Valuation of Heritage Assets - Paintings (Group and Company) The Group and Company hold heritage assets of £15.1m (2023: £15.0m) of which £11.3m (2023: £11.2m) relate to paintings, including a £nil (2023: £nil) revaluation gain during the year. The most significant area is the valuation in relation to certain high value paintings held by the bank. Management utilises an expert who makes various assumptions when estimating the value of these paintings. The significant assumptions that we focus on in our audit included those with greater levels of judgement and for which variations had the most significant impact on the valuation. Specifically these related to the condition and provenance of the paintings and the comparable sales reference points in the commercial market. Management makes use of professionals with specialised skill and knowledge in forming their estimate.	We held discussions with the Audit Committee focused on the key judgements and assumptions including the condition, provenance and recent commercial comparators used in estimating the valuation of the paintings. We tested all material painting assets where the valuation has been assessed by management and formed our own judgement as to whether the valuations attached to these assets were appropriate. This included: ● Evaluating valuation reports prepared by management's experts; ● Assessing the competence, capabilities and objectivity of a management's expert; ● Conducting independent research in relation to the market valuation of comparable assets; ● Physically inspecting the condition of the assets; and ● Inspected documentation in relation to the provenance of the assets. We evaluated and tested the heritage assets disclosures made in the Annual Report and Consolidated Financial Statements 2024.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The Group has subsidiary entities on which we perform audit testing to statutory materiality levels, but as over 98% of Group profit before tax arises in the Company, for Group audit scoping purposes we consider the Company to be the only significant component. We performed audit work for all financial statement line items in the Company with balances above our materiality level.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements - Group	Financial statements - Company
Overall materiality	£2,416,000 (2023: £2,143,000).	£2,345,000 (2023: 2,076,000).
How we determined it	0.5% of Tier 1 Capital (2023: 0.5% of Tier 1 Capital)	0.5% of Tier 1 Capital of Tier 1 Capital (2023: 0.5% of Tier 1 Capital)
Rationale for benchmark applied	We considered Tier 1 capital an appropriate benchmark for the year ended 31 March 2024, as it is a key metric for key stakeholders including shareholders and the PRA.	We considered Tier 1 capital an appropriate benchmark for the year ended 31 March 2024, as it is a key metric for key stakeholders including shareholders and the PRA.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £11,648 and £2,345,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £1,812,000 (2023: 1,607,000) for the Group financial statements and £1,758,000 (2023: £1,557,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £120,000 (Group audit) (2023: £107,000) and £117,000 (Company audit) (2023: £103,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors’ assessment of the Group's and the Company’s ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting.
- Understanding management’s forecasts and stresses with a focus on capital and liquidity risk, and assessing their reasonableness based on historic performance and our testing of the key funding sources of the Group.
- Reading the latest ICAAP and ILAAP and evaluating the consistency with the going concern assessment performed by management.
- Met with the Group’s lead regulator, the PRA, and understood their view of the Group and its going concern risk.
- Reading and evaluating the adequacy of the disclosures made in the financial statements in relation to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors’ report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors’ report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report,

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report, for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 Group's and 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 Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Prudential Regulatory Authority and Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and the Corporation Tax Act 2010. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls),and determined that the principal risks were related to management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management, including with Internal Audit, Compliance and Risk, in relation to known or suspected instances of non-compliance with laws and regulation and fraud.
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect fraud and errors in financial reporting.
- Observing the effectiveness of key governance forums and reviewing management information presented at these meetings.
- Review of key correspondence with regulatory authorities (the PRA and the FCA).
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the impairment of loans and advances including management bias.
- Identifying and testing journal entries, in particular journal entries posted by senior management, journals posted with descriptions indicating a higher level of risk and certain post close journal entries.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 19 December 2011 to audit the financial statements for the year ended 31 March 2012 and subsequent financial periods. The period of total uninterrupted engagement is 13 years, covering the years ended 31 March 2012 to 31 March 2024.

Daniel Brydon (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
19 June 2024

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

For year ended 31 March	Note	Group 2024 £000	Group 2023 £000
Interest receivable		368,204	217,811
Interest payable		(153,516)	(40,520)
Net interest income	**3**	**214,688**	**177,291**
Dividend income		**24,831**	**11,150**
Other finance income	**4**	**413**	**275**
Fees and commissions receivable		15,018	16,534
Fees and commissions payable		(1,338)	(1,251)
Net fees and commissions income		**13,680**	**15,283**
Dealing profits	**5**	**8,551**	**16,696**
Other operating income / (expense)	**6**	**9,533**	**(10,227)**
Total income		**271,696**	**210,468**
Operating expenses			
Administrative expenses including staff costs	7	(176,381)	(125,030)
Amortisation	16	(8,385)	(9,483)
Depreciation	17	(2,435)	(2,053)
Total operating expenses		**(187,201)**	**(136,566)**
Impairment charge on loans and advances	**14**	**(3,659)**	**(6,213)**
Profit before taxation		**80,836**	**67,689**
Tax on profit	9	(15,437)	(17,485)
Profit for the financial year		**65,399**	**50,204**
Other comprehensive (expense) / income			
Remeasurement of retirement benefit obligations loss	4	(11,570)	(6,247)
Deferred tax arising on pension scheme loss	9	991	1,562
Revaluation loss	28	(638)	(5,165)
Deferred tax income arising on valuation loss	9	160	1,291
Other comprehensive expense for the year, net of deferred tax		**(11,057)**	**(8,559)**
Total comprehensive income for the year		**54,342**	**41,645**

The Notes on pages 42 to 84 form an integral part of these Financial Statements.

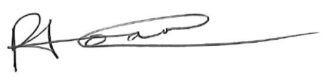
Consolidated and Company Balance Sheets

Consolidated and Company Balance Sheets

As at 31 March	Note	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Assets					
Cash and balances at central banks		1,345,322	1,452,949	1,345,322	1,452,949
Items in course of collection from banks		266	240	266	240
Derivative financial instruments	12	117,813	126,976	117,813	126,976
Financial assets	13	5,229,721	5,164,686	5,229,721	5,164,687
Shares in group undertakings	15	-	-	500	1
Intangible assets	16	17,363	16,765	17,363	16,765
Property and equipment	17	50,064	51,008	50,064	51,008
Heritage assets	18	15,098	15,040	15,098	15,040
Deferred tax asset	19	27	496	27	496
Other assets	20	4,519	3,849	4,622	3,863
Prepayments and accrued income	21	21,268	17,071	20,959	17,018
Post retirement benefit asset	4	-	3,859	-	3,859
Total assets		**6,801,461**	**6,852,939**	**6,801,755**	**6,852,902**
Liabilities					
Deposits by banks	22	109,543	122,958	109,543	122,958
Customer accounts	23	6,096,719	6,214,358	6,096,719	6,214,358
Deposits to subsidiary companies	23	-	-	14,677	13,693
Derivative financial instruments	12	6,764	3,158	6,764	3,158
Deferred tax liability	19	11,331	12,342	11,331	12,342
Other liabilities	24	4,901	3,072	4,765	2,799
Accruals and deferred income	25	60,428	39,719	60,385	39,658
Post retirement benefit liability	4	107	-	107	-
Total liabilities		**6,289,793**	**6,395,607**	**6,304,291**	**6,408,966**
Called up share capital	27	120	120	120	120
Reserve fund		22,598	22,598	21,148	21,148
Revaluation reserves	28	31,526	32,004	31,526	32,004
Current year net income		54,814	45,513	54,006	44,792
Retained earnings brought forward		402,610	357,097	390,664	345,872
Total equity		**511,668**	**457,332**	**497,464**	**443,936**
Total liabilities and equity		**6,801,461**	**6,852,939**	**6,801,755**	**6,852,902**
Memorandum items:					
Contingent liabilities	29	14,448	15,290	14,448	15,290
Commitments	29	355,329	384,870	384,870	384,870

The Notes on pages 42 to 84 form an integral part of these Financial Statements. The Financial Statements on pages 37 to 84 were approved by the Board of Directors on 19 June 2024 and signed on its behalf by:

Mr A. S. Hoare
Director
19 June 2024



Mr R. R. Hoare
Director
19 June 2024

Company Number: 00240822

Consolidated Statement of Changes in Equity

Consolidated Statement of Changes in Equity

Group	Note	Called up Share Capital £000	Reserve Fund £000	Revaluation Reserves £000	Retained Earnings £000	Total Equity £000
Balance as at 1 April 2022		**120**	**22,598**	**35,878**	**357,097**	**415,693**
Profit for the financial year		-	-	-	50,204	50,204
Other comprehensive (expense) / income for the year						
-Remeasurement of retirement benefit obligations		-	-	-	(6,247)	(6,247)
-Deferred tax arising on pension scheme		-	-	-	1,562	1,562
-Valuation loss of property and heritage assets	28	-	-	(5,165)	-	(5,165)
-Deferred tax arising on valuation loss	28	-	-	1,291	-	1,291
Total comprehensive income for the year		**-**	**-**	**(3,874)**	**45,519**	**41,645**
Dividends		-	-	-	(6)	(6)
Balance as at 31 March 2023		**120**	**22,598**	**32,004**	**402,610**	**457,332**
Profit for the financial year		-	-	-	65,399	65,399
Other comprehensive (expense) / income for the year						
-Remeasurement of retirement benefit obligations		-	-	-	(11,570)	(11,570)
-Deferred tax arising on pension scheme		-	-	-	991	991
-Valuation loss of property and heritage assets	28	-	-	(638)	-	(638)
-Deferred tax arising on valuation loss	28	-	-	160	-	160
Total comprehensive income for the year		**-**	**-**	**(478)**	**54,820**	**54,342**
Dividends		-	-	-	(6)	(6)
Balance as at 31 March 2024		**120**	**22,598**	**31,526**	**457,424**	**511,668**

The Notes on pages 42 to 84 form an integral part of these Financial Statements. The Directors are authorised under the bank's Articles of Association to set aside such profits as they think proper in the form of a Reserve Fund. This Reserve Fund can be applied in any purpose to which the profits of the bank may properly be applied.

Company Statement of Changes in Equity

Company Statement of Changes in Equity

Company	Note	Called up Share Capital £000	Reserve Fund £000	Revaluation Reserves £000	Retained Earnings £000	Total Equity £000
Balance as at 1 April 2022		**120**	**21,148**	**35,878**	**345,872**	**403,018**
Profit for the financial year		-	-	-	49,483	49,483
Other comprehensive (expense) / income for the year						
-Remeasurement of retirement benefit obligations		-	-	-	(6,247)	(6,247)
-Deferred tax arising on pension scheme		-	-	-	1,562	1,562
-Valuation loss of property and heritage assets	28	-	-	(5,165)	-	(5,165)
-Deferred tax arising on valuation loss	28	-	-	1,291	-	1,291
Total comprehensive income for the year		**-**	**-**	**(3,874)**	**44,798**	**40,924**
Dividends		-	-	-	(6)	(6)
Balance as at 31 March 2023		**120**	**21,148**	**32,004**	**390,664**	**443,936**
Profit for the financial year		-	-	-	64,591	64,591
Other comprehensive (expense) / income for the year						
-Remeasurement of retirement benefit obligations		-	-	-	(11,570)	(11,570)
-Deferred tax arising on pension scheme		-	-	-	991	991
-Valuation loss of property and heritage assets	28	-	-	(638)	-	(638)
-Deferred tax arising on valuation loss	28	-	-	160	-	160
Total comprehensive income for the year		**-**	**-**	**(478)**	**54,012**	**53,534**
Dividends		-	-	-	(6)	(6)
Balance as at 31 March 2024		**120**	**21,148**	**31,526**	**444,670**	**497,464**

The Notes on pages 42 to 84 form an integral part of these Financial Statements. The Directors are authorised under the bank's Articles of Association to set aside such profits as they think proper in the form of a Reserve Fund. This Reserve Fund can be applied in any purpose to which the profits of the bank may properly be applied.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

For year ended 31 March	Note	Group 2024 £000	Group 2023 £000
Net cash used in operating activities	30	(94,951)	(418,678)
Taxation paid		(15,618)	(17,355)
Net cash used in operating activities		**(110,569)**	**(436,033)**
Cash flow from investing activities			
Purchase of investment securities		(1,648,464)	(1,562,892)
Sale and maturity of investment securities		1,614,146	1,640,306
Purchase of bulk annuity policy		(7,191)	-
Purchase of intangible assets		(9,220)	(8,427)
Purchase of tangible fixed assets		(2,671)	(4,318)
Purchase of heritage assets		(58)	(53)
Net cash used in investing activities		**(53,458)**	**(64,616)**
Cash flow from financing activities			
Dividend paid		(6)	(6)
Net cash used in financing activities		**(6)**	**(6)**
Net decrease in cash and cash equivalents		(164,034)	(371,423)
Cash and cash equivalents at the beginning of the year		1,547,010	1,918,433
Cash and cash equivalents at the end of the year		**1,382,976**	**1,547,010**
Cash and cash equivalents consist of:			
Cash at bank and in hand		1,345,322	1,452,949
Short term deposits		37,654	94,061
Cash and cash equivalents		**1,382,976**	**1,547,010**

The Notes on pages 42 to 84 form an integral part of these Financial Statements.

Notes to the Financial Statements for the year

1. Summary of Significant Accounting Policies

The principal accounting polices applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently in dealing with amounts which are considered material to the financial statements.

a. Basis of preparation

The financial statements have been prepared under the historical cost convention and on a going-concern basis, except that the following assets and liabilities are stated at their fair values: land and buildings, investment properties, heritage assets, financial instruments recognised at fair value through the profit or loss and derivative contracts. The financial statements have been prepared under the provisions of Part XV of the Companies Act 2006 relating to Banking Groups, SI 2008/410, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standards applicable in the United Kingdom and the Republic of Ireland" (FRS 102). The 2024 figures represent continuing operations unless otherwise disclosed.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group and the bank accounting policies. Any areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

The bank has taken the exemption under Section 408 of the Companies Act 2006 from presenting its unconsolidated profit and loss account. For balance sheet notes where the bank is not presented separately, references to the Group should also be read as applying to the bank.

The bank has elected to present all items of income and expense recognised in the period using the single-statement approach in accordance with FRS 102, Section 5 'Statement of Comprehensive Income' and 'Income Statement'.

b. Going concern

The going concern of the bank and the Group is dependent on funding and maintaining adequate levels of capital. The Directors have undertaken an assessment of the bank's and Group's going concern status, with consideration of current and projected financial performance, including capital and funding projections of the Group and having regard to the Group's principal risks and uncertainties as set out in the Strategic report. The Directors have given due consideration to the sustainability of the bank and Group and have concluded that the Group has adequate resources to continue in operational existence for the foreseeable future; it is therefore appropriate to continue to adopt the going concern basis in preparing its financial statements for the following reasons:

- the Group and Company have a strong financial position with high levels of capital and liquidity;
- stress testing has indicated that, even in severe but plausible circumstances, the Group and Company have sufficient capital and liquidity reserves to meet all of the Group and Company's ongoing commitments and remain substantially above minimum levels required by regulation;
- to date of signing, there have been no indications of material deterioration in the customer loan book;
- to date of signing, customer lending and deposits have remained steady.

c. Basis of consolidation

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

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

1. Summary of Significant Accounting Policies (continued)

d. Foreign currencies

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

e. Interest

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

Interest income and expense presented in the Statement of Comprehensive Income include:

- interest on financial assets and liabilities at amortised cost on an effective interest rate basis;
- interest on financial assets that are measured at fair value through profit or loss; and
- arrangement fees amortised using an effective interest rate basis.

The bank uses the contractual term, where available, to set the amortisation expected life for its loan arrangement fees. However, for its on-demand loan portfolio, historic data is used to determine the average life of the loan. This analysis is performed on an annual basis and for the year ended 31 March 2024, it has been determined to be four years.

f. Fees and commissions

Income from fees and commission is recognised when the services are performed. Expenses relating to fees and commissions are charged when the services are received. Where fees relate to a product that has an extended life, the fee will be amortised on a straight-line basis through the contractual life of the product.

g. Dealing profits

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

These positions are used to provide liquidity and to manage the Bank's liabilities and form part of the banking book. The bank's policy is not to engage in any proprietary trading activities.

h. Retirement benefit obligations

The bank operates a defined benefit pension scheme for certain staff, providing a pension benefit that an employee will receive on retirement dependent upon several factors including age, length of service and final salary. The assets of the scheme are administered separately from those of the bank in a Trustee-administered fund. This scheme was closed to new members with effect from 1 April 2002 and since then staff have been able to join a separate defined contribution or "money purchase" scheme. On 1 December 2007 the defined benefit scheme was closed to future accrual, a "curtailment", and all remaining members were given the option to commence plans with the defined contribution scheme.

The defined benefit scheme's assets are measured using fair values in accordance with the FRS 102 fair value hierarchy. The asset recognised in the balance sheet in respect of the defined benefit scheme is the fair value of the scheme assets at the reporting date less the present value of the defined benefit obligation.

The defined benefit obligation is calculated using the projected unit credit method. The present value is determined by discounting the estimated future payments, using market yields on high-quality corporate bonds that are denominated in sterling and that have terms approximating the estimated period of the future payments ('the discount rate'). Annually, the Group engages a qualified independent actuary to calculate the obligation with actuarial assumptions as best estimates.

1. Summary of Significant Accounting Policies (continued)

h. Retirement benefit obligations (continued)

Remeasurements of the defined benefit pension scheme comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return on assets and the effect of the asset ceiling (if any). The bank recognises remeasurements immediately in other comprehensive income. The bank determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit liability/(asset). The net interest expense/(income) is charged to/(credited) to finance costs/(income).

In accordance with FRS 102, the surplus on the defined benefit pension scheme is recognised on the balance sheet to the extent that it is recoverable over the lifetime of the Scheme.

The bank also operates a defined contribution pension scheme, where the bank pays fixed contributions intoa separate entity; there is no legal or constructive obligation to pay further contributions. The contributions are recognised as an expense when they are due. The assets of the scheme are held separately from the Group in independently administered funds.

i. Taxation

The Consolidated Statement of Comprehensive Income includes current taxation expense recognised in the period as well as associated deferred tax timing differences including unrealised capital gains. Deferred tax on the fair value movements for pensions, land and buildings and heritage assets are recognised in other comprehensive income.

i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulation is subject to interpretation. It establishes provisions where appropriate, based on amounts expected to be paid to the tax authorities. Annually, the Group engages independent tax specialist services to calculate current tax due to HMRC and any adjustment to the financial statements as required.

ii) Deferred tax

Deferred tax arises from timing differences which are generated from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date where transactions or events that will result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised and are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax related to revaluation on properties, revaluation of heritage assets, retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the balance sheet as a deferred tax asset or liability.

The Group does not net deferred tax assets against deferred tax liabilities.

j. Dividends payable

In accordance with Section 32 ‘Events after the end of the reporting period’, of FRS102, dividends payable are recognised within retained profits once approved by the shareholders.

k. Cash and cash equivalents

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

1. Summary of Significant Accounting Policies (continued)

l. Classification of financial assets and liabilities

On initial recognition, financial assets and liabilities are classified into either basic or other financial instruments. The bank enters into both basic financial instruments such as cash loans and receivables and complex financial instruments such as equity securities and derivatives.

Basic financial instruments, as defined in FRS 102 Section 11, will initially be recognised at the transaction price (including transaction costs). Subsequent measurement will be at the amortised cost of the financial instrument using the effective interest rate method.

Other financial instruments (complex financial instruments) as defined in FRS 102 section 12 will initially be recognised at fair value (including transaction costs). Subsequent measurement will be at the fair value of the financial instruments, recognising changes in fair value as profit or loss.

m. Financial assets and liabilities

i) Recognition

The bank initially recognises loans, advances and deposits on the date that they are originated. All other financial assets and liabilities (including assets and liabilities designated at fair value through the profit and loss account and equity investments) are initially recognised on the trade date on which the bank becomes party to the contractual provisions of the instrument.

ii) Derecognition

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

The bank derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

iii) Offsetting

Financial assets and liabilities are only offset when the criteria set out in section 11 paragraph 11.38A of FRS 102 are met and the net amounts presented in the financial statements do not conflict with paragraph 8 of Schedule 1 to the Regulations.

The bank will only offset income or expenses which are settled on a net basis for the same trade, and will not offset net income and expenses settled from the same counterparty for different trades.

iv) Amortised cost measurement

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

v) Fair value measurement

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

The bank has applied the disclosure requirements of FRS 102, Section 11 in respect of financial instruments for the fair value hierarchy disclosures.

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

Level 1: Quoted prices (unadjusted) in active markets for identical instruments.

Level 2: Valuation techniques based on observable inputs either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques not based on observable market data (unobservable inputs).

These disclosures are included in Note 31 to the financial statements and are in line with Section 34 of FRS 102.

1. Summary of Significant Accounting Policies (continued)

m. Financial assets and liabilities (continued)

vi) Identification and measurement of impairment

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

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

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

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

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

n. Loans and advances to banks and customers

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

o. Derivative financial instruments

i) Derivative financial instruments

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

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

The principal derivatives used by the bank are interest rate swaps and forward foreign exchange rate contracts. The fair value of interest rate swaps is the estimated amount that the bank would receive or pay to terminate the swap at the balance sheet date, considering current interest rates and the current creditworthiness of the swap counterparties. The fair value of interest rate swaps includes any interest accrued on the derivative contract. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

In accordance with FRS 102 Section 12 other financial instruments issues, derivatives are recognised as trading and recorded at fair value, with changes in fair value recognised in the profit and loss account. Fair values are obtained from quoted market prices in active markets or from dealer price quotations.

ii) Derivative instruments and fair value hedging activities

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

All derivatives are recorded as assets or liabilities on the balance sheet at their respective fair values with unrealised gains and losses recorded in the profit and loss account. Derivatives that did not meet the criteria for designation as a hedge under FRS 102 at inception, or fail to meet the criteria thereafter, are accounted for in other assets with changes in fair value recorded in the profit and loss account.

1. Summary of Significant Accounting Policies (continued)

o. Derivative financial instruments (continued)

Changes in the fair value of a derivative that is designated and qualifies as a fair value hedge, along with the corresponding gain or loss on the hedged asset or liability that is attributable to the hedged risk, are recorded in the profit and loss account as other operating income. The gain or loss in relation to the unhedged element is recorded in the profit and loss account.

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

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

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

iii) IBOR reform

The bank elected for early adoption of the amendment to FRS102 – Interest rate benchmark reform, which allows entities to apply specific hedge accounting requirements assuming that the interest rate benchmark relevant to the hedge accounting is not altered as a result of the interest rate benchmark reform.

Hedge relationships: The bank's transition from IBOR benchmark rates means that all new treasury transactions after December 2019 are SONIA based. Legacy hedges were converted to SONIA based instruments by December 2022 using International Swap and Derivatives Association (ISDA) protocol or the LCH rulebook amendment.

The bank does not report any cash flow hedges or balances classified as fair value in other comprehensive income and is not expected to apply any temporary relief to its current portfolio.

Financial instruments using amortised cost measurement: All IBOR based customer lending was transitioned to central bank benchmark linked products by September 2022.

p. Intangible assets

Project costs are only recognised as intangible assets when they can be directly attributed to bringing an asset into use. Such costs may include the costs of staff directly employed on a project. Administration costs, other general overhead costs or staff costs not related to the specific asset are excluded. There are minimum thresholds for capitalising expenditure; accumulated costs incurred for a project below these thresholds are expensed through profit and loss.

Amortisation begins in the month the asset is available for use.

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using straight-line method, to allocate the amortised amount of the assets to their residual values over their estimated useful lives as follows:

- IT general software £50,000 per system and over will be amortised over 4 years; and
- IT infrastructure software will be amortised over 8 years.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life has changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment at each reporting date to evaluate if the above factors indicate that the carrying amount may be impaired.

1. Summary of Significant Accounting Policies (continued)

p. Intangible assets (continued)

Costs associated with maintaining computer software are recognised as an expense. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development, to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

q. Property, equipment and depreciation

The bank uses the revaluation model to determine the fair value of its land and buildings, which is based on the latest professional market valuation.

Subsequent changes in the fair value of land and buildings are recognised in other comprehensive income and accumulatedin equity. Subsequent changes in the fair value of investment properties are recognised in Other operating income / (expense) and accumulated in equity. An increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. The decrease of an asset's carryingamount as a result of a revaluation shall be recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. If a revaluation decrease exceeds the accumulated revaluation gains accumulated in equity in respect of that asset, the excess shall be recognised in profit or loss.

Freehold land and buildings are depreciated over a period of 100 years. The bank considers that the building makes up approximately 80% of the value and applies depreciation on this component on a straight-line basis.

Property valuation reviews are performed with sufficient regularity and granularity to ensure that the recorded fair value reflects or does not appear materially different from the current market value at the end of the reporting period.

These consist of annual internal reviews, full external valuations at least every 5 years and interim external valuations at least every 3 years. Updates in the intervening years are made if the Directors consider there to have been a material change in market value.

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

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

The bank's policy states that the individual equipment classification, thresholds and their respective economic life are as follows, where costs incurred below the thresholds are expensed to the profit and loss since they are not considered material:

- IT hardware £1,000 and over will be depreciated for three years;
- Furniture & office equipment £1,000 and over will be depreciated for four years;
- Plant and machinery £5,000 and over will be depreciated for ten years; and
- Motor vehicles will be depreciated for four years.

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

1. Summary of Significant Accounting Policies (continued)

q. Property, equipment and depreciation (continued)

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

r. Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

s. Investment property

Investment properties are held at fair value based on the latest professional market valuation.

Changes in the fair value of investment properties are recognised in profit and loss, and whilst these are included in retained earnings, these are treated as non distributable profits.

Property valuation reviews are performed with sufficient regularity and granularity to ensure that the recorded fair value reflects or does not appear materially different from the market value at the end of the reporting period.

These consist of annual internal reviews, full external valuations at least every five years and interim external valuations at least every 3 years. Updates in the intervening years are made if the Directors consider there to have been a material change in market value.

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

t. Heritage assets

The bank has a collection of artefacts regarded as heritage assets, largely comprising paintings, an extensive coin collection and the bank's own ledgers. These are recorded as heritage assets due to their historical importance. They are held because they contribute to the understanding of the history and culture of the bank.

The bank uses the revaluation model to determine the fair value of its Heritage assets at the balance sheet reporting date. Individual items in the collection are periodically valued by an external valuer, with any surplus or deficit being reported in Other Comprehensive Income net of deferred tax. The artefacts are deemed to have indeterminate lives and high residual values; hence the Directors do not consider it appropriate to charge depreciation. At each balance sheet date, the bank undertakes a review to assess if there is any indication of potential impairment resulting from damage to the items.

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

Expenditure which, in the Directors' view, is required to preserve or prevent further deterioration is recognised in the profit and loss account as it is incurred.

u. Classification of financial instruments issued by the bank

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

v. Investments in subsidiaries

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

w. Contingent liabilities and commitments

The bank will issue letters of credit, performance bonds and other transaction-related contingencies and other guarantees as part of its normal business. It also provides formal standby facilities, credit lines and other commitments to lend which will remain undrawn or uncalled at year end. The bank records these as contingent liabilities and monitors them against their approved limits.

The Bank issues guarantees on behalf of its customers. In the majority of cases, the bank will hold collateral against the resultant exposure or have a right of recourse to the customer, or both.

1. Summary of Significant Accounting Policies (continued)

w. Contingent liabilities and commitments (continued)

The main types of guarantees provided are financial guarantees given to banks and financial institutions on behalf of customers to secure loans, overdrafts or other banking facilities, including stock borrowing indemnities and standby letters of credit. Other guarantees provided include performance guarantees, advance payment guarantees, tender guarantees, and guarantees to Her Majesty's Revenue and Customs and retention guarantees.

Where the bank undertakes to make payment on behalf of its customers for guarantees issued, for which an obligation to make payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

Commitments are where the bank has confirmed its intention to provide funds to a customer or on behalf of a customer in the form of loans, overdrafts and future guarantees, whether cancellable or not, and where the bank has not made payment at the balance sheet date. These are included in these financial statements as commitments. See disclosures at Note 29.

x. Operating expenses

The bank's expenses, including administrative expenses, are accounted for on an accruals basis and are charged to the profit and loss account as incurred.

y. Recognition and movement of provisions

Provisions are recognised where the bank has a present legal or constructive obligation as a result of past events; it is probable that a future outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. The corresponding expense relating to the provision is recognised directly in the profit and loss account. Movements in the provision due to a re-estimation of the obligation are also recognised directly in the profit and loss account.

z. Long term employee benefits

In accordance with section 28 of FRS 102, other long-term benefits, such as deferred bonuses, are included in liabilities at their net present value. The obligation is discounted using appropriate market yields as at the reporting date.

2. Critical Accounting Judgements and Estimation Uncertainty

The preparation of the financial statements requires Management to make judgements, estimates and assumptions in applying the accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are reviewed periodically and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Critical judgements in applying the Group's accounting policies

The following areas are highlighted as they involve a higher degree of uncertainty and could have a material impact on the financial statements. Management considers them to be critical judgements in applying the group's accounting policies.

i) Loan impairment provisions

The determination of loan impairment provisions is inherently judgemental and relies on management's assessment of a variety of inputs, including the macro environment and data specific to the customer's ability and willingness to repay the loan. The assessment of the most likely customer outcome is made by staff in the respective relationship team with oversight from the risk department.

For individual loan impairment provisions there is a reliance on relationship managers in ensuring the timely identification of subjective indicators of impairment. These subjective indicators are augmented by the observation of objective triggers relating to the ongoing performance of the loan. These triggers are monitored regularly by the risk department. In determining whether an impairment has been incurred, factors such as late payments, cash flow or income deterioration, and likelihood and timing of planned capital transactions being successfully executed, are considered.

In assessing the collective loan impairment, the bank uses historical trends of the losses incurred, adjusted for Management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than the historical trends suggest. Judgement decisions on loan impairments, other than insignificant balances, are reviewed by the Lending Committee.

2. Critical Accounting Judgements and Estimation Uncertainty (continued)

b. Key accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) Impairment of Loans (note 1 (m) (vi), note 14 and note 31 (b))

The bank regularly assesses whether there is objective evidence that any loans or securities are impaired. When it has been determined that an impairment has occurred, the estimation is made of what level of impairment is likely and what amount of provision would be needed. The levels of specific provisions are determined giving consideration to the implications of the macro environment and include estimations on property values, expected sales proceeds and the time needed to liquidate collateral, should that become necessary. Consequently, property values on impaired loans have been set at conservative levels because of the lack of liquidity and market data available at the date of the balance sheet. An additional 10% reduction in property values could result in a modest increase in provisions of up to £1.1m (2023: £1.5m), whereas if an additional six-month extension to the expected assumed sale dates were implemented, it would result in an additional provision of £0.5 m (2023: £0.7m).

The collective impairment allowance is subject to estimation uncertainty, as it is calculated using the bank's historical experience, the use of management overlays and the emergence period applied in calculating the provision. The customer portfolio is adequately secured with collateral (the principal part of which is property), with an average loan to value of 43% (2023: 41%), meaning that the collective provision is reasonably well insulated from material movements. A 5% increase / decrease in the bank's loan portfolio would result in a £0.3m (2023: £0.3m) addition / reduction to the collective provision.

ii) Defined benefit pension scheme (note 1 (h) and note 4)

The liabilities of the defined benefit pension scheme are measured as the present value of the estimated benefit cash flows to be paid by the scheme. The present value of the liabilities involves judgements about uncertain events including the life expectancy of the members, price inflation and discount rate used to calculate the net present value of the future pension payments. Estimates are applied for these uncertain events and our assumptions reflect historical experience and external independent advice from a qualified actuary in deriving the actuarial assumptions at the balance sheet date. On 9 July 2018, the Trustee completed a pension buy in, purchasing a bulk annuity from Canada Life Limited which insures all the benefits under the scheme in respect of the existing pensioners and dependant members at the time. On 2 August 2023, the Trustees completed another pension buy in, this time purchasing a bulk annuity from Aviva Life and Pensions UK Limited which insures all the benefits payable under the scheme in respect of all remaining members not covered by the first pension buy in policy, greatly reducing the overall pension risk uncertainty to the bank. Details of the pension are outlined in Note 4.

As all liabilities of the scheme are now matched by the purchased annuity contracts, the pension fund obligations are now fully hedged. Any movements in the obligations will be matched, in full, by a movement in the annuity assets, such that the net impact to Other comprehensive income will be nil.

Were the buy in not completed during the year, a 5% increase / decrease in assets held by the defined pension scheme assets would have resulted in a £4.5m (2023:£4.9m) gain / loss in the value of assets held. A 5% increase / decrease in pension obligations would have resulted in a £4.5m (2023: £4.7m) loss / gain in the bank's liabilities.

iii) Fair value – financial instruments (note 1(m) and 1(o))

In accordance with the above accounting policies, financial instruments and derivatives are classified as fair value through profit or loss.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. It also uses the assumptions that market participants would use when pricing the asset or liability.

Fair value hedges and their respective hedged items are adjusted to the midpoint levels, by marking individual cash positions directly to mid reserves calculated on a portfolio basis for derivative exposures. The mid approach is based on current market spreads and relevant yield curves.

2. Critical Accounting Judgements and Estimation Uncertainty (continued)

b. Key accounting estimates and assumptions (continued)

Valuation techniques applied by the bank include using net asset values for unquoted investments in funds as its proxy fair value.

As all derivative contracts are taken out to hedge, a gain / loss would be offset by the fair value adjustment of the hedged item such that the net impact to Profit before tax of the revaluation of derivative contracts is insignificant. As such, any sensitivity shift in the value of derivative contracts will not materially impact profit or loss due to the offsetting hedging movement.

iv) Heritage assets (Note 1 (t) and note 18)

Heritage assets are revalued on a regular basis. The bank engages the appropriate independent market experts in this respect. Valuation of certain assets and in particular certain works of art employ subjective assumption, relying upon assumptions of how easily such works of art can be realised. The valuation of the works of art is used to determine the insured value.

A 5% increase / decrease to the revaluation of Heritage assets would generate a £0.5m (2023: £0.5m) gain / loss respectively to Other comprehensive income.

3. Net Interest Income

Group For year ended 31 March	2024 £000	2023 £000
Interest receivable and similar income		
Debt securities	125,644	67,990
Loans and advances to customers	118,947	92,187
Loans and advances to banks	79,809	41,874
Derivatives	43,804	15,760
Total interest receivable and similar income	**368,204**	**217,811**
Interest payable and similar charges		
Deposits from banks and customers	(153,784)	(40,520)
Derivatives	268	-
Total interest payable and similar charges	**(153,516)**	**(40,520)**
Net interest income	**214,688**	**177,291**

Included within interest income is £359,613 (2023: £419,780) accrued in respect of impaired financial assets. Interest income on loans and advances to customers includes customer arrangement fees earned of £4,353,298 (2023: £4,563,205).

4. Retirement Benefit Obligations

The bank has both defined benefit and defined contribution retirement schemes.

Defined benefit scheme

The bank operated a defined benefit pension scheme (the "Scheme") until 1 December 2007 when it was closed to further accrual and all staff that were members at that date were made deferred members; all benefits accrued to that date were enhanced and then preserved. The defined benefit scheme provides a pension based upon the final salary at retirement date or preserved rights as at leaving the scheme or upon curtailment. Contributions to the defined benefit scheme for the year ended 31 March 2024 were £7.2m (2023: £Nil) to facilitate the purchase of a pension buy-in contract (see below for more information). There was no charge (2023: £Nil) to the profit and loss account for past service costs.

The Scheme's assets are held in a separate trustee-administered fund to meet long- term liabilities to past and present staff. Hoare's Bank Pension Trustees Limited (the "Trustee Company") is required to act in the best interest of the scheme's beneficiaries. The appointment of Directors to the Trustee Company is determined by the Scheme's trust documentation. The bank has a policy that one third of such Directors should be nominated by members of the Scheme.

The Scheme liabilities are derived using actuarial assumptions for inflation, future salary increases, mortality rates and the discount rate used to calculate the net present value of future pension payments. The principal actuarial assumptions used to calculate the Scheme liabilities were:

Group & Company As at 31 March	2024 %	2023 %
Pension increases in payment	3.1	3.2
Discount rate	4.8	4.8
Retail price inflation	3.3	3.4

The actuarial assumptions allow for commutation of members' pensions for cash at retirement, where members are expected to commute 20% (2023: 20%) of their pensions at retirement. As at 31 March 2024, the valuation of Scheme assets less liabilities showed a deficit of £107,000 (2023: £3,859,000 surplus).

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method This amount is calculated by a qualified independent actuary at the balance sheet date and is reflected in the Scheme asset or liability as detailed below:

Group & Company	2024 £000	2023 £000
Opening net defined benefit asset as at 1 April	**3,859**	**9,831**
Pension credit in profit & loss	413	275
Actuarial gain recognized in other comprehensive income	2,549	28,388
Loss on assets less interest recognized in other comprehensive income	(14,119)	(34,635)
Employer contribution	7,191	-
Closing net defined benefit (liability)/asset as at 31 March	**(107)**	**3,859**

Purchase of pension buy-in contract

On 9 July 2018, the Trustee completed a pension buy in, purchasing a bulk annuity from Canada Life Limited which insures all the benefits under the scheme in respect of the existing pensioners and dependant members at the time. On 2 August 2023, the Trustees completed another pension buy in, this time purchasing a bulk annuity from Aviva Life and Pensions UK Limited which insures all the benefits payable under the scheme in respect of all remaining members not covered by the first pension buy in policy on 9 July 2018. The insurance policies are held as assets in the scheme. The policies pay an income equal to the benefits of the members covered and removes the risk of there being insufficient assets to meet those future liabilities. The benefit of the pension buy ins is the transfer of investment, interest rate, inflation, deflation, and longevity risks in respect of the liabilities covered by the buy in

4. Retirement Benefit Obligations (continued)

contracts. The buy ins do introduce counterparty risk, however, this is minimised, since all insurers who operate in this market are authorised by the Prudential Regulatory Authority (PRA) and regulated by the Financial Conduct Authority (FCA). In the event that one of the insurers becomes insolvent, the Financial Services Compensation Scheme (FSCS) would provide compensation of the pension amounts in full. 100% of the scheme's liabilities are matched by the annuity policy assets, which reduces the funding risk and balance sheet volatility for the bank.

At the date of risk transfer to Canada Life and Aviva Life & Pensions UK Limited, the premium paid for the annuities exceeded the IAS19 value of the insured liabilities where the difference was recognised on the balance sheet through Other Comprehensive Income (OCI) as an actuarial loss. The insurance premia were funded through the disposal of assets of the scheme.

Future funding obligations

The most recent triennial actuarial valuation was carried out as at 1 April 2022. There are no future deficit contributions due under the current schedule of contributions. The bank continues to work with the Trustee Company to explore ways to further stabilise the defined benefit obligation through an investment strategy to minimise volatility and any potential mismatch between the liabilities and assets of the Scheme. The next triennial actuarial valuation will concern the financial situation as at 1 April 2025.

Scheme assets and liabilities

The Trustee Company has appointed Lane Clark & Peacock LLP as investment advisers to the Scheme. Through them, Legal and General Assurance (Pensions Management) Limited and Mobius Life Limited manage the Scheme's investment portfolio day-to-day through unitised funds in accordance with the Statement of Investment Principles ("SIP"). The SIP ensures that investment risks are spread across several investment classes. Within each investment portfolio, investment objectives and restrictions to manage risk are implemented through the legal agreements in place with the Scheme's investment manager. The Trustee Company receives regular performance reports from the investment manager, while the investment advisers to the Scheme monitor the performance of the strategy and associated risks, and the performance of each investment manager, against the strategy's objectives and restrictions.

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

Group & Company As at 31 March	2024 £000	2023 £000
Liability driven investments ("LDI")	-	11,670
Index-linked gilts	-	20,390
Short duration credit	-	7,891
Cash and net current assets	(107)	3,103
Bulk annuity policy	90,987	55,535
Total fair value of assets	**90,880**	**98,589**
Present value of scheme liabilities	**(90,987)**	**(94,730)**
Pension scheme (liabilities) / assets	**(107)**	**3,859**

In accordance with FRS 102 requirements, the deferred tax relating to the defined benefit asset above is now presented with other deferred tax assets/liabilities.

4. Retirement Benefit Obligations (continued)

In the prior year, the fair value of the Scheme's assets includes unitised pooled investment vehicles which have been valued at the latest available bid price or single price provided by the pooled investment manager.

Group & Company	2024 £000	2023 £000
Opening fair value of scheme assets as at 1 April	**98,589**	**135,231**
Interest on assets	4,827	3,704
Actual return on plan assets less interest	(14,119)	(34,635)
Benefits paid	(5,608)	(5,711)
Employer contributions	7,191	-
Closing fair value of scheme assets as at 31 March	**90,880**	**98,589**
Actual return on assets	**(9,292)**	**(30,931)**

The liabilities of the Scheme are measured by discounting the best estimate of future cash flows to be paid out by the Scheme using the projected unit method. This amount is calculated by a qualified independent actuary at the balance sheet date and is reflected in the Pension scheme asset as detailed below:

Group & Company	2024 £000	2023 £000
Opening defined benefit obligation as at 1 April	**94,730**	**125,400**
Interest on obligation	4,414	3,429
Actuarial loss on liabilities due to experience	839	2,493
Actuarial gain on liabilities due to assumption changes	(3,388)	(30,881)
Benefits paid	(5,608)	(5,711)
Closing defined benefit obligation as at 31 March	**90,987**	**94,730**

The net finance income or expense recognised in profit and loss is calculated by applying the discount rate to the benefit asset recorded at the beginning of the year; this was £3,859,000 (2023: £9,831,000). The pension income recorded for this year and analysed below of £413,000 (2023: £275,000) was higher than that of the previous year due to interest on the employer contribution used to complete the pension scheme buy in.

Group & Company For year ended 31 March	2024 £000	2023 £000
Interest on obligation	(4,414)	(3,429)
Interest on assets	4,827	3,704
Total recognised in other finance income	**413**	**275**

The following items are recognised in the Statement of Other Comprehensive Income ("OCI"):

Group & Company For year ended 31 March	2024 £000	2023 £000
Actual loss on plan assets less interest	(14,119)	(34,635)
Actuarial loss due to experience	(839)	(2,493)
Actuarial gain due to assumption changes	3,388	30,881
Total recognised in other comprehensive (expense) / income	**(11,570)**	**(6,247)**

4. Retirement Benefit Obligations (continued)

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

Prior to investing all assets in bulk annuity policies, the Scheme's assets are invested in a range of funds according to the SIP. This was developed in collaboration between the Trustee Company and its appointed investment advisers. Following completion of the buy-in, all assets are invested in a bulk annuity policies as shown in the below table for investments as at 31 March:

Percentage of total scheme assets

Group & Company As at 31 March	2024 %age	2023 %age
Liability driven investments ("LDI")	0.0	11.8
Index-linked gilts	0.0	20.7
Short duration credit	0.0	8.0
Cash and net current assets/(liabilities)	(0.1)	3.2
Bulk annuity policy	100.1	56.3
Total fair value of assets	**100.0%**	**100.0%**

The investment performance and liability impact are reviewed on a regular basis by the Board and the Trustee Company of the Scheme. Investing all assets in bulk annuity policies, the investment strategy aimed to mitigate the impact of increases in liabilities and invested in assets that increased in value if future inflation expectations rose. The assets held, excluding the bulk annuity policy, were well diversified to mitigate against a wide range of risks, including credit and market risk. The Trustee Company of the Scheme manages investment risks, considering the Scheme's investment objectives, strategy andthe advice of its investment adviser.

Prior to investing all assets in bulk annuity policies, the Scheme reduced its interest rate and inflation risks through a significant amount of investment in Liability driven investments (LDI) and bonds, the values of which increased and decreased, in line withScheme liabilities, from changes in interest rates and market implied inflation. The LDI strategy aimed to hedge 100% of the interest rate risk and inflation risk on a technical provisions basis.

Prior to investing all assets in bulk annuity policies, the Scheme hedged interest rate risk on a statutory and long-term funding basis using gilts whereas AA corporatebonds are implicitly used to set the FRS 102 discount rate. Previously there was some risk of mismatch to the bank, if yields on gilts and corporate bonds diverged.

Defined contribution scheme

The bank operates a defined contribution scheme which has become the main retirement scheme for all staff. During the year ended 31 March 2024, the charge to the Statement of Comprehensive Income was £7,981,000 (2023: £6,882,000), representing contributions payable by the employer in accordance with the scheme's rules. Other pension costs are recorded within the bank's administrative expenses (see note 7).

Group & Company For year ended 31 March	2024 £000	2023 £000
In respect of defined contribution scheme		
Current service cost	7,981	6,882
Included within Administrative expenses (Note 7)	**7,981**	**6,882**

5. Dealing Profits

Group For year ended 31 March	2024 £000	2023 £000
Debt securities	507	9,096
Foreign currency	8,044	7,600
Total dealing profits	**8,551**	**16,696**

Dealing profits derive from treasury positions, including those foreign currency trades carried out by the bank on behalf of customers.

6. Other Operating Income / (Expenses)

Group For year ended 31 March	2024 £000	2023 £000
Rental income	654	628
Loss on disposal of fixed assets	(52)	-
Impairment of intangible assets	(237)	-
Hedging result		
- Gain/(Loss) on hedged items attributable to loans	17,501	(63,829)
- Loss on hedged items attributable to debt securities	(4,767)	(2,798)
- (loss) / Gain on hedged items (swaps)	(12,856)	66,348
- Gain on hedged items attributable to deposits	89	-
Net hedging expense	(33)	(279)
Unrealised profit/(loss) from financial assets at FVTPL	7,112	(9,939)
Realised profit from financial assets at FVTPL	1,616	-
(Decrease) / increase in value of derivative contracts	-	-
Investment property revaluation	(490)	(1,520)
Research and development refund	963	883
Total other operating income / (expenses)	**9,533**	**(10,227)**

The above table includes unrealised profits of £644,890 (2023: £656,456 profit) arising from changes in market value on Level 3 financial assets and unrealised losses of £490,000 (2023: £1,520,000 loss) arising from revaluation of the bank's investment properties.

7. Administrative Expenses including Staff Costs

Group For year ended 31 March	2024 £000	2023 £000
Staff costs		
- Wages and salaries and benefits	98,147	58,058
- Social security costs	9,072	6,240
- Other pension costs (Note 4)	7,981	6,882
Operating lease expense	6	10
Other administrative expenses	61,175	53,840
Total administrative expenses including staff costs	**176,381**	**125,030**

7. Administrative Expenses including Staff Costs (continued)

Included in the above table, other administrative expenses include a charitable donation of £12.0m (2023: £6.5m) paid to the Golden Bottle Trust.

Included within wages, salaries and benefits is £570k (2023: £191k), £209k of which payment is deferred until April 2026, £206k of which payment is made in equal annual instalments over the period to April 2027, and 155k of which payment is deferred in equal annual instalments over the period to April 2026.

The average monthly number of persons (including Directors) employed by the bank during the year, analysed by category, was as follows:

Group For year ended 31 March	2024 Number	2023 Number
Full time	468	427
Part time	41	40
Contractors and agency staff	78	53
Total average full time equivalent headcount	**587**	**520**

All persons are employed by the bank. The bank's subsidiaries do not directly employ staff.

Group For year ended 31 March	2024 £000	2023 £000
Remuneration payable to the auditors in respect of:		
- Statutory audit of the bank and consolidated financial statements	356	343
- Statutory audit of the subsidiaries' financial statements	2	18
Total auditors' remuneration	**358**	**361**

8. Directors' Emoluments

Group For year ended 31 March	2024 £000	2023 £000
Aggregate emoluments	43,460	20,113
Pension contributions	30	12
Total directors' emoluments	**43,490**	**20,125**
Highest paid director		
- Emoluments	6,745	2,894
- Pension contributions	-	-
Highest paid director total emoluments	**6,745**	**2,894**

9. Tax on Profit

The bank's profits for the financial year ended 31 March 2024 have been taxed at the UK corporation tax rate of 25% (2023: 19%).

(a) Analysis of taxation charge

Group For year ended 31 March	2024 £000	2023 £000
Current tax		
UK corporation tax on profits for the year at 25% (2023: 19%)	16,991	17,161
Adjustments in respect of previous years	(2,165)	184
Total current tax	**14,826**	**17,345**
Deferred tax		
Origination and reversal of timing differences	611	140
Total deferred tax	**611**	**140**
Tax on profit	**15,437**	**17,485**

In his Spring budget of 2023, the UK Chancellor announced a change to the corporation tax surcharge provisions, increasing the threshold from £25m to £100m and reducing the surcharge rate from 8% to 3% with effect from 1 April 2023.

The UK Chancellor announced an increase in the rate of tax from 19% to 25% in his Spring 2021 Budget statement on 3 March 2021, with change effective from 1 April 2023.

(b) Tax (credit) / charge included in other comprehensive (expense) / income

Group For year ended 31 March	2024 £000	2023 £000
Deferred tax		
Deferred tax credit arising on actuarial (loss) / gain in the pension scheme	(991)	(1,562)
Deferred tax credit arising on revaluation of land & buildings	(160)	(1,291)
Deferred tax charge arising on revaluation of heritage assets	-	-
Deferred tax credit included in other comprehensive (expense) / income	**(1,151)**	**(2,853)**

Deferred tax as at 31 March 2024 is recognised on all revaluation reserves at 25% (2023: 25%)

9. Tax on Profit (continued)

(c) Reconciliation of taxation charge

The tax charge for the year ended 31 March 2024 of £15,437,000 (2023: £17,485,000) is lower (2023: higher) than the result of applying the standard rate of UK corporation tax of 25% (2023: 19%). The reasons for this are shown below:

Group For year ended 31 March	2024 £000	2023 £000
Profit before tax	**80,836**	**67,689**
Profit before tax multiplied by standard rate of tax in the UK of 25% (2023: 19%)	**20,209**	**12,861**
Effects of:		
- Permanent disallowables	(285)	(156)
- Surcharge at 8% on excess profits of £45,975,000 in prior year	(49)	3,678
- Fixed asset timing differences	661	712
- Pension buy in allowable contribution	(1,798)	-
- Investment FV gains	(695)	-
- Other timing differences	(441)	206
- Adjustments in respect of previous years	(2,165)	184
- Impact of change in tax rate	-	-
Total tax charge for the year	**15,437**	**17,485**
Effective tax rate	**19.1%**	**25.8%**

10. Company Profit dealt with in the Consolidated Financial Statements of C. Hoare & Co.

£64,591,000 (2023: £49,483,000) of the Group profit attributable to shareholders relates to the bank; this includes dividends of £250,000 (2023: £Nil) from subsidiary companies. As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the bank has not been presented separately.

Company For year ended 31 March	2024 £000	2023 £000
Company profit	64,591	49,483
Final closing balance	**64,591**	**49,483**

11. Dividends

The aggregate of dividends comprises:

Company For year ended 31 March	2024 £ per share	2023 £ per share	2024 £000	2023 £000
Ordinary shares (declared)	50	50	6	6

12. Derivative Financial Instruments

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

Group & Company As at 31 March	Notional amount 2024 £000	Fair value 2024 £000	Notional amount 2023 £000	Fair value 2023 £000
Derivative assets				
Exchange rate contracts				
Forward foreign exchange contracts	7,824	71	15,134	160
Interest rate contracts				
Interest rate swaps – hedging instruments	1,140,198	117,742	1,157,435	126,816
Total derivative assets	**1,148,022**	**117,813**	**1,172,569**	**126,976**
Derivative liabilities				
Exchange rate contracts				
Forward foreign exchange contracts	16,757	15	7,122	22
Interest rate contracts				
Interest rate swaps – hedging instruments	198,832	6,749	146,181	3,136
Total derivative liabilities	**215,589**	**6,764**	**153,303**	**3,158**

Interest rate swaps are used to hedge the interest rate risk arising on the bank's fixed interest rate assets.

Interest rate swap notional amounts are analysed below:

Group & Company As at 31 March	2024 £000	2023 £000
Loans and advances to customers		
- Drawn	1,059,675	1,199,440
- Undrawn	-	9,300
Deposits	164,479	-
Debt securities	114,876	94,876
Total interest rate swap notional amounts	**1,339,030**	**1,303,616**

13. Financial Assets

As at 31 March	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Financial assets at fair value through profit or loss				
Investments	593,212	352,586	593,212	352,577
Total financial assets at fair value through profit or loss	**593,212**	**352,586**	**593,212**	**352,577**
Financial assets at cost less impairment				
Investment in equity shares	2,529	2,529	2,529	2,529
Total financial assets at cost less impairment	**2,529**	**2,529**	**2,529**	**2,529**
Financial assets measured at amortised cost				
Loans and advances to banks (Note 13(a))	123,470	248,662	123,470	248,662
Loans and advances to customers (Note 13(b))	2,130,465	1,989,288	2,130,465	1,989,298
Less specific and collective allowances for impairment	(13,881)	(22,316)	(13,881)	(22,316)
Bank and building society certificates of deposits	104,099	460,996	104,099	460,996
Debt securities*	2,289,827	2,132,941	2,289,827	2,132,941
Total financial assets measured at amortised cost	**4,633,980**	**4,809,571**	**4,633,980**	**4,809,581**
Total financial assets	**5,229,721**	**5,164,686**	**5,229,721**	**5,164,687**

The bank has invested in Residential Mortgage Backed Securities ("RMBS"). The portfolio consists of standard interests in senior RMBS positions, which have been assessed under FRS 102, including by referencing the sole payments of principals and interest ("SPPI") criteria set out in IFRS 9. As a result, the bank has classified these investments as basic instruments and records them at amortised cost.

* Debt securities includes unamortised premium amounting to £4.6m (2023: £4.6m).

a. Loans and advances to banks

Group & Company As at 31 March	2024 £000	2023 £000
Repayable on demand	37,654	94,061
Other loans and advances:		
Remaining maturity		
- 3 months or less	55,094	114,167
- 3 to 6 months	1,460	-
- over 5 years	29,262	40,434
Total loans and advances to banks	**123,470**	**248,662**

13. Financial Assets (continued)

b. Loans and advances to customers

Group & Company As at 31 March	2024 £000	2023 £000
Remaining maturity		
- 3 months or less	1,034,655	722,304
- 1 year or less but over 3 months	157,434	139,078
- 5 years or less but over 1 year	643,038	840,388
- over 5 years	295,338	287,518
Total loans and advances to customers	**2,130,465**	**1,989,288**
Allowance for impairment losses (Note 14)	(13,881)	(22,316)
Net loans and advances to customers	**2,116,584**	**1,966,972**
Of which repayable on demand or short notice	**194,658**	**323,692**

Included in the above loans and advances to customers are fixed rate loans which have been hedged against interest rate risk using interest rate swaps. The value of drawn and undrawn customer lending hedged at 31 March 2024 was £1,059.7m (2023: £1,208.7m).

14. Allowance for Impairment Losses

Loans and advances to customers

Group & Company	2024 £000	2023 £000
Specific allowance for impairment		
Balance as at 1 April	**17,003**	**25,575**
Impairment loss for the year		
- Charge for the year	4,727	6,126
- Recoveries for the year	(633)	(823)
Net charge on specific provision	**4,094**	**5,303**
- Release of discount	-	155
- Write-offs	(12,094)	(14,030)
Balance as at 31 March	**9,003**	**17,003**
Collective allowance for impairment		
Balance as at 1 April	**5,313**	**4,403**
Impairment loss for the year		
- Charge for the year	(435)	910
Net charge on collective provision	**(435)**	**910**
Balance as at 31 March	**4,878**	**5,313**
Total specific and collective impairment allowances	**13,881**	**22,316**

Recoveries arise where the evidence of impairment is favourable to what was originally provided. In the current year, recoveries amounted to £633k (2023: £823k).

15. Shares in Group Undertakings

The bank has the following investments in subsidiaries:

Shares at cost	Company Number	Shares held	Principal Activity	2024 £	2023 £
Messrs Hoare Trustees Limited	15274780	250,000 shares of £1 (2023: no par value)	Trustee Company	250,000	-
Hoare's Bank Pension Trustees Limited	05687009	1 ordinary share of £1	Pension scheme trustee	1	1
Hoares Trustees Limited	00271162	250,072 ordinary shares of £1 (2023: 72 ordinary shares of £1)	Trustee Company	250,072	72
C. Hoare & Co. EIG Management Limited	07694093	Nil (2023: 1 ordinary share of £1)	Dissolved	-	1
Mitre Court Property Holding Company	01479158	Nil (2023: 10,000 ordinary shares of £1partly paid)	Dissolved	-	1,000
Total investment in subsidiaries				**500,073**	**1,074**

All subsidiary companies were as at 31 March 2024 100% wholly owned by C. Hoare & Co., were registered at 37 Fleet Street, London, England, EC4P 4DQ and are incorporated and domiciled in the United Kingdom. Subject to what is described below, there were no changes in ownership of the subsidiary companies during the year. The aggregate value of the capital and reserves of each subsidiary is not less than the investment holding value in the bank's financial statements.

On the 6th February 2024, both C. Hoare & Co EIG Management Limited (dormant since 1st April 2022) and Mitre Court Property Holding Company (dormant since 1st April 2013) were dissolved following an application for voluntary strike off.

Messrs Hoare Trustees Limited was originally an unregistered unlimited company established under a Private Act of the Parliament, the Messrs Hoare Trustees Act 1926. The interest in the undertaking of Messrs Hoares Trustees was deemed to be divided into 20 ordinary shares with no par value, numbered 1-20 inclusively, held by the shareholders of C. Hoare & Co. on trust for C. Hoare & Co. On 10 November 2023 Messrs Hoare Trustees became an unlimited company registered under s. 1040 of the Companies Act 2006. In January 2024, following a court sanctioned scheme of arrangement, Messrs Hoare Trustees was re-registered as a private company limited by shares pursuant to s105 CA 2006, it was issued a new company number and its name was changed to Messrs Hoare Trustees Limited. The original 20 shares were extinguished and 250,000 shares issued, all of which were allotted and fully paid, funded by existing retained earnings in the company, to C. Hoare & Co. There were no expenses incurred in the issue of these shares and the holder of the shares is entitled to receive dividends. All share capital is now held directly by C. Hoare & Co.

After the balance sheet date, shares in Messrs Hoares Trustees Limited" were sold to a third party outside of the group (see note 36 for further details) and all the share capital transferred from C. Hoare & Co. to the buyer.

For the year ending 31st March 2024 Hoares Trustees Limited is exempt from the requirements of the Companies Act 2006 relating to audit of its accounts by virtue of section 479A of the Companies Act 2006.

The bank has guaranteed the liabilities of the Hoares Trustees Limited (company number: 00271162) in order that it qualifies for the exemption from audit under section 479A of the Companies Act 2006 in respect of the year ended 31st March 2024.

16. Intangible Assets

Group & Company	Software 2024 £000	Software 2023 £000
As at 1 April 2023		
Cost	56,521	48,444
Accumulated amortisation and impairment	(39,756)	(30,623)
Opening net book value	**16,765**	**17,821**
Year ended 31 March 2024		
Opening net book value	16,765	17,821
- Additions	9,220	8,427
- Disposal - cost	(491)	(350)
- Amortisation	(8,385)	(9,483)
- Disposal - amortisation	254	350
Closing net book value	**17,363**	**16,765**
As at 31 March 2024		
Cost	65,250	56,521
Accumulated amortisation and impairment	(47,887)	(39,756)
Closing net book value	**17,363**	**16,765**

Group & Company As at 31 March	2024 £000	2023 £000
Future capital expenditure		
Contracted but not provided in the financial statements	**11,069**	**9,130**

The bank has delivered a broad range of enhancements, including new digital features such as card enhancements to view pin online and the enablement of paperless statements for both Visa and Joint account holders. Introducing Confirmation of Payee will also support an increase in fraud protection for our customers. An Azure landing zone and Strategic Data Hub has been implemented, offering enhanced capabilities and serving as a central data hub with core features that can be shared across departments. Significant effort has also been applied to our Client Relationship Management (CRM) solution, with several pipeline deployments to reduce deployment error and release times, replaced the campaigner solution to CRM Marketing and optimisation of the CRM experience for end users.

Notes to the Financial Statements for the year ended 31 March 2024 (continued)

17. Property and Equipment

Group & Company As at 31 March 2024	Land and Buildings £000	Investment Properties £000	Equipment £000	Total £000
Year ended 31 March 2024				
Opening net book value as at 1 April 2023	37,310	7,195	6,503	51,008
- Additions	-	-	2,671	2,671
- Disposals - cost	-	-	(216)	(216)
- Revaluation movement	(638)	(490)	-	(1,128)
- Depreciation	(296)	-	(2,139)	(2,435)
- Disposals - depreciation	-	-	164	164
Closing net book value as at 31 March 2024	**36,376**	**6,705**	**6,983**	**50,064**
As at 31 March 2024				
Cost	9,590	4,359	24,002	37,951
Revaluation	27,392	2,346	-	29,738
Accumulated depreciation and impairment	(606)	-	(17,019)	(17,625)
Closing net book value as at 31 March 2024	**36,376**	**6,705**	**6,983**	**50,064**

Group & Company As at 31 March 2023	Land and Buildings £000	Investment Properties £000	Equipment £000	Total £000
Year ended 31 March 2023				
Opening net book value as at 1 April 2022	42,785	8,715	3,928	55,428
- Additions	-	-	4,318	4,318
- Disposals - cost	-	-	(1,778)	(1,778)
- Revaluation movement	(5,165)	(1,520)	-	(6,685)
- Depreciation	(310)	-	(1,743)	(2,053)
- Disposals - depreciation	-	-	1,778	1,778
Closing net book value as at 31 March 2023	**37,310**	**7,195**	**6,503**	**51,008**
As at 31 March 2023				
Cost	9,590	4,359	21,547	35,496
Revaluation	28,030	2,836	-	30,866
Accumulated depreciation and impairment	(310)	-	(15,044)	(15,354)
Closing net book value as at March 2023	**37,310**	**7,195**	**6,503**	**51,008**

17. Property and Equipment (continued)

Group & Company As at 31 March	2024 £000	2023 £000
Land and buildings occupied for own activities		
Net book amount	**30,535**	**31,205**
At cost		
- Land and buildings occupied for own use	6,908	6,789
- Land and buildings not occupied for own use	2,682	2,801
- Investment properties not occupied for own use	4,359	4,359
Total land and buildings occupied for own use cost	**13,949**	**13,949**

The bank's land, buildings and investment properties were valued as at 31 March 2024 by AGL Chartered Surveyors. The bank's Royal Albert Hall Box was last valued as at 31 March 2022 by Harrods Estates Luxury Property Agents. Based on these valuations, a revaluation loss of 3.1% (Loss 13.6%: 2023) for land, buildings and investment properties and no revaluation (nil: 2023) of the Royal Albert Hall Box has been posted.

Group & Company As at 31 March	2024 £000	2023 £000
Future capital expenditure		
Contracted but not provided in the financial statements	**370**	**400**

The bank had the following future minimum lease payments on operating leases for each of the following periods:

Group & Company As at 31 March	2024 £000	2023 £000
Payment due:		
- Not later than one year	35	4
- Later than one year and not later than five years	52	1
Total lease payments on operating leases	**87**	**5**

18. Heritage Assets

Group & Company		**2024**			2023	
	Paintings £000	**Artefacts £000**	**Total £000**	Paintings £000	Artefacts £000	Total £000
Valuation as at 1 April	**11,214**	**3,826**	**15,040**	**11,204**	**3,783**	**14,987**
Movements - additions	56	2	58	10	43	53
Movements - valuation	-	-	-	-	-	-
Valuation as at 31 March	**11,270**	**3,828**	**15,098**	**11,214**	**3,826**	**15,040**

18. Heritage Assets (continued)

The bank has accumulated a collection of artefacts largely in the form of paintings, an extensive coin collection and the bank's own ledgers reflecting the bank's history of 350 years. These are regarded as heritage assets due to their relevance to the knowledge and culture of the bank's history. Most of these are housed at the bank's registered office at 37 Fleet Street London, including collections on display at the bank's museum at the same address. At any time, approximately 50% of the collection is on display. The remaining items are held in storage that is not open to the public, although access is permitted to historians and others providing valuable research into the bank's history.

The bank's museum maintains a register for its collection of heritage assets, which records the nature, provenance and current location of each asset. The bank may add to its collection of heritage assets by purchase or donation, with the objective to retain items that are relevant to the history of the bank for future generations. The bank aims to preserve and maintain the condition of the collection in a steady state of repair.

The bank commissioned external valuers (Classical Numismatic Group – Coin Valuers) to undertake a full valuation of coins, medals and banknotes on 28 February 2022 for the period ending 31 March 2022. The bank also commissioned external valuer Tim Ritchies & Associates Ltd to value all other artefacts, including the paintings as at 31 March 2022. Valuations were based on commercial market prices, including recent transaction information from auctions where similar paintings to those held by the bank had been sold. The bank did not commission a revaluation during 2024 except for an updated value assessment for significant assets. The bank concluded that the values adopted as of 31 March 2022 were also appropriate as of 31 March 2024.

Over the past 4 years, 2 items have been donated to the heritage asset collection, these are all classified as paintings.

19. Deferred Tax

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

Group & Company	2024 £000	2023 £000
Deferred tax asset		
Fixed assets timing differences	-	496
Defined benefit pension scheme	27	-
Deferred tax asset as at 31 March	**27**	**496**
Deferred tax liability		
Timing differences on valuations		
- Land and buildings	6,847	7,007
- Investment properties	586	709
- Heritage assets	3,661	3,661
Fixed assets timing differences	237	-
Defined benefit pensions scheme	-	965
Deferred tax liability as at 31 March	**11,331**	**12,342**

The UK Chancellor announced an increase in the tax rate from 19% to 25% on 3 March 2021, with changes effective from 1 April 2023. There was no impact of tax rate change in the year ended 31March 2024 (2023:nil).

19. Deferred Tax (continued)

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

Group & Company	2024 £000	2023 £000
Deferred tax asset		
Balance as at 1 April	**496**	**989**
Fixed assets timing differences	(496)	(493)
Defined benefit pensions scheme		
- Actual (gain) / loss	27	-
Deferred tax asset as at 31 March	**27**	**496**
Deferred tax liability		
Balance as at 1 April	**12,342**	**15,548**
Timing differences on valuations		
- Land and buildings	(160)	(1,291)
- Investment properties	(123)	(380)
- Heritage assets	-	-
Short term timing differences	-	(42)
Fixed assets timing differences	237	-
Defined benefit pensions scheme:		
- Actual loss	(965)	(1,562)
- Other Pension movements	-	69
Deferred tax liability as at 31 March	**11,331**	**12,342**

20. Other Assets

As at 31 March	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Corporation tax	4,397	3,698	4,397	3,698
Settlement balances	122	151	122	93
Amounts owed by group undertakings	-	-	103	72
Total other assets	**4,519**	**3,849**	**4,622**	**3,863**

Settlement balances relate to unsettled transactions at the year end.

21. Prepayments and Accrued Income

As at 31 March	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Interest receivable	2,249	1,475	2,249	1,475
Other debtors and prepayments	19,019	15,596	18,710	15,543
Total prepayments and accrued income	**21,268**	**17,071**	**20,959**	**17,018**

Prepayments include Work In Progress on IT Software projects amounting to £11.1m (2023: £9.2m).

22. Deposits by Banks

Group & Company As at 31 March	2024 £000	2023 £000
Repayable on demand	109,543	122,958
Total bank deposits	**109,543**	**122,958**

23. Customer Accounts

Group & Company As at 31 March	2024 £000	2023 £000
Repayable on demand	3,086,167	3,968,305
With agreed maturity date or notice period, by remaining maturity:		
- 3 months or less but not repayable on demand	1,710,878	1,356,445
- 1 year or less but over 3 months	1,247,784	829,620
- 2 years or less but over 1 year	50,887	59,988
- 2 years or more	1,003	-
Total customer deposits	**6,096,719**	**6,214,358**
Amount due to Subsidiary Companies	**14,677**	**13,693**

24. Other Liabilities

	Group		Company	
As at 31 March	2024 £000	2023 £000	2024 £000	2023 £000
Settlement balances	4,492	2,587	4,492	2,587
Other Liabilities	365	348	263	212
Corporation Tax	44	137	-	-
Amounts owed to group undertakings	-	-	10	-
Total other liabilities	**4,901**	**3,072**	**4,765**	**2,799**

Settlement balances relate to unsettled transactions at the year end.

25. Accruals and Deferred Income

	Group		Company	
As at 31 March	2024 £000	2023 £000	2024 £000	2023 £000
Other creditors and accruals	60,428	39,719	60,385	39,658
Total accruals & deferred income	**60,428**	**39,719**	**60,385**	**39,658**

26. Provision for Other Liabilities

From time to time, in the ordinary course of business, the bank may be subject to actual or potential legal claims whereby provisions and disclosures are required in accordance with the bank's accounting policies. However, where disclosure of any such items may seriously prejudice the position of the bank, the Directors take advantage of paragraph 21.17 of FRS 102. The bank recorded an opening balance of £nil, (2023: £2.8m) in respect of legal and other provisions; total provision did not move during the year (2023: decrease £2.8m) resulting in the bank carrying a closing provision of £Nil at 31 March 2024 (2023: £nil).

27. Called up Share Capital

Group & Company As at 31 March	2024 £000	2023 £000
Authorised, allotted and fully paid:		
120 (2023: 120) Ordinary shares of £1,000	120	120
Total share capital	**120**	**120**

28. Revaluation Reserves

Group & Company	Property £000	Heritage Assets £000	Total £000
Balance as at 1 April 2022	**24,896**	**10,982**	**35,878**
Revaluation of property and heritage assets	(5,165)	-	(5,165)
Deferred tax charge on property and heritage assets	1,291	-	1,291
Balance as at 31 March 2023	**21,022**	**10,982**	**32,004**
Revaluation of property and heritage assets	(638)	-	(638)
Deferred tax credit on property and heritage assets	160	-	160
Balance as at 31 March 2024	**20,544**	**10,982**	**31,526**

Deferred tax is recognised on all revaluation movements at 25% (2023: 25%) and is recorded in revaluation reserves.

29. Contingent Liabilities & Commitments

The table below discloses the nominal principal amounts of contingent liabilities and commitments undertaken for customers as at 31 March 2024.

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

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

Where guarantees are issued on behalf of customers, the bank usually holds collateral against the exposure and has a right of recourse to the customer. The bank's maximum exposure is represented by the amounts detailed in the table below, should contracts be fully drawn upon and the customers actually default. Consideration has not been taken of any possible recoveries from the customers for payments made in respect of such guarantees under recourse provisions or from collateral held.

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

29. Contingent Liabilities & Commitments (continued)

Group & Company As at 31 March	2024 £000	2023 £000
Contingent liabilities:		
- Performance bonds and other transaction-related contingencies	469	279
- Letters of credit	71	71
- Guarantees	13,908	14,940
Total contingent liabilities	**14,448**	**15,290**
Commitments:		
Undrawn formal standby facilities, credit lines and other commitments to lend		
- Commitments to lend	350,198	378,448
- Commitments on equity investments	5,131	6,422
Total commitments	**355,329**	**384,870**

As disclosed in note 15, one of the bank's subsidiaries, Hoares Trustees Limited (company number: 07694093), has taken advantage of the exemption available under section 479A of the Companies Act 2006 in respect of the requirement for audit. As a condition of the exemption, the bank has guaranteed the year end liabilities of Hoares Trustees Limited until they are settled in full. The equity and liabilities of Hoares Trustees Limited at the year end was £250,072 (2023: £72).

30. Notes to the Statement of Cash Flows

Group For year ended 31 March	2024 £000	2023 £000
Profit for the financial year	65,399	50,204
Tax on profit on ordinary activities	15,437	17,485
Profit before tax	**80,836**	**67,689**
Impairment charge	3,659	6,213
Loans and advances written off	(12,094)	(14,030)
Unwinding of discount on customer loans	-	155
Amortisation of intangible assets	8,385	9,483
Depreciation of tangible fixed assets	2,435	2,053
Release of legal provision	-	(2,750)
Net income in respect of defined benefit scheme	(413)	(275)
Operating lease	6	10
Loss on disposal of tangible asset	52	-
Loss on impairment of intangible asset	237	-
Loss on revaluation of investment property	490	1,520
Fair value movements on financial assets	2,270	(93,811)
Working capital movements:		
- (Increase) / decrease in loans and advances	(72,649)	81,928
- Decrease / (increase) in debtors	257	(20,788)
- Decrease in payables	(108,422)	(456,075)
Cash flow (used in) / generated from operating activities	**(94,951)**	**(418,678)**

31. Financial Risk Management

a. Overview

The Board has ultimate responsibility for the management of risk within the bank. The RCo, which reports to the Board, provides oversight and monitors the effectiveness of internal control and risk management processes. Further details of the bank's risk management and governance structure are given in the Strategic Report on pages 17 to 24.

The principal risks affecting the bank are explained in the Strategic Report on pages 20 to 24. A fuller description of the bank's principal risks can be found in the bank's Pillar 3 disclosures, which is unaudited, and is available on the bank's website: www.hoaresbank.co.uk.

The primary risks affecting the bank through the use of financial instruments are credit, liquidity and market risk, which includes interest rate, foreign exchange and capital risk.

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

b. Credit Risk

Credit risk is the risk of financial loss to the bank, should a customer or counterparty fail to meet its contractual obligations. The risk arises from loans and advances to customers and banks and from treasury investments.

The bank seeks to limit loan losses by maintaining a well secured credit portfolio which is originated and managed via the bank's credit risk framework. As part of the framework, the bank has established risk appetite metrics, which are aligned to its risk appetite and its lending policy parameters. Risk appetite metrics are measured and monitored regularly, and stress tests conducted periodically to ensure that the bank remains within risk appetite. The bank's credit risk exposures and performance against appetite are monitored and reported to the Lending Committee, MT, RCo and the Board on a regular basis.

Management of credit risk

The bank seeks to mitigate credit risk by focusing on sectors where the bank has specialist expertise. The bank's general policy is to lend to customers with tangible security provided as collateral; this generally takes the form of a first ranking legal charge over residential or commercial property. Unsecured lending is only entered into where the customer's specific circumstances make it prudent to do so. Large exposure limits are in place on lending to any one customer group in accordance with both internal and regulatory guidelines as set out in the large exposure policy. Lending is monitored closely against individual credit limits and all significant exposures are subject to regular review.

The bank seeks to build strong relationships with customers and endeavours to assist those customers in financial difficulty.

The bank undertakes a rigorous affordability assessment in order to establish the customer's ability to service debt. The unique nature of the bank's customer base and their financial affairs can occasionally result in irregular or late payments which are not necessarily indicative of increased credit risk, but rather a consequence of timing mismatches in cashflows, the vast majority of which are resolved in short order. The bank manages these situations through regular communication with customers and mitigates the risks by obtaining strong levels of high-quality security cover on the majorityof its lending facilities.

Credit risk arising from Treasury investments is managed through lending to a restricted selection of financial institutions, where the selection criteria is regularly reviewed and approved by the bank's ALCo. The bank has policies in place and sets exposure limits for approved counterparties, taking into consideration the large exposure limits and, where appropriate, the use of external credit assessments supplemented with the bank's internal assessment of credit risk.

31. Financial Risk Management (continued)

b. Credit Risk (continued)

Maximum credit exposure

The maximum credit risk exposure of the bank, without taking account of any collateral held, is the balance sheet carrying amount or, for off-balance sheet transactions and guarantees, their contractual nominal amounts is shown below.

Group As at 31 March	2024 £000	2023 £000
Balance Sheet items		
Cash and balances at central banks	1,345,322	1,452,949
Derivative financial instruments (Note 12)	117,813	126,976
Loans and advances to banks (Note 13(a))	123,470	248,662
Loans and advances to customers (Note 13(b))	2,116,584	1,966,972
Bank and building society certificates of deposits (Note 13)	104,099	460,996
Debt securities (Note 13)	2,289,827	2,132,941
Equity securities (Note 13)	595,741	355,115
Maximum credit exposure from Balance Sheet items	**6,692,856**	**6,744,611**
Off balance sheet items		
Contingent liabilities (Note 29)	14,448	15,290
Commitments (Note 29)	355,329	384,870
Maximum credit exposure from off Balance Sheet items	**369,777**	**400,160**
Maximum credit exposure	**7,062,633**	**7,144,771**

Credit quality of assets

Following the strengthening of the Credit Risk Framework in recent years, the bank seeks to continue evolving and developing the quality and richness of its credit risk management information.

31. Financial Risk Management (continued)

b. Credit Risk (continued)

A loan is considered to be past due if any payment relating to the loan is outstanding beyond its contractually due date. Past due amounts will arise through the borrower failing to make a payment when contractually due. Past due exposures will be considered non-performing where any past due amounts have been outstanding for a period of 90 days, or where the bank considers the customers unlikely to pay. For the purposes of reporting, 'past due but not impaired' relates to loans that are in arrears but do not meet the criteria of an impaired asset as the expected recoverable amounts exceed the carrying amounts and interest is charged on any amounts past due.
The credit quality of assets is shown below.

Group As at 31 March	2024 £000	2023 £000
Performing		
Neither past due nor impaired	**2,082,169**	**1,852,491**
Non-performing		
Past due but not impaired		
Past due up to 3 months	9,897	86,806
Past due 3 to 6 months	8,203	5,288
Past due 6 to 12 months	3,360	281
Past due over 12 months	6,371	5,032
Impaired	20,465	39,390
Total non-performing loans	**48,296**	**139,797**
Total loans and advances to customers prior to impairment	**2,130,465**	**1,989,288**
Impairment		
Specific allowances for impairment	9,003	17,003
Collective allowance for impairment	4,878	5,313
Total impairment (Note 14)	**13,881**	**22,316**
Total loans and advances to customers (Note 13(b))	**2,116,584**	**1,966,972**
Fair value adjustment	**95,634**	**113,135**
Total loans and advances to customers adjusted fair value (Note 31(d))	**2,212,218**	**2,080,107**
Non-performing loans to gross loans and advances	2.3%	6.9%
Specific impairment to gross loans and advances	0.4%	0.9%
Collective impairment to gross loans and advances	0.2%	0.3%
Specific impairment to non-performing loans	18.6%	12.4%
Collateral		
Against loans past due but not impaired	106,857	333,355
Against impaired loans	15,199	15,191
Total collateral against non-performing loans	**122,056**	**348,546**

At 31 March 2024, impaired loans of £6.9m (2023: £16.5m) had forbearance considerations, and specific provisions of £5.3m (2023: £6.4m). The estimated value of collateral against these loans is £nil (2023: £11.4m).

31. Financial Risk Management (continued)

b. Credit Risk (continued)

Concentration risk

Additional credit risk can result from high exposure to certain customers, treasury counterparties, regions or industry sectors.

The bank's activities have been concentrated on serving high net worth individuals within the UK primarily in the South of England, where a significant proportion of the bank's lending activities relate to residential properties. Whilst UK high net worth individuals are a somewhat concentrated group, the bank's experience, particularly with respect to lending, is that exposures to this group are lower risk than to the average UK population. The Bank continues to grow and diversify its customer base and balance sheet through organic regional expansionacross the UK.

The bank's treasury department also invests in a range of high-quality assets issued by governments, top rated institutional counterparties, funds which invest mainly in investment grade bonds and securitisations backed by large and diverse portfolios of UK prime owner-occupied mortgages. Treasury counterparty concentration risk is limited in accordance with Bank limits to large exposures as established by the PRAs Capital Requirements Regulation and is actively monitored daily with oversight by the ALCo.

At 31 March 2024 the bank's exposure to UK customers and counterparties was 87% (2023: 85%) of total asset exposures.

Collateral held as security

The bank holds collateral against loans and advances to customers in the form of charges over residential and commercial property, investment securities, other assets and guarantees. Estimates of fair value are based upon the value of collateral assessed at the time of borrowing and are assessed at regular intervals in the lending life cycle. At 31 March 2024, the value of property collateral recorded against customer facilities was £5,764m (2023: £5,407m). The estimated value of collateral against the impaired customer loans and advances was £15.2m (2023: £15.2m).

A large proportion of the bank's investment securities are also secured by residential mortgage assets, in the form of covered bonds and residential mortgage-backed securities (RMBS). Cash collateral is also held/pledged in relation to the bank's interest rate swap positions. Collateral is not held against loans to other banks or investments securities such as the investment grade bond funds.

Individually impaired loans and securities

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

The estimate of the impact on future cash flows, and therefore the level of provision required, is principally based on the estimated amount recoverable when collateral is liquidated to repay a loan. The bank's collateral largely consists of residential and commercial property, as such, the critical accounting estimate includes management'sview on property values. Any increase or decrease in property values will change the level of provision. Where it is reasonable and practical to do so, the bank will generally seek to validate asset values independently and professionally when assessing appropriate levels of provisions. Where this is not possible, provision levels will be set using the most recent and appropriate data available to the bank considering also the stressing of any such values where it is considered reasonable or appropriate to do so.

Allowance for impairment losses

The bank establishes an allowance for impairment losses estimated within the loan portfolio. The main components of this allowance are specific losses relating to identified exposures. A collective assessment for losses that have been incurred but not yet identified is also made as at the reporting date. Given the bank's general policy to lend to customers with strong levels of tangible collateral, the loss due to impairment is typically low.

Write-off policy

Bad debts are usually written off in the event of a customer's bankruptcy or insolvency. However, as it is always possible that a customer may acquire assets in the future, debts are occasionally left, fully provisioned, as an aide memoire of the position. Bad debts are written off only when there is absolute certainty that the residual sums are uncollectable.

31. Financial Risk Management (continued)

b. Credit Risk (continued)

Forbearance

The bank's aim in offering forbearance and other assistance to customers who are experiencing financial difficulties is to benefit both the customer and the bank by acting in the customer's best interests with the intent, wherever possible, of bringing their facilities back into a long-term sustainable position.

Forbearance measures consist of concessions to a customer who is about to experience or is experiencing difficulty in meeting their financial commitments. This can include modifications, which would not generally be available on the market under the previous terms and conditions of a contract and would not have been provided had the customer not been experiencing financial difficulties.

The provision of forbearance and the subsequent review of customers to whom forbearance has been granted is considered and approved by the bank's Lending Committee.

Analysis of loans and advances to banks and debt and equity securities:

Group As at 31 March	2024 £000	2023 £000
Loans and advances to banks, by rating:		
- Aaa to Aa3	64,043	143,055
- A1 to A3	59,427	105,607
Total unimpaired loans and advances to banks	**123,470**	**248,662**
Debt and equity security financial assets, by rating:		
- Aaa to Aa3	2,701,775	2,582,006
- A1 to A3	257,720	341,588
- Not rated	30,172	25,458
Total debt and equity securities	**2,989,667**	**2,949,052**

c. Liquidity Risk

Liquidity risk is the risk that the bank fails to have sufficient sources of liquidity available to immediately convert into liquid assets to meet its liabilities when they come due, without incurring a loss of capital and/or income in the process. The risk arises from mismatches in the timing of cash flows.

Management of liquidity risk

The bank measures and manages liquidity adequacy in accordance with the liquidity risk appetite set by the Board and maintains a conservative liquidity and funding profile to ensure that it is able to meet its financial obligations under normal and stressed conditions. Daily monitoring and control processes are in place to address internal and regulatory liquidity requirements.

The internal liquidity requirement seeks to ensure that the bank maintains adequate liquid assets to survive a defined stress scenario for a sufficient period, as defined by the risk appetite.

The bank's treasury department has responsibility for the day-to-day liquidity management and continuously monitors deposit activity in order to forecast expected liquidity flows. The ALCo oversees the management of the bank's liquidity within the Board-approved policies.

The bank assesses the adequacy of its liquidity through the annual update of the ILAAP, and more frequently in the event of a material change in liquidity. The ILAAP is the bank's own assessment of its liquidity needs and is based on stress testing, including reverse stress testing, and scenario analysis of the impact of material risks affecting the bank. Reverse stress testing is undertaken to identify the scenario or combination of scenarios that would result in liquidity resources being exhausted causing the bank to become unviable or insolvent. The ILAAP is presented at least annually to ALCo, MT and RCo for review and to the Board for review and approval.

31. Financial Risk Management (continued)

c. Liquidity Risk (continued)

Exposure to liquidity risk

The bank's exposure to liquidity risk is summarised in the following tables, which show the contractual maturity of obligations to repay monies to other banks and customers. For those products that have a fixed cashflow schedule, undiscounted cash flows are shown, including interest cash flows. For all other products the balance sheet amounts are shown.

Group As at 31 March 2024	Total £000	Next day £000	Less than 1 month £000	1 to 3 months £000	3 months to 1 year £000	1-5 years £000	Over 5 years £000
Balance sheet:							
Deposits from banks	109,543	109,543	-	-	-	-	-
Deposits from customers	6,096,719	3,086,167	747,763	963,115	1,247,784	50,887	1,003
Derivative liabilities	6,764	2	5	-	64	1,063	5,630
Off balance sheet:							
Guarantees, letters of credit and performance bonds	14,448	14,448	-	-	-	-	-
Undrawn customer facilities	355,329	238,279	-	6,655	10,132	64,835	35,428
Total liabilities	**6,582,803**	**3,448,439**	**747,768**	**969,770**	**1,257,980**	**116,785**	**42,061**

Group As at 31 March 2023	Total £000	Next day £000	Less than 1 month £000	1 to 3 months £000	3 months to 1 year £000	1 to 5 years £000	Over 5 years £000
Balance sheet:							
Deposits from banks	122,958	122,958	-	-	-	-	-
Deposits from customers	6,214,358	3,968,305	342,306	1,014,139	829,620	59,988	-
Derivative liabilities	3,158	2	20	-	453	1,778	905
Off balance sheet:							
Guarantees, letters of credit and performance bonds	15,290	15,290	-	-	-	-	-
Undrawn customer facilities	384,870	253,997	13,690	263	1,658	52,082	63,180
Total liabilities	**6,740,634**	**4,360,552**	**356,016**	**1,014,402**	**831,731**	**113,848**	**64,085**

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

The bank is a member of the Bank of England's Sterling Monetary Framework (SMF). This enables the bank to swap funds invested in High Quality Liquid Assets (HQLA) into the most liquid asset in the economy; central bank reserves thereby increase its level of available liquidity.

31. Financial Risk Management (continued)

d. Market Risk

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

Market risk principally arises in the banking book, since the bank only has a de minimis trading book, and generally holds assets until maturity. Only a small component of the banking book is recorded at fair value and the majority of fixed rate loans are hedged.

The bank also holds an investment portfolio, primarily as a source of income diversity to complement core banking activities. The portfolio is subject, in part, to equity market price movements. All investments depend on Board approval and are subject to limits and controls monitored by ALCo.

Management of interest rate risk

Basis risk arises where assets and liabilities re-price with reference to differing interest rate benchmarks. ALCo has set limits to manage basis risk. Basis risk is calculated monthly and reported to ALCo. At certain interestrate levels, basis risk can have a greater impact e.g. a negative interest rate environment. Management decisions to move managed rates in line with the movement of benchmark rates could be influenced to a greater degree bythe actions of peers in the market. Frequent stress testing of such scenarios is conducted and reviewed regularly with the ALCo and included in the bank's ICAAP.

Interest rate swaps are booked that individually hedge fixed-rate assets of equal size and duration thereby protect the net interest margin against adverse changes in interest rates. The bank accrues the net interest income/expense on interest rate swaps and adjusts the fair value of the remaining cash flows accordingly on a monthly basis.

Gap risk is managed by the bank's treasury department, principally through monitoring interest rate gaps between assets and liabilities and ensuring that this remains within our risk appetite limits. The bank uses interestrate swaps to hedge exposures to interest rate risk, as part of its risk management process.

The following table summarises the repricing profile for the bank's financial assets and liabilities, stated at their carrying amounts, allocated by the earlier of contractual repricing or maturity date.

Group	Total	Up to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Over 5 years
As at 31 March 2024	£000	£000	£000	£000	£000	£000
Assets						
Loans and advances to banks and central banks	1,469,058	1,438,338	1,459	-	-	29,261
Loans and advances to customers	2,212,218	1,116,408	55,568	101,866	643,038	295,338
Debt security financial assets	2,393,926	2,172,586	-	104,101	33,594	83,645
Total assets	**6,075,202**	**4,727,332**	**57,027**	**205,967**	**676,632**	**408,244**
Liabilities						
Deposits by banks	109,543	109,543	-	-	-	-
Customer accounts	6,096,719	4,797,045	1,089,345	158,439	50,887	1,003
Total liabilities	**6,206,262**	**4,906,588**	**1,089,345**	**158,439**	**50,887**	**1,003**
Derivatives notional	**-**	**1,292,761**	**(112,850)**	**(157,904)**	**(644,402)**	**(377,605)**
Interest rate gap	**(131,060)**	**1,113,505**	**(1,145,168)**	**(110,376)**	**(18,657)**	**29,636**

31. Financial Risk Management (continued)

d. Market Risk (continued)

Group As at 31 March 2023	Total £000	Up to 3 months £000	3 to 6 months £000	6 to 12 months £000	1 to 5 years £000	Over 5 years £000
Assets						
Loans and advances to banks and central banks	1,701,851	1,661,417	-	-	-	40,434
Loans and advances to customers	2,080,107	813,123	36,679	102,399	840,388	287,518
Debt security financial assets	2,593,937	2,178,729	136,100	235,583	43,525	-
Total assets	**6,375,895**	**4,653,269**	**172,779**	**337,982**	**883,913**	**327,952**
Liabilities						
Deposits by banks	122,958	122,958	-	-	-	-
Customer accounts	6,214,358	5,324,750	617,770	211,850	59,988	-
Total liabilities	**6,337,316**	**5,447,708**	**617,770**	**211,850**	**59,988**	**-**
Net derivatives	**-**	**1,279,576**	**(21,986)**	**(97,843)**	**(856,234)**	**(303,513)**
Interest rate gap	**38,579**	**485,137**	**(466,977)**	**28,289**	**(32,309)**	**24,439**

Market movements in interest rates affect the net interest income of the bank.

Gap risk arises on the bank's balance sheet due to timing differences on re-pricing of assets and liabilities and changes to the yield curve. Market movements in interest rates affect both the economic value and net interest income of the bank.

The bank's interest rate gap sensitivity, resulting from a potential +/- 200bps parallel shift in the yield curve measured in accordance with the PRA's requirements to incorporate all assets and liabilities on the balance sheet, was £2.6m and -£2.8m respectively (2023: £2.6m and -£2.8m respectively). The bank monitors its exposure to yield curve risk continuously and it is reported to ALCo monthly against a Board approved policy limit.

The reported interest rate gap sensitivity as at 31 March 2024 is shown in the table below.

Effect of a change of 2.00% in sterling market rates

Group As at 31 March	2024 £000	2023 £000
Net present value sensitivity to:		
- Positive shift	2,638	2,630
- Negative shift	(2,812)	(2,757)

Interest rate sensitivity set out above is illustrative only and based upon simplified scenarios in which all managed rates are assumed to move in tandem with changes in the benchmark rates. The figures above represent the effect on the economic value of the bank arising from a parallel fall or rise in the yield curve. The bank aims to minimise interest rate risk and uses interest rate swaps to hedge exposures on fixed rate loans and investments, as well as liabilities, where natural hedging cannot be achieved. Given the bank's approach to managing interest rate risk, as outlined in the Strategic report section 9.2 (e), the net exposure to this risk after hedging is minimal.

31. Financial Risk Management (continued)

d. Market Risk (continued)

The bank also assesses the broader impact of basis risk and interest rate changes on future earnings, which is caused by potential time delays in moving managed rates to mirror changes in benchmark rates, creating an imperfect correlation between the bank's lending and deposit rates. As at 31 March 2024 the aggregate value difference between assets and liabilities priced on, or linked to, different benchmark interest rates were equivalent to 140.4% (2023: 146.0%) of the bank's assets. The delay in adjusting managed rates to align with a 25bps shift in benchmark rates would affect future earnings by £0.0m over a 12 month period (2023: £0.0m), after adjusting for possible management actions. This assumes interest paid and received on assets and liabilities moves in line with benchmark rates on their re-pricing dates, with a floor on assets and liabilities of 0% applied. The bank routinely measures this risk with limited pass-through rates and reports to the results to the ALCo monthly. The bank monitors benchmark rates closely in order to take pre-emptive action where possible.

Management of currency risk

Foreign currency balances are driven by requirements of the bank's customers and do not form a significant part of the balance sheet. In order to limit the bank's exposure to exchange rate risk, threshold limits are placed on intraday and end of day positions. The bank's treasury department is responsible for managing currency risk within the agreed limits.

The foreign exchange dealers have authority to deal in forward foreign exchange contracts within specified limits to meet our customers' requirements. Any resulting positions are monitored and are reported monthly on a currency-by-currency basis to ALCo.

Exposure to market risk: currency risk

The table below summarises the net exposure of the bank's monetary assets and liabilities held in individual foreign currencies, expressed in sterling, and the effect of a reasonably possible weakening of sterling against the US dollar, euro and other currencies by 10%. The analysis assumes all other variables, in particular interest rates, remain constant.

Net currency exposure sensitivity analysis

Group As at 31 March 2024	£000 Net Exposure	% of net assets	£000 Sensitivity
US dollar	(599)	(0.12)	(60)
Euro	1,473	0.29	147
Other	193	0.04	19
Total	**1,067**	**0.21**	**106**

Net currency exposure sensitivity analysis

Group As at 31 March 2023	£000 Net Exposure	% of net assets	£000 Sensitivity
US dollar	(2,706)	(0.59)	(271)
Euro	3,419	0.75	342
Other	588	0.13	59
Total	**1,301**	**0.29**	**131**

A strengthening of sterling against the above currencies would have resulted in an equal but opposite effect to the amounts shown above.

31. Financial Risk Management (continued)

e. Fair Values of Financial Assets and Liabilities

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

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

The following sets out the bank's basis for establishing fair value for each category of financial instruments:

- Cash and balances at central banks: the carrying value;
- Treasury bills and other eligible bills: determined using market prices;
- Derivatives: the carrying value. For interest rate swaps, market valuations are used. For forward exchange contracts, the fair value is estimated by discounting the contractual forward price and deducting the current spot rate;
- Loans and advances to banks: the fair value of floating rate placements and overnight deposits is the carrying value;
- Loans and advances to customers: for variable rate loans which re-price in response to changes in market rates, the fair value has been estimated as the carrying value. For fixed rate loans, the fair value approximates to the carrying value adjusted for hedging and any required allowance for credit risk;
- Residential mortgage-backed securities (RMBS): the carrying value determined using SONIA rates;
- Debt and equity securities: the carrying value is a proxy for the fair value of listed investment securities and is based upon quoted market prices where available. Unlisted investment securities are based upon net asset valuations provided by the fund managers;
- Investments in equity shares: the carrying value for the listed investments is based upon quoted market prices where available; however, where no market value is readily available, the cost is the carrying value which is also a proxy for the fair value;
- Deposits from banks and customers: deposits with no stated maturity, which includes non-interest bearing deposits, is the amount repayable on demand and equates approximately to the fair value; and
- The recognition and measurement provisions of FRS 102 Section 11 and the disclosure requirements of FRS 102 Section 34 have been adopted in respect of financial instruments for the fair value hierarchy disclosures.

The bank's financial instruments have been categorised using a fair value hierarchy that reflects the extent of judgement used in the valuation. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical instruments;
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Valuation techniques not based on observable market data (unobservable inputs).

The table below categorises the bank's financial instruments held at fair value according to the method used to establish the fair value at the balance sheet date.

Valuation hierarchy

Group As at 31 March 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equity securities	585,830	-	7,382	593,212
Derivative financial assets	-	117,813	-	117,813
Financial assets at fair value	**585,830**	**117,813**	**7,382**	**711,025**
Derivative financial liabilities	-	6,764	-	6,764
Financial liabilities at fair value	-	**6,764**	-	**6,764**

31. Financial Risk Management (continued)

e. Fair Values of Financial Assets and Liabilities (continued)

Valuation hierarchy

Group As at 31 March 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equity securities	346,610	-	5,976	352,586
Derivative financial assets	-	126,976	-	126,976
Financial assets at fair value	**346,610**	**126,976**	**5,976**	**479,562**
Derivative financial liabilities	-	3,158	-	3,158
Financial liabilities at fair value	**-**	**3,158**	**-**	**3,158**

The tables above include derivative assets and liabilities as reported in Note 12 and financial assets at fair value as reported in Note 13.

The bank has invested in level 3 investments with a market value of £7,381,517 as at 31 March 2024 (2023: £5,975,562).

By the end of the year, the aggregate value of the investment portfolio at fair value reported in the above table amounted to £593,212,000 (2023: £352,586,000). These investments are measured at the market share price as at 31 March 2024.

f. Capital management

The bank's capital management for regulatory purposes (unaudited) is detailed in sections 3 and 4 of the Directors' Report.

32. Segmental Information

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

33. Related Party Transactions

C. Hoare & Co. follows FRS 102 Section 33 'Related Party Disclosures' to identify and disclose its related parties and related party transactions.

The bank's related parties consist of key management personnel with authority and responsibility for planning, directing, and controlling the financial and operating activities of C. Hoare & Co., directly or indirectly. The Board of Directors of the bank along with two other partners, who are not Directors', and two members of the Management Team (the CFO and the Chief Risk and Compliance Officer) are considered to be key Management personnel with significant influence for the purposes of FRS 102.

Group As at 31 March	2024 £000	2023 £000
Loans and advances	16,785	14,128
Customer deposits	28,394	12,622
Expenses	-	2
Income	79	109

33. Related Party Transactions (continued)

Key management personnel compensation

Group For year ended 31 March	2024 £000	2023 £000
Aggregate emoluments	4,034	1,985
Pension contributions	53	14
Total key management compensation	4,087	1,999

The bank included related party transactions with key management personnel as at 31 March 2024 for loans and advances of £16.8m (2023: £14.1m) and deposits of £28.4m (2023: £12.6m). Any loans and advances or deposits with key management personnel are given with the same interest rate and conditions as provided to customers.

The bank provides banking services to the bank's charitable trust, The Golden Bottle Trust, and made a charitable donation to the trust of £12.0m (2023: £6.5m) during the year.

During the year the bank received fee income from related parties of £79k (2023: £109k). The bank's fee income derives from trustee services to key Management personnel and their close family members of £Nil (2023: £Nil) and rental income of £79k (2023: £109k) from related parties, where the lease was subject to formal contract terms and conditions.

34. Ultimate Controlling Party

The bank is the ultimate parent of the Group. There is no ultimate controlling party of the bank.

35. Charged Assets

As at 31 March 2023 £Nil (2023: £50,000) of assets were charged in favour of Hoare's Bank Pension Trustees Limited, for the benefit of the Hoare's Bank Pension Scheme. These assets would become available to the Pension Scheme in the event of the bank's insolvency. Under the arrangement, the bank is entitled to any income earned on these assets.

36. Events after the balance sheet date

On 15th March 2024, the bank entered into a binding agreement to sell all its shares in one of its subsidiary companies, Messrs Hoare Trustees Limited, to a third party outside of the group. The sale was completed on 19th April 2024. Upon completion, control of Messrs Hoare Trustees Limited was ceded to the buyer, and the subsidiary was derecognised from the balance sheet of the bank and the Group. Messrs Hoare Trustees Limited was held at cost for a value of £250k on the balance sheet of the bank at the time of the sale. The sale resulted in a profit of £495k for the bank. A dividend, totalling £14.0m, was declared and paid to the bank on 15 April 2024, to return legacy cash assets to the bank (and parent company), prior to the sale completing.

The sale of a subsidiary company after the balance sheet date constitutes a non-adjusting post balance sheet event.

C. Hoare & Co.

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