Annual Report

for the year ended 31st March 2025

C. Hoare & Co.
PRIVATE BANKERS SINCE 1672

Company Number: 00240822

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ANNUAL REPORT 2025

Chair's Foreword

C. Hoare & Co. has had another good year, successfully navigating a period of subdued demand at home and increased uncertainty abroad.

Inflation finally normalised in 2024, though for most of the year it remained above the government's target of 2%. Interest rates stayed a little higher for longer as a result, with central banks cautious about loosening policy prematurely. Although the short-term UK interest rate fell for the first time in four years in August, long-term interest rates have remained elevated, a reflection of the level of government borrowing. Tax increases have largely negated the impact of rising real wages and, more than 15 years on from the global financial crisis, the UK has yet to break out of its low productivity-low growth cycle.

The stream of tariff announcements by the US administration since the beginning of April has further increased market volatility. However, as the UK's income is driven by services rather than manufacturing, it is probably better placed than most to weather the storm. C. Hoare & Co. survived earlier descents into protectionism, not least in the 1930s, and I am confident the bank will continue to prosper in the coming years.

Strong capital and liquidity are the enduring bedrock of the bank's success, providing reassurance to customers, partners and regulators alike. Both remained stable in 2024. Our Tier 1 capital ratio was steady at 23% and deposits held at the Bank of England increased by £203 million to £1,548 million, representing 24% of total deposits. The strength of our balance sheet means we can continue to invest strongly in delivering our goals of simplifying processes for customers and colleagues, refreshing our technology, improving resilience, and staying ahead in the ongoing fight against fraud and cyber security.

The bank's balance sheet continued to grow steadily. Lending balances rose by 6% for the second year in a row, a reflection of our bespoke and agile loan proposition. Deposits grew by 5% despite the headwind of quantitative tightening and competition from tax-advantaged gilts.

Profits fell to a more normalised £64 million. As signposted in last year's report, the lower base rate drove an expected reduction in profits. Costs and headcount were marginally lower than in the previous year, after two years of elevated growth spent delivering the transformation agenda.

Our investment reserve was created to make the bank's excess capital work by investing globally and, ideally, outside banking. The investment case has been proven, as performance of the reserve has tended to have an inverse relationship with that of the banking book. Despite the fall in equity values in February and March, it made a positive contribution to profit, albeit a reduced benefit versus prior year. In the twin interests of resilience and stability, we will keep the reserve under review.

House prices continue to hold up reasonably well, with some regional divergence; growth is more subdued within London and the Southeast than in the rest of the country. The bank's detailed and rigorously monitored internal credit metrics continue to reflect the low-risk nature of the book; this was demonstrated in a continued reduction of specific impairment balances from legacy cases, with the provision reducing from £9 million to £8 million, and specific impairment charges of only £2.2 million in the year.

Chair's Foreword *continued*

Complementing our conservative approach to banking, our business remains adaptable and agile in response to market and technological changes. We are acutely aware of the increasing expectations of customers and colleagues and have made significant investments in our transformation programme in recent years.

Our digital proposition has been enhanced and we have launched advanced fraud-prevention tools, integrated into our new telephony platform. A notable highlight for our customers is the ability to view both their personal and business accounts within a single mobile app – a key feature in our relationship-driven approach to banking. Our foreign exchange proposition continues to grow across all channels, with a 22% increase in usage on our online platform. Additionally, I am delighted to report further enhancements to our pension scheme, which supports our colleagues beyond their employment at the bank, and I look forward to the unveiling of our refreshed Banking Hall and garden this summer.

In the rapidly evolving landscape of Artificial Intelligence, we remain determined to keep up with our competitors. We have embraced a range of innovative solutions and third-party capabilities, aimed at enhancing our existing propositions and to make life easier for both our customers and colleagues.

Everybody who works at the bank contributes to our bespoke and tailored service. I am continually struck by their commitment to supporting our customers and ensuring that personalised support is available whenever needed. We understand the value our customers place on responsiveness, and we are proud of our record of answering telephone calls within three seconds.

Our Net Promoter Score (NPS) continues to improve, increasing by four points to +74. The annual NPS survey, which asks customers how likely they are to recommend our bank, serves as a crucial benchmark in ensuring our customer strategy not only meets but exceeds their expectations.

After nine-and-a half years, Andrew McIntyre left his role as Audit Committee chair and I would like to offer my thanks for his invaluable guidance, leadership, expertise and support to the bank, the Board and to me personally.

I am pleased to welcome Richard Keers, our new non-executive director, who replaces Andrew as chair of the Audit Committee. Richard brings a wealth of experience to the role, having spent 35 years within financial services, most recently as Chief Financial Officer and Chief Operating Officer at Schroders plc.

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.

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

Strategic Report

The directors present their Strategic Report on C. Hoare & Co. and its subsidiaries ("the bank" or "the Group") for the year ended 31st March 2025.

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 our customers, colleagues, regulators, shareholders, supplier 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 on the 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. The bank has three principles to help guide its long-term decision-making. These principles are:

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

These principles provide direction and focus for activity across the bank over the long term, while in the medium term, they serve as an expression of the importance we place on both good banking and good citizenship.

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 keeps in mind the impact that its actions have on them. All matters submitted to the Board include an analysis of the effect on stakeholders. The analysis identifies affected stakeholders, and details 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 3-8 of this report.

The interests of our colleagues

Our colleagues are integral to our business, and they 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 +58, which is significantly above our board minimum objective of +35. It compares favourably 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 via 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 make 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 challenges 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 our Impact Report.

Maintaining high standards of business conduct

We are committed to acting ethically in all our stakeholder relationships. We are also committed to implementing and enforcing effective systems and controls to ensure that human-rights principles are upheld in all our activity, and that modern slavery is not taking place in any part of our business or elsewhere in our supply chains.

We build longstanding relationships with our customers and suppliers, and we make clear our expectations of business behaviour. The bank is committed to conducting its business in accordance with the highest ethical and legal standards. The bank has no tolerance for bribery and corruption, and is committed to acting professionally, fairly and with integrity in all its dealings and relationships. To mitigate bribery and corruption risks, the bank employs 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. This was evidenced in our most recent customer Net Promoter Score which increased from +71 in the prior year to +74. This score compares with an average of +57 across the financial services industry.

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

97% ↑ 1% YOY

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

COLLEAGUE ENGAGEMENT

89% → 0% YOY

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

MEAN GENDER PAY GAP

14%* ↓ 6% YOY

Reporting carried out March 2023 in line with regulatory requirements.

CARBON FOOTPRINT

337.4 tCO2e ↓ 1.3% YOY

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

MASTER CHARITABLE TRUST

£95.6m ↑ 36.4% YOY

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

PROFIT BEFORE TAX

£63.7m ↓ 21.2% YOY

DEPOSIT BALANCES

£6,427m ↑ 5.4% YOY

LENDING BALANCES

£2,352m ↑ 6.5% YOY

*Calculation methodology changed.

Financial Performance Review and the Market Environment

Financial Performance

Profit before tax (PBT) moderated as expected to £63.7m (2023/24 £80.8m). Despite a volatile market backdrop, the £17.1m drop in PBT was less than expected. Total income reduced to £249.4m (2023/24 £271.7m). This was due to a reduction in base rate (from its peak of 5.25% at the start of the year to 4.50% by year-end) and a higher proportion of deposit customers moving to more stable, higher-paying products.

As signposted last year, after two years of significant inflation-driven cost increases, costs fell to £183.4m (2023/24 £187.2m). This was due to a lower average headcount of 573 (2023/24 587) and lower profit-driven charitable donations, which normalised after higher-than-usual donations in the previous year. The bank remains committed to philanthropy, with around 10% of annual profits donated to charity. The bank continued to maintain its investment into technology to improve resilience, enhance the digital proposition, and ensure readiness to maximise opportunities presented by the rapidly evolving landscape of Artificial Intelligence.

Both sides of the balance sheet grew steadily in 2024/25. Customer deposits increased by 5.4% to £6,427m (2023/24 £6,097m) and customer lending increased by 6.5% to £2,352m (2023/24 £2,210m). The percentage of deposits held with the Bank of England increased to 24% (2023/24 22%).

The total impairment charge decreased for the second year in a row to £2.2m (2023/24 £3.7m), supported by the bank's rigorous credit controls. The lending book remains resilient to wider economic uncertainty, but we remain alert to any emerging risks.

Tier 1 capital (including current year profits) increased to £526m (2023/24 £483m). The bank maintains Tier 1 capital significantly above the regulatory minimum; Tier 1 ratio decreased to 23.0% (2023/24 23.1%).

Market Overview

Following the US administration's announcement, on 2nd April 2025, of trading tariffs for almost every country in the world, markets reacted with levels of volatility not seen since 2020. The S&P fell by 12%, Nasdaq by 13%, and the FTSE 100 by 11% over the next week. Markets recovered some of their losses, after President Trump instigated a 90-day pause on the most extreme tariffs for most countries on 9th April. Given this unprecedented disruption of interlinked global supply chains, any attempt to forecast the final tariffs to be imposed by the US, and the international response to such measures, is likely to be futile.

The immediate impact of such volatility on the UK is an increasingly subdued outlook for economic growth. The 2024 Autumn Budget marked a shift in fiscal policy from that of the previous government, as chancellor of the exchequer Rachel Reeves set out plans to address structural economic challenges. However, subsequent lower-than-anticipated growth eroded any fiscal headroom, and the challenge of growing the economy while being fiscally responsible persists. With limited fiscal headroom and the added threat of economic fallout from tariffs, the clouds of further government spending cuts and potential tax increases persist.

Over the last year, with wage growth continuing ahead of more normalised levels of Consumer Price Inflation, which mostly hovered between 2% and 3%, the cost-of-living crisis eased for much of the population. While the impact of tariffs on inflation remains uncertain, inflation is expected to rise above 3% from April 2025, before falling back closer to the Bank of England's 2% target. More normalised levels of inflation allowed the Bank of England to cut rates three times, from a peak of 5.25% to 4.50%, with a further cut to 4.25% in May 2025. At the time of publishing, markets expect rates to reduce further over the next 10 months, but the pace and volume of cuts remain uncertain. While a fall in base rate reduces the bank's net interest margin, the bank is well positioned to offset further rate reductions with growth in the underlying business.

Expectations of rate reductions are already priced into fixed-rate mortgages, and overall the UK housing market has remained resilient and returned to growth after declining modestly in the 2023/24 financial year. House-price growth varied across the UK: it was strongest in the North West, Northern Ireland, and Scotland, and weakest in London and the South East, where affordability is still restricting growth. Modest house-price growth is expected in the year ahead.

While the external market remains challenging and volatile, and further base rate reductions will place more pressure on margins, the bank's conservatively managed, agile business model remains well placed to grow customers and balances, to maintain current profit levels.

The bank closely monitors a lending watch list, and continues to maintain a prudent approach to new lending which has served us well. The bank has seen impairment fall below historic levels, and historic problem loans continue to be resolved. The bank's high-quality, tailored customer service, combined with increased investment in technology, means it is well positioned to grow, stay nimble and alert to customers' changing needs, and continue to offer exemplary service and an exceptional customer experience.

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 that come from our professional network and existing customers. While interest rates have come down slightly during the year, the bank has continued to reward depositors, providing a simple offering that pays a fair rate of return. This is supported by a very stable and conservative balance sheet – something that 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 eight 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.

> **"Close, confidential relationships allow us to anticipate our customers' needs, and our values inform our decisions at every level of the business."**
>
> **Alexander Hoare**
> Partner & Director

We support customers across the UK. Beyond our Fleet Street office and Lowndes Street branch, we have relationship managers who make use of their extensive local knowledge to look after customers in East Anglia, Yorkshire and the North East, the North West, and the South West of England.

This ensures that our regional customers receive the highest level of face-to-face personal service, and it allows us to build strong connections across the country. This year our relationship teams in the regions have grown as new relationship managers joined us in East Anglia and Yorkshire and the North East. We have also expanded our regional focus into the Midlands.

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 86% of customer queries were dealt with at the first point of contact. We have continued to strengthen our centres of excellence; these allow us to streamline the way in which we provide customer services, from customer joining processes to customer risk reviews. This means that we can 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 to support our customers' needs. 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'. Following extensive work undertaken in 2023, this year we have continued to ensure that Consumer Duty is further embedded across the business. In June 2024, the board considered and approved the bank's first Annual Consumer Duty Board Report which assessed how the bank had delivered good outcomes for retail customers. We will continue to focus on embedding the Consumer Duty during 2025, considering the impact of any regulatory developments in relation to the duty.

Customer events

A varied programme of events allows us to build and curate close customer communities which are 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 Evening Talks, covering topics ranging from the preservation of seagrass to the state of education. Customers joined events held at Fleet Street both in person and virtually.

Our regional customers enjoyed coming together for special events held at venues such as the Bath and West Show.

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

This year we have embedded the use of real-time fraud detection technology and sophisticated machine-learning models in our payment journeys to help prevent fraud. Fraudsters continue to try to circumvent these controls by targeting customers directly, so 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. We have also implemented fraud prevention advice at point of payment across all ways of banking to support customer awareness of emerging fraud threats. In the coming year we will continue this critical focus on fraud messaging through all possible channels to support the safeguarding of our customers.

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 improved our NPS further to retain a market-leading score of +74. 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 a better understanding of their evolving requirements and ensure this is a critical component of how we develop the bank's services each year. This year we have continued to advance our digital offerings by delivering a range of features including confirmation of payee and biometric log-in authentication, while enhancing self-serve capabilities for our business customers through the mobile app. We continue to provide our customers with a choice regarding how they interact with us, and we continue to invest in voice-based services. We recently upgraded our telephony platform to a more advanced, cloud-based solution with enhanced fraud-checks and integration across several key technology platforms. This means we can provide an improved service to our customers both over the phone 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 several 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 Business Services Director at Board meetings throughout the year.
- A review of the colleague-survey results, along with appropriate challenges to management on proposed actions. We have pulse-surveyed our colleagues three times this year, and we conducted a full annual Happiness and Engagement survey in October.
- Hosting quarterly Senior Leadership Team meetings. The aim of these is to create a forum where senior leaders can ensure consistent messaging, while sharing experiences and ideas.
- Hosting CEO-led colleague engagement sessions throughout the year. The aim is to bring mid-level colleagues together, providing them with an opportunity to share their thoughts and suggestions.
- Setting up a Collaboration Focus Group. This initiative is aimed at enhancing inter-departmental learning and fostering stronger connections among colleagues. It included a series of ‘Show and Tell’ sessions within various departments, as well as an Onboarding Experience refresh to boost the Buddy Scheme and New Joiner networking events.
- Implementation of a digital colleague-feedback mechanism via Slido. This allows colleague to pose questions or comments which are seen and answered by the CEO. The CEO responds to this on a regular basis, ensuring transparency and open communication. This supports our “speak up culture” in which colleagues are encouraged to raise any concerns or questions. This is a key principle of the Management Team and the Board.
- Regular meetings with the C. Hoare & Co. Employee Forum (CHEF), which consists of a cross-section of colleagues who share information and knowledge from across the Bank.

Colleague Strategy

The bank’s colleague strategy is designed to engage, motivate and develop our colleagues. The bank’s aim is to allow colleagues to thrive and to be their best.

In 2024/25, there has been particular focus on the following areas:

- **People Fundamentals and Simplification:** We have reviewed and updated our people policies this year to ensure compliance with current regulations. This is in addition to the work we have done on reviewing our staff IT systems. We have been exploring new technology, including artificial intelligence based tools, with a view to assessing the impact it will have on colleagues.
- **Performance:** We integrated performance and reward within the bank, adopting a more data-driven approach to performance management and calibration.
- **Line Managers and Emerging Leaders Development:** We continued to offer development opportunities to line managers through the Management Fundamentals and Management Excellence programmes. Following succession planning reviews, the bank identified 20 Emerging Leaders and delivered a twelve-month leadership development programme made up of four modules covering self-awareness, communication, collaboration, and team leadership. The Emerging Leaders have also been matched with a Senior Leader Mentor, and have been invited to attend the Senior Leadership Team meeting as guests.
- **Equity, Diversity and Inclusion (ED&I):** The bank aims to be a truly inclusive employer. We have an ED&I Committee supported by several colleague-led networks. These include the Race & Ethnicity Network, the Disability Network, the Family & Carer Network, the Women’s Network, the Wellbeing Network, the Veterans Network, and the LGBTQ+ Network. These networks help us focus on inclusive initiatives in the wider world such as Black History Month, International Day of the Disabled Person, Anti-Bullying Week, Pride, World Menopause Day and Mental Health Awareness Week. Over the course of the year, the bank ran a number of training courses to help support colleagues with disabilities. The bank continues to nurture early talent, liaising with charities to provide placements and work experience to students from diverse socio-economic backgrounds.
- **Hybrid Working:** Our continued commitment to a hybrid operating model ensures that colleagues have the opportunity to work remotely some of the time, depending on their role. The bank has released a new hybrid working policy that acknowledges the benefits of working from the office. Consequently, we expect colleagues to spend some time in the bank each week.

Colleague Happiness

Our success in delivering our People Strategy was clearly evidenced in our latest Colleague Happiness and Engagement Survey, which was undertaken in October 2024.

The headline scores for the colleague survey remain industry-leading, with engagement at 89%, happiness at 86%, and our Colleague Net Promoter score at +58 which is significantly above our board minimum objective of +35. Additionally, our high scores for "bringing whole self to work" demonstrate an inclusive working environment.

Colleagues continue to promote the bank's culture, their teams and their relationships at work. The survey shows that they have a clear understanding of the way in which their role contributes to the bank's overall success.

Equal Opportunities

The bank continues to be an equal opportunities employer and recruits the most suitable applicant for any given vacancy. The bank follows a Diversity and Inclusion Policy to ensure that everyone has the same opportunities for employment, career development and promotion, and that advancement is based solely on a person's ability and suitability for the work. This means that we offer reasonable adjustments for colleagues who have a disability or health condition, or who are neuro-diverse, and so may benefit from some support with the recruitment experience and throughout their time working at the bank.

We have continued to enhance colleague benefits, with a focus on fostering an inclusive workplace. We have introduced more family-friendly policies (including an increase in fully paid paternity leave), increased carers' leave and brought in support for fertility treatment, as well as return-to-work coaching for returning parents. We also offer a salary-sacrifice nursery-care benefit. We have introduced free Eldercare advice for those balancing caring responsibilities. A new Electric Vehicle benefit, introduced through salary sacrifice, has seen positive take-up.

This year, we conducted a 90-day consultation on our pension scheme, which concluded in September. As a result, we have implemented a new matched-contribution structure, effective from 1st January 2025. More than half of colleagues now make additional voluntary contributions to their pension.

We also provide an annual Total Reward Statement for colleagues, outlining in financial terms the full range of benefits and rewards offered in addition to base salary and bonus. It remains crucial that all colleagues feel they are competitively rewarded for their work, especially in the current external market environment. Our strong performance in 2024/25 has enabled us to continue rewarding colleagues with competitive bonus payments.

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 function of which is to ensure our purpose is fully embedded and to monitor our 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 have begun B-Corporation re-certification, a process which takes place every three years. We are due to receive a new score when this process is completed later this calendar year. We have continued to work on our guiding principles, focusing on environmental stewardship, diversity of thought, and connecting our customers through networks. Our purpose leaders have continued working to ensure that 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 £6.0m (2024: £12.2m). The partners continue to donate around 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. This year, the charity celebrated its 40th anniversary. The decision was made to move the GBT's activity into a Giving Fund within the Master Charitable Trust, the donor-advised fund administered by Hoares Trustees Limited (a subsidiary of the bank). The GBT has no plans to change its grant-making practices. It will continue to make more than 300 grants to causes important to the family, and implement learnings so that colleagues and customers can follow. In the past year, the GBT distributed grants totalling £3.0m (2024: £3.2m).

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 impact – 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, young people experiencing financial inequality, and prisoners and reoffenders.

- SDG 13 covers Climate Action. For this, the GBT adopts an eco-system granting approach, recognising 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 that customers will become 'enabled givers'. We look to support them in this by providing thought leadership and giving them the tools to support their philanthropy. Support with charitable giving 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 donations totalling £95.6m (2023/24: £70.1m).

Colleague Philanthropy

To encourage colleagues' charitable giving, we double-match all charitable donations made via our Give-As-You-Earn (GAYE) scheme. As at 31st March 2025, 66% of bank staff were donating via GAYE (2023/24: 63%). We run our payroll giving scheme through the Charities Aid Foundation and have received their Diamond Award. Since the scheme was set up in 2005, colleagues have together donated more than £4.2m to charities of their choosing.

In the past, colleagues have selected a Charity of the Year to be supported by the bank. In 2024, the Charity of the Year was City Harvest, which works across London to collect food that would otherwise be wasted and redistributes it to those who need it. City Harvest currently distributes food providing around 1.3 million meals each month. Over the duration of our fundraising, we raised over £40k for the charity.

This year, instead of running a bank-wide Charity of the Year scheme, we divided colleagues into groups and asked each group to raise money and awareness for a charity close to their hearts. This allows us to support more charities. Now, colleagues select a Charity of the Quarter rather than a Charity of the Year. The scheme is a great opportunity for everyone to support the bank's philanthropy by getting involved with charitable giving. In the first six months of running the scheme, colleagues have raised more than £63k for two charities.

Colleagues are encouraged to take their allowance of paid volunteering days. We aim to be flexible, so that they can volunteer in a range of different settings. They 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. Volunteering activity has included:

- City Harvest: sorting and packing food to reduce food waste and support food banks;
- The Tree Council: planting trees and hedgerows at different locations across Greater London; and
- Sal's Shoes: sorting and packing second-hand shoes to be delivered to those who can't afford to buy new shoes.

Our Impact Report

This year, we were pleased to release our fifth 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. 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 now 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 that is aligned to the bank's core values. We speak. We listen. We deliver together.

Governance and Oversight

Governance and oversight of our supplier network is 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. This is done to help ensure resilience for our Important Business Services. The Council supplements a specialist Supplier Management function at the bank, which is set up to manage ongoing partnerships and supplier relationships at all levels. We engage on a 'full contract lifecycle'; value for money is not defined simply by cost. We seek the best value from all our supplier relationships, and we see 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 that we have built with our suppliers provide a foundation for success. These good relationships make us resilient and help to prevent any disruption that external events may inflict on the bank's operations.

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 total 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 has continued to comply with the relevant climate legislation. We have improved our approach to assessing the financial risks of climate change, which are quantified and included in our 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 developing an action plan for future energy-saving measures in line with phase 3 of the Energy Savings and Opportunity Scheme (ESOS). Actions will include reducing the run times on our plant and machinery, fitting timers to equipment, and purchasing more energy-efficient equipment in the future.

We have also been working to improve the accuracy of the data needed for better understanding of our Scope 3 emissions. This included creating and implementing a new loan-purpose taxonomy that will help improve our understanding of the climate impact of our loan book. We have introduced a new expenses system with enhanced data fields that track the climate impact of every trip. We have also appointed a new courier company with advanced reporting functionality, allowing us to understand the impact of our downstream distribution services. Among a range of green measures adopted by the bank this year:

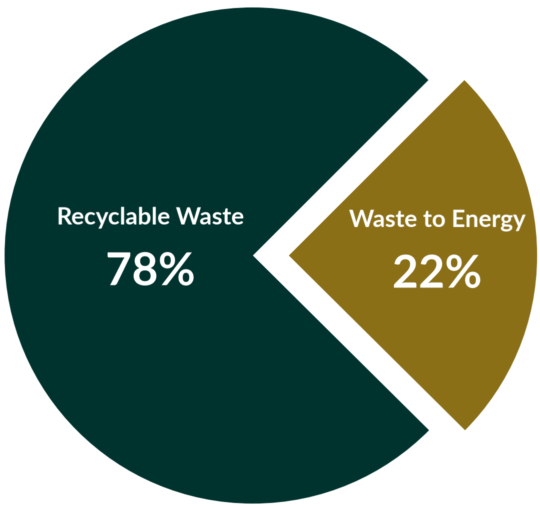
- We removed gas central heating and replaced single-pane doors and windows with energy-efficient double glazing;
- We introduced an Electric Vehicle car scheme for all colleagues;
- We continued to roll out green lighting across the estate. This upgrade involves 'smart' measures such as movement and daylight controls. About 94% of our estate now has LED lighting;
- We continued to improve the EPC rating of our property estate. All commercial buildings have a C rating as a minimum, and we remain on track to achieve a B rating by April 2028;
- We have a paperless-statements option for our sole, corporate and Visa card accounts;
- We have more than 500 plants in colleague areas, so as to support the reduction of carbon dioxide. Plant maintenance and the installation of the bank's Christmas decorations were carried out by the Glass House charity. This provided more than 500 hours of work for women who are serving prison sentences or have recently been released.

Recycling remains a priority: 78% 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. Some electrical 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 to minimise packaging.

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

Materials recycled by the bank in the past 12 months



Encouraging informed decision-making

Many of our customers have an interest in environmental stewardship, so we continue to promote and encourage natural capital, biodiversity loss reversal, and regenerative farming projects. This frequently involves hosting 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 ranging from seagrass conservation to rural estates. We have partnered with organisations such as the Country Land and Business Association to deliver relevant and up-to-date content for our customers.

Through the Golden Bottle Trust, the Hoare family continues to support a number of environmental causes, using both grants and investments to create a positive impact. Causes range from the preservation of salmon and eel populations to the restoration of peatland. 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

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 1% reduction in our scope 1 and 2 carbon footprint (representing a 18% reduction over the last three years). This was driven by a decrease in our electricity energy usage. For example, parts of the bank were closed at quieter times of the year, and we continued the transition to LED lighting.

We saw an increase in gas usage compared to last year. This was expected, following the recent refurbishment works which provided colleagues with new changing and shower facilities. We have also seen increased demand for catering services as we entertain more customers and provide breakfast and lunch for more colleagues working in the bank.

Our total location-based emissions for the year were 337.4 tCO2e (tonnes of CO2 equivalent), with an intensity ratio of 1.3 tonnes of CO2 equivalent per million pounds of income. The largest proportion of our greenhouse gas (GHG) emissions was accounted for by office electricity use, which represents 66% of total emissions (222.9 tCO2e).

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

- Energy consumption data for the offices that purchase electricity and gas directly was provided in the form of supplier invoicing, meter readings and HHD for the 2025 financial year (1st April 2024 to 31st March 2025).
- For periods when data was unavailable, monthly electricity and gas consumption was calculated pro rata. In addition, oil is used for our oil-fired boiler plant and backup generator plant.
- The bank has a small number of controlled vehicles. In the absence of specific mileage data, emissions and energy associated with staff travel were calculated on the following assumptions:

  - Unknown vehicle size
  - Petrol as fuel type
- The total energy consumption associated with each data source has been collated to calculate the total energy usage for the 2025 financial year.
- This has been converted to GHG emissions by applying the appropriate 2024 UK Government GHG Conversion Factors for Company Reporting, in line with the GHG Protocol Corporate Standard methodology.
- The selected metric for the emissions intensity ratio is turnover Carbon emissions per £ million for the reporting period were recorded for each category.
- A summary of emissions for gas and oil used by the properties is provided in the tables below.

Emissions Summary (Location-Based and Unaudited)

Scope	Emissions Source	Energy (kWh)	Emissions (kgCO2e)	Emissions (tCO2e)	Intensity Ratio (tCO2e / turnover)	Emissions (tCO2e)	Intensity Ratio (tCO2e / turnover)
		Location Based FY 2025				Location Based FY 2024	
Scope1 (Direct)	Fuel use by owned and rented vehicles travel	3,301.95	726.86	0.73	0.0029	8.94	0.0425
	Gas Oil	53,692.30	13,772	13.77	0.0552	16.57	0.0787
	Natural gas consumed in offices	546,820.45	100,013	100.01	0.4010	85.65	0.4069
Scope2 (In-Direct)	Electricity consumed in offices (including EV charging)	1,076,554.54	222,901	222.90	0.8937	230.38	1.0946
TOTAL		**1,680,369**	**337,412**	**337.41**	**1.353**	**341.54**	**1.623**

8. Climate-related Disclosures (IFRS S1 & S2)

8.1 Governance

In the past year climate-related issues have been reviewed, discussed and challenged at Board level. The Board has approved an updated climate strategy, agreed a change in governance structure that includes the formation of an Impact Council, and been provided with a report on the bank's exposure to physical and transitional risks. The recommendations of that report are now underway.

Climate strategy continues to be reviewed by the Board on an annual basis. The review provides the Board with updates on key objectives and current workstream status. The Board also reviews the financial risks of climate change on an annual basis.

An Impact Council has been established to oversee the management of the bank's Environmental, Social and Governance risk. The Council supports the Chief Operating Officer and the Chief Risk Officer in discharging their responsibility to ensure ESG risk is effectively managed across the bank. Membership includes representation from the bank's partners, which provides a strong communication channel between the Council and Board, and from a broad range of bank colleagues to support regular discussion of ESG activities and adherence to the bank's climate strategy.

The Council focuses on the identification, development, prioritisation and oversight of initiatives to further the bank's ESG responsibilities. It guides working groups and forums, supports the effective prioritisation of workstreams, and oversees the delivery of those workstreams.

8.2 Strategy

The bank aims to have a measurable positive effect on the environment. This will be achieved by maintaining regulatory compliance, reducing our environmental impact, and encouraging informed decision-making by our customers and colleagues. In line with this strategy, the bank currently has no appetite for 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. Such business includes, but is not limited to:

- mining of natural resources (for example, coal or iron ore);
- oil and gas extraction (both onshore and offshore);
- coal power generation; and
- chemical production.

Climate-related risks and opportunities are assessed through an annual exercise that considers both physical and transitional risk channels. It aligns to SS3/19, TCFD and IFRS S2 regulations and guidance.

Given the bank's primary function as a retail/corporate lender, credit risk is considered the bank's key financial risk exposure due to climate change. Credit risk arises due to the potential for climate hazards to affect the value of securities as well as the potential for impacts on customer finances and repayment. Tightening climate-based regulations, along with changing consumer sentiment, can also affect demand for the bank's securities.

Observed physical-risk sensitivities for the bank include geographic concentrations of security within regions where subsidence and urban flooding risks are elevated. Exposure to land and property collateral also puts the bank at higher risk of transitional, regulatory-driven impacts, whereby new requirements on property-owners and land-owners, such as minimum energy efficiency standard requirements, could result in pockets of reduced demand, thereby impacting security valuations. Conversely, opportunities will arise through increasing incentives, such as recent schemes seen in the farming and landowning sector, which will in turn support industry growth. Both short- and long-term horizons are considered in the assessment, but strategic considerations are focused on the next five years. This timescale makes sense, given the level of climate-related uncertainties over the longer term. It is also a reflection of the bank's relatively short lending-book maturity distribution.

The latest assessment indicates that the identified risks are not currently material. However, it has been helpful to determine further steps to be applied to improve risk measurement. The key identified priority is to enhance the accuracy and granularity of the climate-related data that underpins the assessment. Over the past year, work has progressed to identify a specialist climate-data provider who can improve the level of confidence around security risk ratings and provide consideration of insurability risks. Progress in implementing these enhancements continues to be monitored through the Impact Council.

Financial costs due to physical risks have been estimated through the implementation of a climate-modelling analysis. This is done by estimating the potential for climate hazards to affect lending-book defaults and losses. The adopted approach is intentionally conservative, so as to enable outputs to underpin capital adequacy (ICAAP) calculations. The estimated impact stands at £1.5m – £3.2m over the next five years. Given the bank's strong capital position, this does not present a material concern. But it will continue to be monitored as data quality improves and methodologies mature.

Transitional risks have been assessed under a qualitative approach in which risks and opportunities are rated from low to high. Impacts due to policy and legal drivers, including recent policy changes, have been deemed to present a medium risk. Impacts due to technology, market and reputational drivers are currently considered to present a low level of risk.

Our Environmental Strategy

Our Purpose: 'To be Good Bankers and Good Citizens'			
Guiding Principle	To achieve a measurable positive effect on the environment		
Strategic Aims	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

Four pillars of focus	Regulatory Compliance	Education & Awareness	Measure & Reduce	Monitor & Improve

8.3 Risk Management

To maintain robust, independent climate-risk management, the bank's second-line risk team has developed an annual assessment process that provides ongoing climate risk evaluation and ensures alignment with latest regulatory guidance. Outputs and recommendations from the assessment are shared with senior management and the Board so that findings can be considered within the broader climate strategy. Outputs also factor into the bank's capital adequacy assessment, so that quantitative impacts can be considered.

Physical risk is quantitatively assessed using a data-driven approach. Hazard likelihoods are captured for each security from sources such as the Environment Agency. These cover subsidence, river and sea flooding, urban flooding and landslide. Data modelling is then applied to derive portfolio probabilities of default (PD) and loss given default (LGD) using an expected loss approach that is aligned to the bank's wider impairment methodology. Losses are modelled over both short timeframes (five years) and longer ones (30 years). The results of the analysis enable quantitative loss estimates to be presented to senior management. They also feed into the bank's ICAAP. Longer-term modelling considers IPCC scenarios and utilises Met Office data. This enables consideration of how global emissions-based actions could affect the bank. The limitations of data and key assumptions that underpin the calculation of physical risk impacts continue to be captured and monitored. This allows us to highlight areas of uncertainty and for development, and has helped prioritise current work to improve climate-hazard data collection.

Transition risks and opportunities arise as a result of the global transition to a lower-carbon economy. The bank's lending exposure to transition risk is assessed on a qualitative, top-down basis, at industry-level concentration. The analysis is specific to the bank's loan book and validated by industry subject-matter experts within the bank. Research is conducted on the key drivers for Transition Risk – Policy and Legal, Technology, Market and Reputation – with each being assessed for their materiality over the short term (that is, the next five years) and over the longer-term (5-15 years). Work is underway to investigate the data requirements that would enable a quantitative assessment of transitional risk to be formed in the future. The bank also monitors its exposure to industries which the ISSB considers to be most vulnerable to transition risks, as this helps to narrow focus on risk concentrations.

In addition to second-line Risk activity, Internal Audit provides independent assurance regarding the design and operating effectiveness of the Climate Risk Strategy and Management Framework as part of the overall Risk Management Framework, in accordance with the annual risk-based Internal Audit Plan approved by the Audit Committee.

8.4 Metrics and Targets

Since 2020 the bank has calculated and reported on its Scope 1 and Scope 2 emissions, and has taken proactive steps to reduce these emissions year on year.

Last year, as a result of our carbon reduction plan, the bank saw a 1% 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 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, the bank continued to work to improve the accuracy of the data we need to calculate our Scope 3 emissions. As we improve the accuracy of our data, we will be in a better position to set credible long-term targets for also reducing our Scope 3 emissions.

As part of the second line climate-risk assessment, metrics reflecting physical and transitional risks are shared with senior management and the Board. Targets for each metric will be deferred until data-enhancement activities have progressed. In this way, we can ensure outputs meet the level of confidence required to set comparative thresholds.

Physical risk metrics include:

- **Climate hazard exposures:** The metric measures the percentage of securities that are exposed to high risk of climate hazard over the next 12 months. The data sources used within the current process to derive hazard ratings are currently too coarse in granularity and will be replaced through partnership with a specialist climate-data provider over the next year.
- **Five-year losses due to climate-related impacts**: The metric provides an estimate of short-medium term loss potential under conservative methodology and assumptions.

Transitional risk metrics include:

- **Highest risk rating across transitional risk drivers (Policy & Legal, Technology, Market, Reputation)**: The metric measures the bank's sensitivity to risk factors relating to local/national/global transition to a lower-carbon economy. The current level constitutes medium risk (Policy and Legal implications for property and land security).

9. Governance

9.1 Regulatory Framework

The bank is authorised by, 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 and Certification Function responsibilities. This ensures that they are able to discharge their duties appropriately, and that 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.

We maintain open and proactive engagement with our regulators; this 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.

The Board appoints a Chief Executive Officer (CEO) who is responsible for the day-to-day executive management of the bank and directs the Management Team (MT) to deliver in line with 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 9.2.

The Board currently consists of the Chief Executive Officer, the Chair, 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.

9.2 Risk Management and Governance Structure

The bank'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 a 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 Taxonomy, which sets out the key risks to the bank, and the associated Risk Management Framework have been updated and simplified over the past year. The Framework articulates the bank's risk governance structures, risk culture, risk appetite, three lines of defence model, risk responsibilities, risk policies and the operational requirements required to achieve the bank's risk management objectives.

These objectives are:

- To articulate and communicate the Board's risk appetite, and to ensure that the bank's risk profile operates within its defined parameters;
- To ensure significant risks are identified, measured, managed, monitored and reported in a consistent and effective manner across the bank;
- To re-assess on a regular basis capital requirements and liquidity impacts implied by the bank's risk exposures;
- To collect and report all components of risk information, in order to provide a comprehensive view of the bank's risk exposure to the Board and its committees, allowing them to evaluate risk-adjusted performance against strategic objectives; and
- To ensure that a robust risk-governance structure and risk culture is maintained.

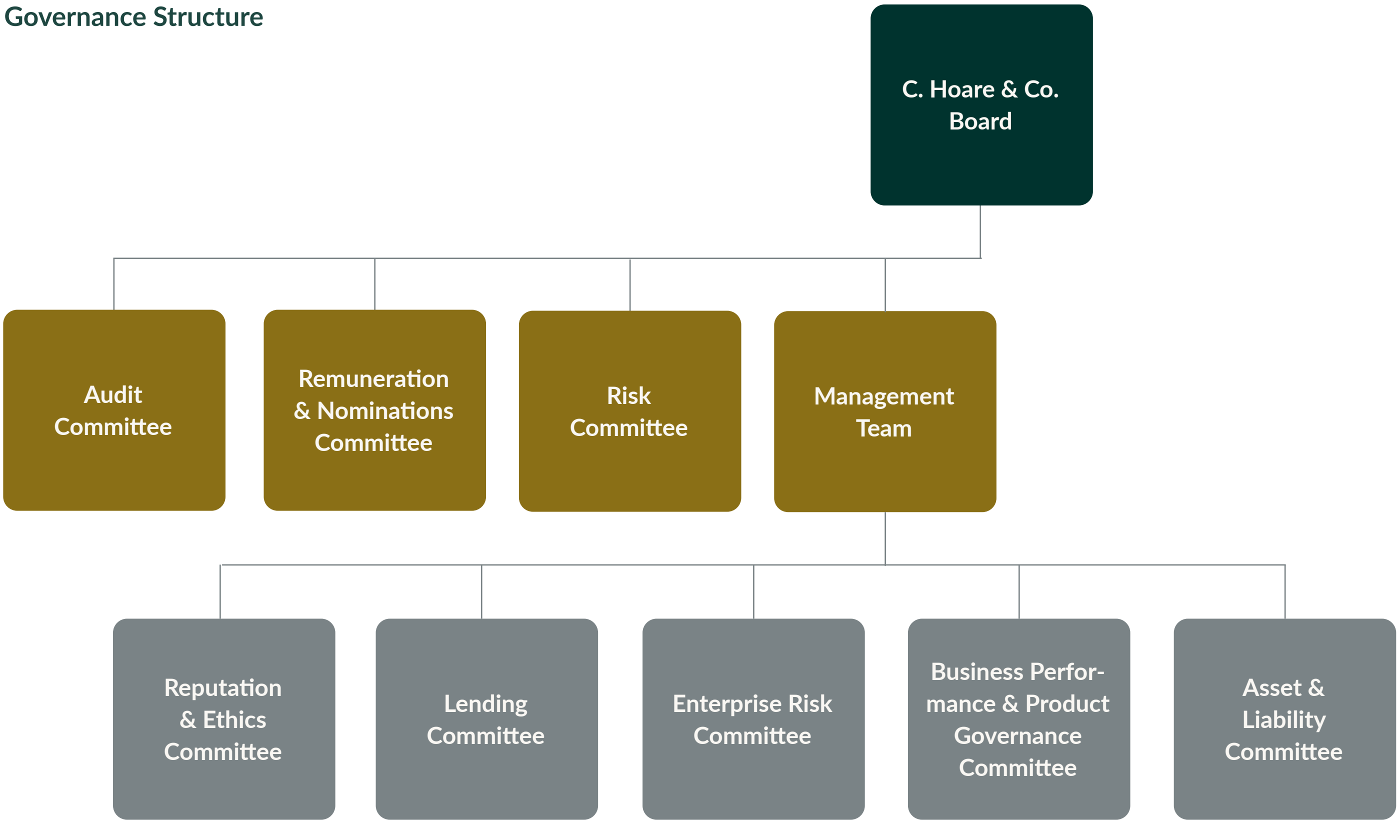
A description of the bank's risk management and governance structure can also be found in the bank's Pillar 3 disclosures. These disclosures, which are unaudited, are available on the bank's website:

www.hoaresbank.co.uk/financial-reports

Risk Management Framework

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.

Governance Structure



a) Risk Strategy

The Board sets and oversees the overall strategy for the bank, which is reviewed on at least an annual basis. The approved business strategy, and the activities required to deliver it, determine the risks to the which the bank is exposed.

The risk-management strategy consists of the assessment and monitoring of material risks to which the bank is exposed and the prioritisation of relevant measures to manage, mitigate or transfer those risks which represent the greatest potential adverse impacts to the bank, as documented in the Risk Taxonomy.

The aim of this strategy is to support the delivery of the bank's objectives and safeguard the sustainability of the bank. This entails protecting the brand, delivering against our purpose, maintaining strong levels of capital and liquidity, delivering good customer outcomes, minimising operational impacts and maintaining regulatory compliance.

(b) Risk Culture

The bank's approach to risk management is to maintain a balance between achieving its strategic objectives within a level of risk that the bank is comfortable with, while maintaining the bank's purpose to be 'good bankers and good citizens'. Key pillars that contribute to a positive risk culture across the bank are as follows:

- Tone at the top
- Governance
- Competency
- Decision-making

(c) Risk Appetite Statement

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.

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 that the bank is willing to accept, both quantitatively and qualitatively, through the use of key risk indicators and early warning indicators.

(d) Governance Structure

The Board of Directors ("the Board"), its committees, subcommittees 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 the diagram on page 16.

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 and Nominations Committee; and
- The Management Team.

The Board is ultimately responsible for the bank's business strategy and financial soundness; organisation and governance; and risk management and compliance arrangements. The Board discharges these responsibilities by:

- establishing the strategic objectives for the bank and monitoring their implementation by the appointed Management Team;
- establishing the bank's culture and values;
- establishing and overseeing the bank's risk appetite and implementation of the Risk Management Framework, and compliance with all relevant regulation;
- overseeing the allocation, maintenance and stress testing of the bank's capital, funding and liquidity; and
- overseeing the governance framework, policies and procedures at the bank.

Remuneration and Nominations Committee

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

- the appointment of Board directors and Management Team members, ensuring robust succession planning;
- ensuring a formal, transparent and rigorous process for selection of Board and Management Team members;
- oversight of the balance of partner directors and non-executive directors; and
- setting the principles, parameters and governance of the bank's remuneration policy, including the review and approval of remuneration of senior management, and also of material risk takers (colleagues whose professional activities are deemed to have material impact on the bank's risk profile).

Audit Committee

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

- External audit and approval of the annual financial statements;
- Overseeing the performance of Internal Audit and safeguarding its independence, which includes ensuring that it has sufficient budget and resources;
- The effectiveness of the Compliance Monitoring Plan and associated reporting;
- The adequacy and effectiveness of the bank's internal controls;
- The effectiveness of Consumer Duty practices and controls;
- Fraud prevention; and
- Whistleblowing.

The Audit Committee were satisfied that Internal Audit's budget and resources were sufficient and concluded that the function's impact and effectiveness is appropriate.

Risk Committee

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

- The effectiveness of the Risk Management Framework, ensuring that the bank operates in a manner consistent with its risk appetite and risk strategy;
- Capital, liquidity and funding planning and strategy, including regulatory prudential deliverables (such as ICAAP, ILAAP, Recovery Plan and Resolution Pack);
- The bank's data strategy;
- Operational resilience; and
- Oversight of risk, compliance, financial crime prevention, information security, and data protection.

Management Team

The Board appoints a Chief Executive Officer (CEO) who is responsible for the day-to-day executive management of the bank and directs the Management Team (MT) 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:

- Development and maintenance of the bank's business model, so as to deliver the strategy set by the Board;
- Adoption of the bank's culture in the day-to-day management of the bank;
- Management of the day-to-day business of the bank, so as to achieve agreed financial goals while protecting both the assets and depositors of the bank;
- Development and monitoring of the effective implementation of policies and procedures at the bank;
- Induction, training and professional development of all bank colleagues, with special emphasis on senior managers and key function holders;
- Ensuring that Compliance, Risk Management, Treasury, Finance and other operational functions work within the Risk Management Framework of the bank;
- Managing the allocation and maintenance of the bank's capital, funding (where applicable) and liquidity in compliance with requirements of the regulatory authorities; and
- Ensuring the integrity of the bank's financial, management and regulatory reporting, implementing the firm's internal stress tests and ensuring the accuracy and timeliness of information provided to the regulatory authorities in this respect.

Management Team membership comprises the following individual roles:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Operating Officer and Company Secretary;
- Chief Risk Officer;
- Chief Transformation and Technology Officer;
- Chief Product Officer (EO);
- Head of Private Banking; and
- Business Services Director.

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

- Asset and Liability Committee;
- Lending Committee;
- Business Performance and Product Governance Committee;
- Enterprise Risk Committee; and
- Reputation and 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 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 to ensure 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. This includes the Chief Risk Officer's responsibility for the delivery and maintenance of the bank's Risk Management Framework and all SMF holders' respective responsibilities for implementation of the Risk Management Framework and the management of risk.

Reputation and Ethics Committee

The Reputation and Ethics Committee meets regularly to oversee the effectiveness of the ethics framework across the bank, and as required, to discuss potential threats and situations that might affect the bank's reputation with its various stakeholders.

Three Lines of Defence Model

The bank has implemented a Three Lines of Defence model to support clarity of understanding and application of risk roles and responsibilities for all colleagues.

First Line of Defence (1LOD) – Risk Ownership

Business line management and colleagues are responsible for day-to-day risk management and control, and for complying with the Risk Management Framework. Each department owns the management of the risks directly linked to its business activities, and is required to operate within the bank's risk appetite. This includes identifying, measuring, managing, monitoring, and reporting risks.

Second Line of Defence (2LOD) – Risk Oversight

The 2LOD is made up of the Risk and Compliance function, and is responsible for providing oversight, insight and challenge to the risk management processes implemented by the 1LOD. The 2LOD develops risk policies, standards and guidance designed to ensure that appropriate risk-management processes are embedded by the 1LOD. The 2LOD will oversee and challenge the 1LOD to ensure that risk management practices are in place and effective.

Third Line of Defence (3LOD) – Risk Assurance

The purpose of Internal Audit is to help the Board and management protect the assets, reputation and sustainability of the bank by providing independent objective assurance over both 1LOD and 2LOD, to help sustain a strong risk and control environment and culture. It does this by:

- Assessing whether all significant risks are identified.
- Evaluating that they are appropriately reported by management and the Risk function to the Board, Audit and Risk Committees, and Management Team.
- Assessing whether they are adequately controlled.
- Challenging management to improve the effectiveness of governance, risk management and internal controls.

9.3 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 Board 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. They 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.

1. Strategic Risk

The risk that the bank fails to achieve its strategic goals in a way that affects earnings or capital, due to adverse strategic decisions, improper implementation of decisions, or lack of responsiveness to the changing business and its environment. The Board reviews and approves the bank's strategy annually, alongside the five-year plan, to ensure that it continues to meet the bank's purpose and objectives. Key to delivery is the continued maintenance of the strong culture of the bank, along with the trusted relationships that we have with our customers, built on deep personal service.

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, Board Risk Committee and the Board also monitor a range of associated risk appetite metrics.

2. Customer and Conduct Risk

The risk that the bank's behaviours, products or services may result in poor outcomes or in harm to customers, leading to regulatory sanction, financial loss or reputational damage. The management of risks to our customers is critical to the delivery of our purpose, which is to be 'good bankers and good citizens'.

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, and that those products and services meet 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 the Enterprise Risk Committee, the Management Team, Board Risk Committee and the Board.

3. Financial Risks

The risk that the bank fails to manage its regulatory and business financial obligations and exposures, resulting in losses or regulatory sanction. The effective management of our financial risks has been central to the enduring stability of the bank for more than 350 years. It remains the foundation of our support for current and future generations of customers.

The management of specific financial risks is detailed further below:

(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 Enterprise Risk Committee, the Board 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 considers 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 to 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 the Asset and Liability Committee, the Management Team and 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 is 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 the Asset and Liability Committee, the Management Team and Board Risk 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 the 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 the Asset and Liability Committee, the Management Team and Board Risk 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 material 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 the 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/or 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, net interest income sensitivity, option risk and credit spread risk.

The Board holds overall responsibility for the bank's interest rate risk policy and risk appetite, with ongoing oversight provided by the 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.

The 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. The bank utilises an additional capital hedge to further mitigate downside interest rate risk.

Foreign Currency Risk

Foreign currency risk arises from the 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 customer requirements. To mitigate 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 the Asset and Liability Committee.

A small portion of the bank's investments are made in US dollar denominated funds, which gives rise to FX risk exposure on the undrawn components of those commitments. Limits are established for unmatched FX exposures in the bank's investments that are monitored and reported to Asset and Liability Committee. However, typical practice has been to hedge such exposure where it exists. 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, the Asset and Liability Committee approves the use of specified derivative instruments within agreed limits and business activities.

Inflation Risk

Following nearly three years of elevated inflation, driven by supply chain bottlenecks as countries exited COVID-19 restrictions and further exacerbated by the Ukraine-Russia war, headline Consumer Price Inflation normalised in 2024/25. It remained between 2.5-3.5% for most of the year. This normalisation allowed the Bank of England to cut rates three times, from a peak of 5.25% to 4.50%.

The inflation outlook remains difficult to forecast. The impact of tariffs, particularly those associated with recent geopolitical developments, is likely to dominate headlines in the coming months. The consequent impact on inflation is uncertain. UK inflation is expected to rise above 3% in the short term, driven by April's increases in bills for energy and other utilities. Elevated inflation led central banks worldwide to raise rates, and this supported higher bank profits, but a stable and lower inflation environment remains the best scenario for the economy, as well as for our customers and for the bank.

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 bank's capital management is detailed in the Directors' Report [see pages 24-26].

4. Operational Risk

Operational risk is the risk of loss from inadequate or failed internal processes, people, systems, third parties and/or external events. The broad nature of operational risks, which are driven by all the activities of the bank, requires continual and focused management to support the delivery of our services in a resilient, accessible and controlled way. The Risk Management Framework, and associated operational risk-related policies, 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 (see 'Three Lines of Defence Model', page 19).

The management of specific operational risks is detailed further below:

(a) Regulatory Risk

As a regulated entity, the bank is subject to extensive regulatory requirements. Regulatory risk is the risk that the bank fails to establish, implement, and adhere to adequate policies and procedures sufficient to ensure compliance of the bank with our obligations under the regulatory system, leading to enhanced supervision, enforcement, financial penalty, or public censure.

The regulatory landscape continues to evolve at pace. 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 Enterprise Risk Committee, the Board Risk Committee and the Board.

(b) Technology and Change Risk

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

This development results in change/execution risk, which is defined as the risk that the bank's change initiatives fail to achieve intended objectives and requirements, compromise quality, use more resources than budgeted, or are inappropriately governed, leading to financial loss and/or adverse impacts on the bank's transformation or control environment. The change process is managed via a robust governance structure and is subject to Management Team oversight, so as to ensure that all the change projects that we deliver are equally responsive and robust. At the same time, cybersecurity is a constant and increasing threat, and the bank continues to invest to ensure the security of its customers and various stakeholders through technology and process enhancement.

The bank also recognises the rapid emergence of Artificial Intelligence (AI), and considers it to be both a risk and an opportunity. The bank is actively managing the current and future potential impacts of AI technologies, and has established a robust framework to manage both the change/execution considerations and the ethical considerations. This includes developing the bank's risk management framework and data governance practices, as appropriate. Opportunities for the targeted use of AI-supported applications are being assessed by the bank.

(c) Data Risk

The availability of good quality data is paramount if the bank is to make effective business decisions, or to leverage technological advances such as AI. Data risks arise from failure to manage the use, access, storage or quality of data throughout its lifecycle, leading to poor decision-making and/or customer and colleague detriment. The bank has a Board-approved Data Strategy, and continues to enhance and develop the governance and management of data across bank systems. These processes are supported by robust data management policies and procedures to ensure customer, colleague and stakeholder data is appropriately governed and protected.

(d) Operational Resilience Risk

Operational resilience risk relates to potential breaches of the bank's impact tolerances for its agreed important business services and critical operational processes, resulting in harm to customers, to the bank or to the financial sector. Building resilience in the financial sector has been a regulatory focus over recent years. Over the course of the past year, the bank has continued to enhance its ability to prevent operational disruption events and to respond, recover and learn from them if they should occur. This resilient position is demonstrated by the deliverables outlined within the bank's annual operational resilience self-assessment, which is approved by the Board.

(e) People Risk

The bank's business model is dependent on 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, the Remuneration and Nominations Committee and the Board are closely involved in important people decisions, so as 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 Business Services Director 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 as the bank continues to embed its hybrid-working capability.

(f) Third-Party Management Risk

Third-party management risk is the risk that outsourced or third-party services do not meet business requirements. The failure of a third-party provider, or its failure to provide the contracted critical operational service to the agreed standard, could potentially result in business, financial and customer impact, regulatory sanction and/or reputational damage.

The bank has implemented a Supplier Management centre of excellence function which is responsible for the management of critical and material third party relationships, and for the development of policies and processes to enable consistent and effective management of third-party relationships across the bank.

(g) Climate Risk

Climate risk is the threat of financial loss or adverse non-financial impacts associated with climate change. This 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 through 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.

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
18th June 2025

Ms K. White
Company Secretary
C. Hoare & Co.
37 Fleet Street
London
England
EC4P 4DQ
Registration Number: 00240822

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, and Hoare's Bank Pension Trustees Limited ('the Group'), for the year ended 31 March 2025.

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 successfully completed on 19th April 2024. Upon completion, control of Messrs Hoare Trustees Limited was transferred to the buyer, and the subsidiary was de-recognised from the balance sheet of the bank and the Group.

In November 2024, the bank successfully completed the second buyout of its defined pension scheme. This strategic initiative was designed to safeguard the remaining beneficiaries, ensuring they receive enhanced transparency and certainty. Following this buyout, the trustees of the pension trust resigned in March 2025. Consequently, the subsidiary now holds a zero balance and will commence the closure process in the upcoming year, with the intention to fully close the company by the 2025/26 fiscal year. Please see note 4 on page 51 for more information.

The financial statements were approved by the Board on 18th June 2025.

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 35.

Total comprehensive income for the year of £46.6m (2024: £54.3m) will be used to strengthen reserves and support future growth.

The Board recommends an ordinary share dividend for the year of £50 per share (2024: £50), resulting in a total dividend of £6,000 payable in June 2025 (2024: £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 1st 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 (RWAs).

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 9.42% of RWAs, of which at least 56.25% 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), which 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 decreased from 23.3% to 23.2%, while the Common Equity Tier 1 ratio decreased from 23.1% to 23.0%.

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 bank's regulatory capital, risk-weighted assets and capital ratios at 31st of March were as follows:

Group	2025 £000	2024 £000
Common Equity Tier 1 capital		
Ordinary share capital*	**120**	120
Reserve fund*	**22,598**	22,598
Profit and loss account*	**503,995**	457,424
Property revaluation reserve*	**20,537**	20,544
Heritage assets revaluation reserve*	**10,981**	10,982
Intangible assets adjustment for CRR II treatment	**(31,776)**	(28,432)
Total Common Equity Tier 1 capital and Total Tier 1 capital	**526,455**	483,236
Tier 2 capital		
Collective Impairment Allowance*	**4,878**	4,878
Total Tier 2 capital	**4,878**	4,878
Total regulatory capital	**531,333**	488,114
Risk weighted assets	**2,289,414**	2,091,044
Capital ratios		
Total regulatory capital expressed as a percentage of risk weighted assets	**23.2%**	23.3%
Common Equity Tier 1 capital expressed as percentage of risk weighted assets	**23.0%**	23.1%

**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 (Chair)
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 (resigned 31st December 2024)
Mrs I. Gary-Martin
Mr G. E. C. Andrews
Ms M. R King
Mr R. Keers (appointed 3rd February 2025)

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") 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

18th June 2025

Ms K. White
Company Secretary
C. Hoare & Co.
37 Fleet Street
London
England
EC4P 4DQ
Registration Number: 00240822

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 2025 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 2025; 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.

Other than those disclosed in note 7, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Context

We scoped our audit to gain sufficient audit assurance over all material financial statement line items.

Overview

Audit scope

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

Materiality

- Overall Group materiality: £3,193,074 (2024: £2,416,000) based on 5% of profit before tax (FY24: based on 0.5% of Tier 1 Capital).
- Overall Company materiality: £3,879,845 (2024: £2,345,000) based on 5% of profit before tax (FY24: based on 0.5% of Tier 1 Capital).
- Performance materiality: £2,394,806 (2024: £1,812,000) (Group) and £2,909,884 (2024: £1,758,000) (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 allowances for impairment losses on loans and advances to customers (Group and Company)	
Relevant references in the Annual Report 2025: Refer Note 14: Allowance for impairment losses and Note 31(b): Financial Risk Management (Credit Risk). The collective allowance is derived from the bank's historical loss rate incurred in the past five years. The specific allowance is assessed by reference to the estimated fair value of the collateral held against the exposure. We consider the specific allowance for impairment losses on loans and advances to customers to be a Key Audit Matter because management makes subjective judgments over cash flow assumptions, including the timing of cash flows and valuation of collateral and the size of impairment allowances, and individual exposures in excess of audit materiality. 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 allowances. Specifically, these related to the valuation of collateral for credit impaired customers.	We held discussions with the Audit Committee over allowances for impairment of loans and advances to customers with a significant focus on the rationale for the accounts identified within the specific allowance. 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 allowances 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 allowances. We also assessed the completeness of the credit impairment allowance, 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 allowance 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 2025.

Key audit matter	How our audit addressed the key audit matter
Valuation of Heritage Assets - Paintings (Group and Company)	
The Relevant references in the Annual Report 2025: Refer Note 18. The valuation of heritage assets inherently involves a high degree of estimation uncertainty. 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 2025.

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 a subsidiary entity on which we perform audit testing to statutory materiality levels, but as over 99% 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	• £3,193,074 (2024: £2,416,000).	• £3,879,845 (2024: £2,345,000).
How we determined it	• 5% of profit before tax (FY24: based on 0.5% of Tier 1 Capital).	• 5% of profit before tax (FY24: based on 0.5% of Tier 1 Capital).
Rationale for benchmark applied	In 2025, the basis for determining materiality was reassessed and revised to profit before tax (PBT), which we consider the most appropriate benchmark for the users of the financial statements.	

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 £4,143 and £3,879,845. 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% (2024: 75%) of overall materiality, amounting to £2,394,806 (2024: £1,812,000) for the Group financial statements and £2,909,884 (2024: £1,758,000) 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 at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £159,335 (Group audit) (2024: £120,000) and £193,992 (Company audit) (2024: £117,000) 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.
- 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 2025 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 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.
- Testing of journal entries selected using risk-based criteria.

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 14 years, covering the years ended 31 March 2012 to 31 March 2025.

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

18 June 2025

Consolidated Statement of Comprehensive Income

Consolidated Statement of Comprehensive Income

For year ended 31 March	Note	Group 2025 £000	Group 2024 £000
Interest receivable		397,149	368,204
Interest payable		(182,502)	(153,516)
Net interest income	**3**	**214,647**	**214,688**
Dividend income		**9,621**	**24,831**
Other finance income	**4**	**1**	**413**
Fees and commissions receivable		10,858	15,018
Fees and commissions payable		(1,227)	(1,338)
Net fees and commissions income		**9,631**	**13,680**
Dealing profits	**5**	**8,778**	**8,551**
Other operating income	**6**	**6,723**	**9,533**
Total income		**249,401**	**271,696**
Operating expenses			
Administrative expenses including staff costs	7	(172,087)	(176,381)
Amortisation	16	(8,608)	(8,385)
Depreciation	17	(2,750)	(2,435)
Total operating expenses		**(183,445)**	**(187,201)**
Impairment charge on loans and advances	**14**	**(2,222)**	**(3,659)**
Profit before taxation		**63,734**	**80,836**
Tax on profit	9	(16,958)	(15,437)
Profit for the financial year		**46,776**	**65,399**
Other comprehensive (expense) / income			
Remeasurement of retirement benefit obligations loss	4	(172)	(11,570)
Deferred tax arising on pension scheme loss	9	(27)	991
Revaluation loss	28	(11)	(638)
Deferred tax income arising on valuation loss	9	3	160
Other comprehensive expense for the year, net of deferred tax		**(207)**	**(11,057)**
Total comprehensive income for the year		**46,569**	**54,342**

The Notes on pages 40 to 82 form an integral part of these Financial Statements.

Consolidated and Company Balance Sheets

Consolidated and Company Balance Sheets

As at 31 March	Note	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Assets					
Cash and balances at central banks		1,548,443	1,345,322	1,548,443	1,345,322
Items in course of collection from banks		136	266	136	266
Derivative financial instruments	12	100,364	117,813	100,364	117,813
Financial assets	13	5,399,523	5,229,721	5,399,523	5,229,721
Shares in group undertakings	15	-	-	250	500
Intangible assets	16	31,776	17,363	31,776	17,363
Property and equipment	17	53,192	50,064	53,192	50,064
Heritage assets	18	15,105	15,098	15,105	15,098
Deferred tax asset	19	-	27	-	27
Other assets	20	1,237	4,519	1,237	4,622
Prepayments and accrued income	21	9,064	21,268	8,663	20,959
Total assets		**7,158,840**	**6,801,461**	**7,158,689**	**6,801,755**
Liabilities					
Deposits by banks	22	99,590	109,543	99,590	109,543
Customer accounts	23	6,427,375	6,096,719	6,427,375	6,096,719
Deposits to subsidiary companies	23	-	-	165	14,677
Derivative financial instruments	12	712	6,764	712	6,764
Deferred tax liability	19	11,555	11,331	11,555	11,331
Other liabilities	24	29,582	4,901	29,534	4,765
Accruals and deferred income	25	31,795	60,428	31,795	60,385
Post retirement benefit liability	4	-	107	-	107
Total liabilities		**6,600,609**	**6,289,793**	**6,600,726**	**6,304,291**
Called up share capital	27	120	120	120	120
Reserve fund		22,598	22,598	21,148	21,148
Revaluation reserves	28	31,518	31,526	31,518	31,526
Current year net income		46,571	54,814	60,507	54,006
Retained earnings brought forward		457,424	402,610	444,670	390,664
Total equity		**558,231**	**511,668**	**557,963**	**497,464**
Total liabilities and equity		**7,158,840**	**6,801,461**	**7,158,689**	**6,801,755**

The Notes on pages 40 to 82 form an integral part of these Financial Statements. The Financial Statements on pages 35 to 82 were approved by the Board of Directors on 18 June 2025 and signed on its behalf by:

Alexander S. Hoare

Mr A. S. Hoare
Director
18 June 2025

Mr R. R. Hoare
Director
18 June 2025

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 2023		**120**	**22,598**	**32,004**	**402,610**	**457,332**
Profit for the financial year		-	-	-	65,399	65,399
Other comprehensive income / (expense) 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 / (expense) 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**
Profit for the financial year		-	-	-	46,776	46,776
Other comprehensive income / (expense) for the year						
- Remeasurement of retirement benefit obligations		-	-	-	(172)	(172)
- Deferred tax arising on pension scheme		-	-	-	(27)	(27)
- Valuation loss of property and heritage assets	28	-	-	(11)	-	(11)
- Deferred tax arising on valuation loss	28	-	-	3	-	3
Total comprehensive income / (expense) for the year		**-**	**-**	**(8)**	**46,577**	**46,569**
Dividends		-	-	-	(6)	(6)
Balance as at 31 March 2025		**120**	**22,598**	**31,518**	**503,995**	**558,231**

The Notes on pages 40 to 82 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.

*The reserve fund is held to meet any potential contingencies met by the group

**The revaluation reserves relates to the revaluation of land and buildings and heritage assets owned by the group.

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 2023		**120**	**21,148**	**32,004**	**390,664**	**443,936**
Profit for the financial year		-	-	-	64,591	64,591
Other comprehensive income / (expense) 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 / (expense) 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**
Profit for the financial year		-	-	-	60,712	60,712
Other comprehensive (expense) / income for the year						
- Remeasurement of retirement benefit obligations		-	-	-	(172)	(172)
- Deferred tax arising on pension scheme		-	-	-	(27)	(27)
- Valuation loss of property and heritage assets	28	-	-	(11)	-	(11)
- Deferred tax arising on valuation loss	28	-	-	3	-	3
Total comprehensive income / (expense) for the year		**-**	**-**	**(8)**	**60,513**	**60,505**
Dividends		-	-	-	(6)	(6)
Balance as at 31 March 2025		**120**	**21,148**	**31,518**	**505,177**	**557,963**

The Notes on pages 40 to 82 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.

*The reserve fund is held to meet any potential contingencies met by the group

**The revaluation reserves relates to the revaluation of land and buildings and heritage assets owned by the Company.

Consolidated Cash Flow Statement

Consolidated Cash Flow Statement

For year ended 31 March	Note	Group 2025 £000	Group 2024 £000
Net cash used in operating activities	30	333,415	(95,409)
Taxation paid		(11,881)	(15,618)
Net cash used in operating activities		**321,534**	**(111,027)**
Cash flow from investing activities			
Purchase of investment securities		(779,143)	(1,648,464)
Sale and maturity of investment securities		684,225	1,614,146
Purchase of bulk annuity policy		(278)	(7,191)
Purchase of intangible assets		(23,130)	(9,220)
Purchase of tangible fixed assets		(6,425)	(2,671)
Purchase of heritage assets		(9)	(58)
Proceeds from sale of subsidiary		745	-
Net cash used in investing activities		**(124,015)**	**(53,458)**
Cash flow from financing activities			
Dividend paid		(6)	(6)
Net cash used in financing activities		**(6)**	**(6)**
Net increase / (decrease) in cash and cash equivalents		197,513	(164,491)
Cash and cash equivalents at the beginning of the year		1,382,976	1,547,010
Effect of exchange rate changes		361	457
Cash and cash equivalents at the end of the year		**1,580,850**	**1,382,976**
Cash and cash equivalents consist of:			
Cash at bank and in hand		1,548,443	1,345,322
Short term deposits		32,407	37,654
Cash and cash equivalents		**1,580,850**	**1,382,976**

The Notes on pages 40 to 82 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 Kingdomand the Republic of Ireland" (FRS 102). The 2025 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 rightsthat 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 2025, 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 contribution pension scheme, where the bank pays fixed contributions into a 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.

The bank also used to operate 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 were 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. As a result of a full buy-out completed in November 2024, the scheme was fully wound up in the financial year, and the bank holds no remaining assets or liabilities in relation to the Scheme.

The defined benefit scheme's assets were 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 was calculated using the projected unit credit method. The present value was 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 engaged 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, prior to the buy-out, comprised 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 recognised remeasurements immediately in other comprehensive income. The bank determined 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) was 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. As at the 31 March 2025, following the buy-out of the scheme, the bank held no surplus or deficit in relation to the scheme on its balance sheet.

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 swaps. The fair value of interest rate swaps is the amount that the bank would receive or pay to terminate the swap at the balance sheet date, by net present valuing all future cash flows at the par coupon applicable to the residual term. The fair value of interest rate swaps includes any interest accrued on the derivative contract. The fair value of forward exchange swaps 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.

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.

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

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 the cost is in excess of £100,000, and over 4 years where it is below this amount.

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.

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:

1. Summary of Significant Accounting Policies (continued)

p. Intangible assets (continued)

- 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.

Assets in course of construction are stated at cost. These assets are not amortised until they are available for use and are reviewed for impairment at each reporting date.

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. Subsequent changes in the fair value of investment properties are recognised in Other profit and loss. 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 carrying amount 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.

Assets in course of construction are stated at cost. These assets are not depreciated until they are available for use and are reviewed for impairment at each reporting date

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. These ordinary shares are classified as share capital in the financial statements.

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 impacton 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 £0.5m (2024: £1.1m), whereas if an additional six-month extension to the expected assumed sale dates were implemented, it would result in an additional provision of £0.2 m (2024: £0.5m).

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 44% (2024: 43%), 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 £0.2m (2024:£0.3m) addition / reduction to the collective provision.

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

Although now nil, following the pension buy out completed in November 2024, up until this point the liabilities of the defined benefit pension scheme were measured as the present value of the estimated benefit cash flows to be paid by the scheme. The present value of the liabilities involved 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. Over the period from 31 March 2024 to 30 November 2024, the Scheme completed buy-outs on both bulk annuity policies that were held at the start of the year, which transferred all benefits of the Scheme to individual policies held by former members of the Scheme. By the end of this period, therefore, the Scheme held no assets or liabilities. Details of the pension are outlined in Note 4.

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. Fair values on unquoted positions are reviewed by comparing historic valuations to publicly available indices that most closely match investments held to ensure that trends are similar. Audited financial statements of the investments are also compared to valuations used.

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, relyingupon 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 (2024: £0.5m) gain / loss respectively to Other comprehensive income.

3. Net Interest Income

Group For year ended 31 March	2025 £000	2024 £000
Interest receivable and similar income		
Debt securities	133,389	125,644
Investments	16,291	-
Loans and advances to customers	138,366	118,947
Loans and advances to banks	77,076	79,809
Derivatives	32,027	43,804
Total interest receivable and similar income	**397,149**	**368,204**
Interest payable and similar charges		
Deposits from banks and customers	(182,265)	(153,784)
Derivatives	(237)	268
Total interest payable and similar charges	**(182,502)**	**(153,516)**
Net interest income	**214,647**	**214,688**

Included within interest income is £879,817 (2024: £359,613) accrued in respect of impaired financial assets. Interest income on loans and advances to customers includes customer arrangement fees earned of £5,903,765 (2024: £4,353,298).

Included within interest income is a reclassification of Blackrock income of £16,291,000, classified as dividend income in 2024 (£15,916,000).

4. Retirement Benefit Obligations

The bank had both defined benefit and defined contribution retirement schemes until November 2024, when a full buy-out of the defined benefit scheme was completed, after which only a defined contribution scheme remained.

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 2025, the charge to the Statement of Comprehensive Income was £8,296,000 (2024: £7,981,000), 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	2025	2024
	£000	£000
In respect of defined contribution scheme		
Current service cost	8,296	7,981
Included within Administrative expenses (Note 7)	**8,296**	**7,981**

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 provided 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 2025 were £0.3m (2024: £7.2m) to facilitate the pension buy-out. There was no charge (2024: £Nil) to the profit and loss account for past service costs. Over the period from 31 March 2024 to 30 November 2024, the Scheme completed buy-outs on both bulk annuity policies that were held at the start of the year, which transferred all benefits of the Scheme to individual policies held by former members of the Scheme. By the end of this period, therefore, the Scheme held no assets or liabilities. The net position improved from a deficit of £107k to a deficit of nil.

Prior to the buy-outs being completed, the Scheme's assets were 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 had a policy that one third of such Directors should be nominated by members of the Scheme.

The Scheme liabilities were 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		
For the year ended 31 March	2025*	2024
	%	%
Pension increases in payment	3.1	3.1
Discount rate	5.1	4.8
Retail price inflation	3.2	3.3

*Assumptions for the year ended 31 March 2025 relate to assumptions as at 30 November 2024, the point that the buy-out was completed.

The actuarial assumptions allow for commutation of members' pensions for cash at retirement, where members are expected to commute 20% (2024: 20%) of their pensions at retirement. Due to the buy-outs completed during the year, as at 31 March 2025, the valuation of Scheme assets less liabilities fell to £nil (2024: £107,000 deficit).

4. Retirement Benefit Obligations (continued)

The liabilities of the Scheme were measured by discounting the best estimate of future cash flows to be paid out bythe Scheme using the projected unit method. This amount was calculated by a qualified independent actuary as at 30 November 2024 (the time of the buy-out), and at the balance sheet date for prior years, and is reflected in the Scheme asset or liability as detailed below:

Group & Company	2025 £000	2024 £000
Opening net defined benefit (liability) / asset as at 1 April	**(107)**	**3,859**
Pension credit in profit & loss	1	413
Actuarial (loss)/gain recognized in other comprehensive expense	(172)	2,549
Loss on assets less interest recognized in other comprehensive expense	-	(14,119)
Employer contribution	278	7,191
Closing net defined benefit liability as at 31 March	-	**(107)**

Buy-out of both bulk annuity policies

Over the period from 31 March 2024 to 30 November 2024, the Scheme completed buy-outs on both bulk annuity policies that were held at the start of the year. The buy-out of the Canada Life scheme was completed on 20 November 2024, this included a true up premium refund of £3k, with the buy-out of the Aviva scheme, which included a true up premium of £208k, completed on 25 November 2024. As at the 30 November 2024, the Scheme had discharged all responsibility for benefits of the Scheme to individual policies held by former members of the Scheme, and the Scheme bank account was nil. As a result of the buy-out, the scheme was fully wound up in the financial year, and there the bank holds no remaining assets or liabilities in relation to the Scheme.

Scheme assets and liabilities

Before the scheme was wound-up, the Trustee Company had 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 ensured that investment risks were spread across several investment classes. Within each investment portfolio, investment objectives and restrictions to manage risk were implemented through the legal agreements in place with the Scheme's investment manager. The Trustee Company received regular performance reports from the investment manager, while the investment advisers to the Scheme monitored the performance of the strategy and associated risks, and the performance of each investment manager, against the strategy's objectives and restrictions.

As a result of the Scheme closing during the year, there remains no scheme assets, the fair value of the Scheme's assets held in the prior year are shown below.

Group & Company As at 31 March	2025 £000	2024 £000
Cash and net current liabilities	-	(107)
Bulk annuity policy	-	90,987
Total fair value of assets	-	**90,880**
Present value of scheme liabilities	-	**(90,987)**
Pension scheme liabilities	-	**(107)**

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)

Group & Company	2025 £000	2024 £000
Opening fair value of scheme assets as at 1 April	**90,880**	**98,589**
Interest on assets	2,840	4,827
Actual loss on plan assets less interest	(3,501)	(14,119)
Benefits paid	(3,171)	(5,608)
Employer contributions	278	7,191
Settlements	(87,326)	-
Closing fair value of scheme assets as at 31 March	**-**	**90,880**
Actual return on assets	**(661)**	**(9,292)**

Following closure of the Scheme, the liabilities were nil as at the 31 March 2025. Prior the Scheme being closed, the liabilities of the Scheme were measured by discounting the best estimate of future cash flows to be paid out bythe Scheme using the projected unit method. These amounts were calculated by a qualified independent actuary at the balance sheet date and reflected in the Pension scheme asset as detailed below:

Group & Company	2025 £000	2024 £000
Opening defined benefit obligation as at 1 April	**90,987**	**94,730**
Interest on obligation	2,839	4,414
Actuarial loss on liabilities due to experience	597	839
Actuarial gain on liabilities due to assumption changes	(3,926)	(3,388)
Benefits paid	(3,171)	(5,608)
Settlements	(87,326)	-
Closing defined benefit obligation as at 31 March	**-**	**90,987**

The net finance income or expense recognised in profit and loss is calculated by applying the discount rate to the benefit liabilities recorded at the beginning of the year; this was £(107,000) (2024: assets £3,859,000), in addition to interest on contributions during the year. The pension income recorded for this year and analysed below of £1,000 (2024: £413,000) was lower than that of the previous year due to the net liabilities of the scheme winding down to nil as a result of the pension buy out completed on 30 November 2024.

Group & Company For year ended 31 March	2025 £000	2024 £000
Interest on obligation	(2,839)	(4,414)
Interest on assets	2,840	4,827
Total recognised in other finance income	**1**	**413**

4. Retirement Benefit Obligations (continued)

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

Group & Company For year ended 31 March	2025 £000	2024 £000
Actual loss on plan assets less interest	(3,501)	(14,119)
Actuarial loss due to experience	(597)	(839)
Actuarial gain due to assumption changes	3,926	3,388
Total recognised in other comprehensive expense	**(172)**	**(11,570)**

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-ins in the prior year, all assets, prior to closure of the Scheme, were invested in bulk annuity policies as shown in the below table:

Percentage of total scheme assets

Group & Company As at 31 March	2025 %age	2024 %age
Cash and net current liabilities	-	(0.1)
Bulk annuity policy	-	100.1
Total fair value of assets	-	**100.0%**

Prior to the closure of the Scheme, the investment performance and liability impact were reviewed on a regular basis by the Board and the Trustee Company of the Scheme. Having previously invested 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 Trustee Company of the Scheme managed investment risks, considering the Scheme's investment objectives, strategy andthe advice of its investment adviser.

5. Dealing Profits

Group For year ended 31 March	2025 £000	2024 £000
Debt securities	111	507
Foreign currency	8,667	8,044
Total dealing profits	**8,778**	**8,551**

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

6. Other Operating Income

Group For year ended 31 March	2025 £000	2024 £000
Rental income	759	654
Loss on disposal of fixed assets	(143)	(52)
Impairment of intangible assets	(110)	(237)
Hedging result		
- (Loss)/Gain on hedged items attributable to loans	(24,650)	17,501
- Gain/(Loss) on hedged items attributable to debt securities	17,999	(4,767)
- Gain/(Loss) on hedged items (swaps)	7,598	(12,856)
- Gain on hedged items attributable to deposits	252	89
Net hedging income / (expense)	**1,199**	**(33)**
Unrealised profit from financial assets at FVTPL	4,491	7,112
Realised profit from financial assets at FVTPL	-	1,616
Investment property revaluation	(405)	(490)
Research and development refund	726	963
Gain on sale of subsidiary company	272	-
Other	(66)	-
Total other operating income	**6,723**	**9,533**

The above table includes unrealised profits of £497,866 (2024: £644,890 profit) arising from changes in market value on Level 3 financial assets and unrealised losses of £405,000 (2024: £490,000 loss) arising from revaluation of the bank's investment properties.

On 19 April 2024, shares in Ludlow Trust Company (London) Limited (formerly Messrs Hoares Trustees Limited) were sold to a third party outside of the group and all the share capital transferred from C. Hoare & Co. to the buyer. This resulted in a net gain on disposal of £272,000 at a group level.

7. Administrative Expenses including Staff Costs

Group For year ended 31 March	2025 £000	2024 £000
Staff costs		
- Wages and salaries and benefits	97,915	98,147
- Social security costs	14,123	9,072
- Other pension costs (Note 4)	8,296	7,981
Operating lease expense	5	6
Other administrative expenses	51,748	61,175
Total administrative expenses including staff costs	**172,087**	**176,381**

Included in the above table, other administrative expenses include a charitable donation of £5.6m (2024: £12.0m) paid to the Golden Bottle Trust. A further £0.4m (2024: £0.2m) was donated by double matching all donations made by staff through the Give-As-You-Earn scheme. This took total charitable donations for the year to £6.0m (2024: £12.2m).

Also included within other administrative expenses are £11.3m (2024: £14.4m) of research and development expenditure not recognised as an intangible or other asset.

7. Administrative Expenses including Staff Costs (continued)

Included within wages, salaries and benefits are deferred bonuses totalling £815k (2024: £570k). £516k of this bonus amount is deferred until June 2027, and £366k is deferred in equal annual instalments, starting in 2026, over the period to April 2028.

For the 2025 figures in the above table, a change has been made to the classification of social security costs related to staff bonuses. Previously these were included within wages and salaries, they are now classified within social security costs. This amount totalled £7.1m (2024: 5.0m).

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

Group For year ended 31 March	2025 Number	2024 Number
Full time	469	468
Part time	39	41
Contractors and agency staff	65	78
Total average headcount	**573**	**587**

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

Group For year ended 31 March	2025 £000	2024 £000
Remuneration payable to the auditors in respect of:		
- Statutory audit of the bank and consolidated financial statements	374	356
- Statutory audit of the subsidiaries' financial statements	2	2
- Non-audit services	2	-
Total auditors' remuneration	**378**	**358**

Non-audit services relate to subscription fees to the PWC financial reporting Insights platform.

8. Directors' Emoluments

Group For year ended 31 March	2025 £000	2024 £000
Aggregate emoluments	44,310	43,460
Pension contributions	30	30
Total directors' emoluments	**44,340**	**43,490**
Highest paid director		
- Emoluments	6,851	6,745
Highest paid director total emoluments	**6,851**	**6,745**

9. Tax on Profit

The bank's profits for the financial year ended 31 March 2025 have been taxed at the UK corporation tax rate of 25% (2024: 25%).

a. Analysis of taxation charge

Group For year ended 31 March	2025 £000	2024 £000
Current tax		
UK corporation tax on profits for the year at 25% (2024: 25%)	15,412	16,991
Adjustments in respect of previous years	1,320	(2,165)
Total current tax	**16,732**	**14,826**
Deferred tax		
Origination and reversal of timing differences	226	611
Total deferred tax	**226**	**611**
Tax on profit	**16,958**	**15,437**

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 charge / (credit) included in other comprehensive expense

Group For year ended 31 March	2025 £000	2024 £000
Deferred tax		
Deferred tax charge / (credit) arising on actuarial (loss) / gain in the pension scheme	27	(991)
Deferred tax credit arising on revaluation of land & buildings	(2)	(160)
Deferred tax credit arising on revaluation of heritage assets	(1)	-
Deferred tax charge/(credit) included in other comprehensive expense	**24**	**(1,151)**

Deferred tax as at 31 March 2025 is recognised on all revaluation reserves at 25% (2024: 25%)

9. Tax on Profit (continued)

c. Reconciliation of taxation charge

The tax charge for the year ended 31 March 2025 of £16,958,000 (2024: £15,437,000) is higher (2024: lower) than the result of applying the standard rate of UK corporation tax of 25% (2024: 25%). The reasons for this are shown below:

Group For year ended 31 March	2025 £000	2024 £000
Profit before tax	**63,734**	**80,836**
Profit before tax multiplied by standard rate of tax in the UK of 25% (2024: 25%)	**15,934**	**20,209**
Effects of:		
- Permanent disallowables	(452)	(285)
- Surcharge at 3% (2024: 8% on excess profits of £45,975,000)	-	(49)
- Fixed asset timing differences	490	661
- Pension buy in allowable contribution	(70)	(1,798)
- Investment FV losses/(gains)	518	(695)
- Other timing differences	(782)	(441)
- Adjustments in respect of previous years	1,320	(2,165)
Total tax charge for the year	**16,958**	**15,437**
Effective tax rate	**26.6%**	**19.1%**

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

£60,712,000 (2024: £64,591,000) of the Group profit attributable to shareholders relates to the bank; this includes dividends of £13,981,000 (2024: £250,000) 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	2025 £000	2024 £000
Company profit	60,712	64,591
Final closing balance	**60,712**	**64,591**

11. Dividends

The aggregate of dividends comprises:

Company For year ended 31 March	2025 £ per share	2024 £ per share	2025 £000	2024 £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 2025 £000	Fair value 2025 £000	Notional amount 2024 £000	Fair value 2024 £000
Derivative assets				
Exchange rate contracts				
Forward foreign exchange contracts	55,888	183	7,824	71
Interest rate contracts				
Interest rate swaps – hedging instruments	1,034,174	100,181	1,140,198	117,742
Total derivative assets	**1,090,062**	**100,364**	**1,148,022**	**117,813**
Derivative liabilities				
Exchange rate contracts				
Forward foreign exchange contracts	25,212	135	16,757	15
Interest rate contracts				
Interest rate swaps – hedging instruments	175,116	577	198,832	6,749
Total derivative liabilities	**200,328**	**712**	**215,589**	**6,764**

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	2025 £000	2024 £000
Loans and advances to customers		
- Drawn	738,372	1,059,675
Deposits	148,418	164,479
Debt securities	322,500	114,876
Total interest rate swap notional amounts	**1,209,290**	**1,339,030**

13. Financial Assets

As at 31 March	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Financial assets at fair value through profit or loss				
Investments	595,373	593,212	595,373	593,212
Total financial assets at fair value through profit or loss	**595,373**	**593,212**	**595,373**	**593,212**
Financial assets at cost less impairment				
Investment in equity shares	2,530	2,529	2,530	2,529
Total financial assets at cost less impairment	**2,530**	**2,529**	**2,530**	**2,529**
Financial assets measured at amortised cost				
Loans and advances to banks (Note 13(a))	65,834	123,470	65,834	123,470
Loans and advances to customers (Note 13(b))	2,286,817	2,130,465	2,286,817	2,130,465
Less specific and collective allowances for impairment	(12,415)	(13,881)	(12,415)	(13,881)
Bank and building society certificates of deposits	106,148	104,099	106,148	104,099
Debt securities*	2,355,236	2,289,827	2,355,236	2,289,827
Total financial assets measured at amortised cost	**4,801,620**	**4,633,980**	**4,801,620**	**4,633,980**
Total financial assets	**5,399,523**	**5,229,721**	**5,399,523**	**5,229,721**

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 £2.2m (2024: £4.6m).

a. Loans and advances to banks

Group & Company As at 31 March	2025 £000	2024 £000
Repayable on demand	32,407	37,654
Other loans and advances:		
Remaining maturity		
- 3 months or less	120	55,094
- 3 to 6 months	1,546	1,460
- over 5 years	31,761	29,262
Total loans and advances to banks	**65,834**	**123,470**

13. Financial Assets (continued)

b. Loans and advances to customers

Group & Company As at 31 March	2025 £000	2024 £000
Remaining maturity		
- 3 months or less	462,165	1,034,655
- 1 year or less but over 3 months	339,402	157,434
- 5 years or less but over 1 year	1,213,789	643,038
- over 5 years	271,461	295,338
Total loans and advances to customers	**2,286,817**	**2,130,465**
Allowance for impairment losses (Note 14)	(12,415)	(13,881)
Net loans and advances to customers	**2,274,402**	**2,116,584**
Of which repayable on demand or short notice	**137,024**	**194,658**

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 2025 was £738.4m (2024: £1,059.7m).

14. Allowance for Impairment Losses

Loans and advances to customers

Group & Company	2025 £000	2024 £000
Specific allowance for impairment		
Balance as at 1 April	**9,003**	**17,003**
Impairment loss for the year		
- Charge for the year	2,635	4,727
- Reversal for the year	(413)	(633)
Net charge on specific provision	**2,222**	**4,094**
- Write-offs	(3,688)	(12,094)
Balance as at 31 March	**7,537**	**9,003**
Collective allowance for impairment		
Balance as at 1 April	**4,878**	**5,313**
Impairment loss for the year		
- Charge for the year	-	(435)
Net charge on collective provision	**-**	**(435)**
Balance as at 31 March	**4,878**	**4,878**
Total specific and collective impairment allowances	**12,415**	**13,881**

Reversals arise where the evidence of impairment is favourable to what was originally provided.

15. Shares in Group Undertakings

The bank has the following investments in subsidiaries:

Shares at cost	Company Number	Shares held	Principal Activity	2025 £	2024 £
Hoare's Bank Pension Trustees Limited	05687009	1 ordinary share of £1	Pension schemetrustee	1	1
Hoares Trustees Limited	00271162	250,072 ordinary shares of £1	Trustee Company	250,072	250,072
Ludlow Trust Company (London) Limited	15274780	250,000 shares of £1 (2024: 250,000 shares of £1 each)	Trustee Company (sold 19 April 2024)	-	250,000
Total investment in subsidiaries				**250,073**	**500,073**

All subsidiary companies were as at 31 March 2025 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 19 April 2024, shares in Ludlow Trust Company (London) Limited (formerly Messrs Hoares Trustees Limited) were sold to a third party outside of the group and all the share capital transferred from C. Hoare & Co. to the buyer.

For the year ending 31st March 2025 Hoares Trustees Limited is exempt from the requirements of the Companies Act 2006 relating to audit of its financial statements 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 2025.

16. Intangible Assets

Group & Company	Software 2025 £000	2024 £000
As at 1 April		
Cost	65,250	56,521
Accumulated amortisation and impairment	(47,887)	(39,756)
Opening net book value	**17,363**	**16,765**
Year ended 31 March		
Opening net book value	17,363	16,765
- Additions	9,799	9,220
- Impairment – cost	(395)	(491)
- Amortisation	(8,608)	(8,385)
- Impairment – amortisation	286	254
Closing net book value	**18,445**	**17,363**
As at 31 March		
Cost	74,654	65,250
Accumulated amortisation	(56,209)	(47,887)
Net book value of assets in use	**18,445**	**17,363**
Assets in development and not in use	13,331	-
Closing net book value	**31,776**	**17,363**

16. Intangible Assets (continued)

Group & Company As at 31 March	2025 £000	2024 £000
Future capital expenditure		
Contracted but not provided in the financial statements	**1,586**	**11,069**

Included within intangibles for 2025 is work in progress on IT Software projects under construction of £13.3m (2024: £11.1m). Prior to this financial year, this was classified in prepayments and accrued income (note 21).

17. Property and Equipment

Group & Company As at 31 March 2025	Land and Buildings £000	Investment Properties £000	Equipment £000	Assets under construction £000	Total £000
Year ended 31 March 2025					
Opening net book value as at 1 April 2024	36,376	6,705	6,983	-	50,064
- Additions	-	-	2,487	-	2,487
- Disposals – cost	-	-	(2,383)	-	(2,383)
- Revaluation movement	(9)	(405)	-	-	(414)
- Depreciation	(304)	-	(2,446)	-	(2,750)
- Disposals – depreciation	-	-	2,250	-	2,250
Closing net book value of assets in use	**36,063**	**6,300**	**6,891**	**-**	**49,254**
Assets under construction				3,938	3,938
Closing net book value as at 31 March 2025	**36,063**	**6,300**	**6,891**	**3,938**	**53,192**
As at 31 March 2025					
Cost	9,590	4,359	24,106	-	38,055
Revaluation	27,383	1,941	-	-	29,324
Accumulated depreciation	(910)	-	(17,215)	-	(18,125)
Closing net book value of assets in use	**36,063**	**6,300**	**6,891**	**-**	**49,254**
Closing net book value of assets under construction	-	-	-	3,938	3,938
Closing net book value as at 31 March 2025	**36,063**	**6,300**	**6,891**	**3,938**	**53,192**

Included within property and equipment for 2025 is costs for assets under construction of £3.9m (2024: £1.1m). Prior to this financial year, this was classified in prepayments and accrued income (note 21).

17. Property and Equipment (continued)

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 March 2024	**36,376**	**6,705**	**6,983**	**50,064**

Group & Company As at 31 March	2025 £000	2024 £000
Land and buildings occupied for own activities		
Net book amount	**30,080**	**30,535**
At cost		
- Land and buildings occupied for own use	6,871	6,908
- Land and buildings not occupied for own use	2,719	2,682
- 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 2025 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 1.6% (Loss 3.1%: 2024) for land, buildings and investment properties and no revaluation (nil: 2024) of the Royal Albert Hall Box has been posted.

Group & Company As at 31 March	2025 £000	2024 £000
Future capital expenditure		
Contracted but not provided in the financial statements	**2,514**	**370**

17. Property and Equipment (continued)

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

Group & Company As at 31 March	2025 £000	2024 £000
Payment due:		
- Not later than one year	81	35
- Later than one year and not later than five years	81	52
Total lease payments on operating leases	**162**	**87**

18. Heritage Assets

Group & Company			**2025**			**2024**
	Paintings £000	**Artefacts £000**	**Total £000**	Paintings £000	Artefacts £000	Total £000
Valuation as at 1 April	**11,270**	**3,828**	**15,098**	**11,214**	**3,826**	**15,040**
Movements - additions	7	2	9	56	2	58
Movements - disposals	-	(2)	(2)	-	-	-
Movements - valuation	-	-	-	-	-	-
Valuation as at 31 March	**11,277**	**3,828**	**15,105**	**11,270**	**3,828**	**15,098**

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 commissioned revaluation of its most significant assets. This revaluation concluded that the values adopted as of 31 March 2022 were also appropriate as of 31 March 2025.

Over the past 4 years, 3 items have been donated to the heritage asset collection, these are all paintings. These items were received after the last formal valuation was completed so are currently valued at £nil. Value will be applied, where appropriate, in the next external valuation exercise.

19. Deferred Tax

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

Group & Company	2025 £000	2024 £000
Deferred tax asset		
Defined benefit pension scheme	-	27
Deferred tax asset as at 31 March	**-**	**27**
Deferred tax liability		
Timing differences on valuations		
- Land and buildings	6,845	6,847
- Investment properties	486	586
- Heritage assets	3,660	3,661
Fixed assets timing differences	564	237
Deferred tax liability as at 31 March	**11,555**	**11,331**

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 31 March 2025 (2024:nil).

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

Group & Company	2025 £000	2024 £000
Deferred tax asset		
Balance as at 1 April	**27**	**496**
Fixed assets timing differences	-	(496)
Defined benefit pensions scheme		
- Actual (gain) / loss	(27)	27
Deferred tax asset as at 31 March	**-**	**27**
Deferred tax liability		
Balance as at 1 April	**11,331**	**12,342**
Timing differences on valuations		
- Land and buildings	(2)	(160)
- Investment properties	(100)	(123)
- Heritage assets	(1)	-
Fixed assets timing differences	327	237
Defined benefit pensions scheme:		
- Actual loss	-	(965)
Deferred tax liability as at 31 March	**11,555**	**11,331**

20. Other Assets

As at 31 March	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Corporation tax	-	4,397	-	4,397
Settlement balances	1,237	122	1,237	122
Amounts owed by group undertakings	-	-	-	103
Total other assets	**1,237**	**4,519**	**1,237**	**4,622**

Settlement balances relate to unsettled transactions at the year end.

21. Prepayments and Accrued Income

As at 31 March	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Interest receivable	2,214	2,249	2,214	2,249
Prepayments and accrued income	6,850	19,019	6,449	18,710
Total prepayments and accrued income	**9,064**	**21,268**	**8,663**	**20,959**

Included within prepayments and accrued income in 2024 is work in progress on IT Software projects under construction of £11.1m, and £1.1m of tangible assets under construction. For 2025, all work in progress on IT Software projects under construction, of £13.3m, has been reclassified to intangible assets (note 16), and all tangible assets under construction of £3.9m has been reclassified to tangible assets (note 17).

22. Deposits by Banks

Group & Company As at 31 March	2025 £000	2024 £000
Repayable on demand	99,590	109,543
Total bank deposits	**99,590**	**109,543**

23. Customer Accounts

As at 31 March	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Repayable on demand	3,263,649	3,086,167	3,263,649	3,086,167
With agreed maturity date or notice period, by remaining maturity:				
-3 months or less but not repayable on demand	1,915,771	1,710,878	1,915,771	1,710,878
-1 year or less but over 3 months	1,232,818	1,247,784	1,232,818	1,247,784
-2 years or less but over 1 year	14,082	50,887	14,082	50,887
-2 years or more	1,055	1,003	1,055	1,003
Total customer deposits	**6,427,375**	**6,096,719**	**6,427,375**	**6,096,719**
Amount due to subsidiary Companies	-	-	**165**	**14,677**

24. Other Liabilities

As at 31 March	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Settlement balances	28,752	4,492	28,752	4,492
Other creditors	330	365	282	263
Corporation Tax	500	44	500	-
Amounts owed to group undertakings	-	-	-	10
Total other liabilities	**29,582**	**4,901**	**29,534**	**4,765**

Settlement balances relate to unsettled transactions at the year end.

25. Accruals and Deferred Income

As at 31 March	Group 2025 £000	Group 2024 £000	Company 2025 £000	Company 2024 £000
Accruals and deferred income	31,795	60,428	31,795	60,385
Total accruals & deferred income	**31,795**	**60,428**	**31,795**	**60,385**

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, (2024: £nil) in respect of legal and other provisions; total provision did not move during the year (2024: nil movement) resulting in the bank carrying a closing provision of £nil at 31 March 2025 (2024: £nil).

27. Called up Share Capital

Group & Company As at 31 March	2025 £000	2024 £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	Property £000	Heritage Assets £000	Total £000
Balance as at 1 April 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**
Revaluation of property and heritage assets	(9)	(2)	(11)
Deferred tax credit on property and heritage assets	2	1	3
Balance as at 31 March 2025	**20,537**	**10,981**	**31,518**

Deferred tax is recognised on all revaluation movements at 25% (2024: 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 forcustomers as at 31 March 2025.

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.

Group as at 31 March **As at 31 March**	**2025** **£000**	**2024** **£000**
Contingent liabilities:		
- Performance bonds and other transaction-related contingencies	460	469
- Letters of credit	-	71
- Guarantees	11,785	13,908
Total contingent liabilities	**12,245**	**14,448**
Commitments:		
Undrawn formal standby facilities, credit lines and other commitments to lend		
- Commitments to lend	338,681	350,198
- Commitments on equity investments	6,716	5,131
Total commitments	**345,397**	**355,329**

29. Contingent Liabilities & Commitments (continued)

As disclosed in note 15, one of the bank's subsidiaries, Hoares Trustees Limited (company number: 00271162), 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 £518,184 (2024: £250,072).

30. Notes to the Consolidated Cash Flow Statement

Group For year ended 31 March	2025 £000	2024 £000
Profit for the financial year	46,776	65,399
Tax on profit on ordinary activities	16,958	15,437
Profit before tax	**63,734**	**80,836**
Impairment charge	2,222	3,659
Loans and advances written off	(3,688)	(12,094)
Amortisation of intangible assets	8,608	8,385
Depreciation of tangible fixed assets	2,748	2,435
Net income in respect of defined benefit scheme	(1)	(413)
Operating lease	5	6
Loss on disposal of tangible asset	143	52
Loss on impairment of intangible asset	110	237
Loss on revaluation of investment property	405	490
Gain of sale of subsidiary	(272)	-
Adjustment of non-cash items on sale of subsidiary	(472)	-
Fair value movements on financial assets	34,217	2,270
Working capital movements:		
- Increase in loans and advances	(104,239)	(73,107)
- Decrease in debtors	13,601	257
- Increase / (decrease) in payables	316,294	(108,422)
Cash flow generated from / (used in) operating activities	**333,415**	**(95,409)**

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 15 to 23.

The principal risks affecting the bank are explained in the Strategic Report on pages 19 to 23. 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, Board Risk Committee and the Board on a regular basis.

Management of credit risk

The bank seeks to mitigate credit risk by building strong, established relationships with its customers and focusing on sectors where the bank has experience, specialist expertise and a long track record of success. 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 real estate. 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.

Through the course of its lending assessments, the bank primarily takes into consideration the customer's ability to service and repay their debt notwithstanding the existence of any credit risk mitigations. The unique nature of the bank's customer base and their financial affairs can occasionally result in irregular liquidity events which could result in some delayed payments, however, such events tend to be uncommon and where they do occur they are closely monitored and may not necessarily be indicative of an increase in credit risk. The bank manages these situations through regular communication with customers and mitigates the risk of loss by obtaining strong levels of high-quality security cover on the vast majority of its customer lending exposures.

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 assessmentof 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	2025 £000	2024 £000
Balance Sheet items		
Cash and balances at central banks	1,548,443	1,345,322
Derivative financial instruments (Note 12)	100,364	117,813
Loans and advances to banks (Note 13(a))	65,834	123,470
Loans and advances to customers (Note 13(b))	2,274,402	2,116,584
Bank and building society certificates of deposits (Note 13)	106,148	104,099
Debt securities (Note 13)	2,355,236	2,289,827
Equity securities (Note 13)	597,903	595,741
Maximum credit exposure from Balance Sheet items	**7,048,330**	**6,692,856**
Off balance sheet items		
Contingent liabilities (Note 29)	12,245	14,448
Commitments (Note 29)	345,397	355,329
Maximum credit exposure from off Balance Sheet items	**357,642**	**369,777**
Maximum credit exposure	**7,405,972**	**7,062,633**

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 more, 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	2025 £000	2024 £000
Performing		
Neither past due nor impaired	**2,241,492**	**2,082,169**
Past due but not impaired		
Up to 90 days overdue but not impaired	14,952	9,897
Over 90 days but no more than 180 days past due and not impaired	2,578	8,203
Over 180 days past due but not impaired	15,606	9,731
Individually assessed and impaired	12,189	20,465
Total past due loans	**45,325**	**48,296**
Total loans and advances to customers prior to impairment	**2,286,817**	**2,130,465**
Impairment		
Specific allowances for impairment	7,537	9,003
Collective allowance for impairment	4,878	4,878
Total impairment (Note 14)	**12,415**	**13,881**
Total loans and advances to customers (Note 13(b))	**2,274,402**	**2,116,584**
Fair value adjustment	**78,773**	**95,634**
Total loans and advances to customers adjusted fair value (Note 31(d))	**2,353,175**	**2,212,218**
Non-performing loans to gross loans and advances	1.3%	2.3%
Specific impairment to gross loans and advances	0.3%	0.4%
Collective impairment to gross loans and advances	0.2%	0.2%
Specific impairment to non-performing loans	24.8%	18.6%
Collateral		
Against loans past due but not impaired	109,410	106,857
Against impaired loans	5,208	15,199
Total collateral against non-performing loans	**114,618**	**122,056**

At 31 March 2025, impaired loans of £2.9m (2024: £6.9m) had forbearance considerations, and specific provisions of £2.9m (2024: £5.3m). The estimated value of collateral against these loans is £nil (2024: £nil). As at 31 March 2025, the above table removed all loans past due by up to 90 days, but not impaired, from non-performing loans, to be consistent with internal and regulatory definitions. If the same methodology was applied to 2024 figures, the non-performing loans to gross loans and advances ratio would have been 1.8%.

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 withrespect 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 2025 the bank's exposure to UK customers and counterparties was 87% (2024: 87%) 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 2025, the value of property collateral recorded against customer facilities was £5,189m (2024: £5,764m). The estimated value of collateral against the impaired customer loans and advances was £5.2m (2024: £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 basedon 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's view on property values whereby 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 is carried out at the reporting date to estimate expected credit losses on loans that are not individually impaired. 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. Occasionally, as it is always possible that a customer may acquire assets in the future, debts may be left, fully provisioned, where it is deemed suitable and appropriate to do so. Bad debts are written off only when there is deemed probable 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 difficultiesis 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 of provision of terms, which would not generally be available 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	2025 £000	2024 £000
Loans and advances to banks, by rating:		
- Aaa to Aa3	7,433	64,043
- A1 to A3	58,401	59,427
Total unimpaired loans and advances to banks	**65,834**	**123,470**
Debt and equity security financial assets, by rating:		
- Aaa to Aa3	2,743,389	2,701,775
- A1 to A3	275,918	257,720
- Not rated	39,980	30,172
Total debt and equity securities	**3,059,287**	**2,989,667**

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 2025	Total £000	Next day £000	Less than1 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	99,590	99,590	-	-	-	-	-
Deposits from customers	6,451,330	3,258,945	838,028	1,082,276	1,255,787	16,294	-
Derivative liabilities	712	2	133	-	424	24	129
Off balance sheet:							
Guarantees, letters of creditand performance bonds	12,245	12,245	-	-	-	-	-
Undrawn customer facilities	345,397	233,046	454	3,603	11,548	87,903	8,843
Total liabilities	**6,909,274**	**3,603,828**	**838,615**	**1,085,879**	**1,267,759**	**104,221**	**8,972**

Group As at 31 March 2024	Total £000	Next day £000	Less than1 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	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 creditand 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**

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.

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 require ALCo approval, subject to a spend limit approved by Board and are subject to limits and controls monitored by ALCo.

Management of interest rate risk

The bank measures, monitors and manages various types of interest rate risk, which are calculated and reported to the ALCo monthly against Board approved limits.

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 interest rate 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 by the 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.

When required, interest rate swaps are booked against individual assets or liabilities of equal amount and duration to protect the bank's 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 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 2025	£000	£000	£000	£000	£000	£000
Assets						
Loans and advances to banks andcentral banks	1,614,414	1,581,107	1,546	-	-	31,761
Loans and advances to customers	2,353,175	1,351,048	63,130	156,830	526,580	255,587
Debt security financial assets	2,461,384	2,066,649	-	85,856	-	308,879
Total assets	**6,428,973**	**4,998,804**	**64,676**	**242,686**	**526,580**	**596,227**
Liabilities						
Deposits by banks	99,590	99,590	-	-	-	-
Customer accounts	6,427,375	5,105,897	1,118,414	188,095	14,969	-
Total liabilities	**6,526,965**	**5,205,487**	**1,118,414**	**188,095**	**14,969**	**-**
Derivatives notional	**-**	**1,149,596**	**(88,160)**	**(200,542)**	**(286,171)**	**(574,723)**
Interest rate gap	**(97,992)**	**942,913**	**(1,141,898)**	**(145,951)**	**225,440**	**21,504**

31. Financial Risk Management (continued)

d. Market Risk (continued)

Group As at 31 March 2024	Total £000	Up to 3 months £000	3 to 6 months £000	6 to 12 months £000	1 to 5 years £000	Over5 years £000
Assets						
Loans and advances to banks andcentral 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**
Net derivatives	**-**	**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**

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 -£2.7m and £3.3m respectively (2024: £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 2025 is shown in the table below.

Effect of a change of 2.00% in sterling market rates

Group As at 31 March	2025 £000	2024 £000
Net present value sensitivity to:		
- Positive shift	(2,736)	2,638
- Negative shift	3,307	(2,812)

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 9.3 (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 2025 the aggregate value difference between assets and liabilities priced on, or linked to, different benchmark interest rates were equivalent to 138.1% (2024: 140.4%) of the bank's total assets. The delay in adjusting managed rates to align with a 25bps shift inbenchmark rates would affect future earnings by £0.0m over a 12 month period (2024: £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.

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	£000		£000
As at 31 March 2025	Net Exposure	% of net assets	Sensitivity
US dollar	(42,614)	(7.63)	(4,261)
Euro	8,640	1.55	864
Other	293	0.05	29
Total	**(33,681)**	**(6.03)**	**(3,368)**

Net currency exposure sensitivity analysis

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

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 approximatesto 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 andis 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 FRS102 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.

31. Financial Risk Management (continued)

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

Valuation hierarchy

Group As at 31 March 2025	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Equity securities	587,590	-	7,783	595,373
Derivative financial assets	-	100,364	-	100,364
Financial assets at fair value	**587,590**	**100,364**	**7,783**	**695,737**
Derivative financial liabilities	-	712	-	712
Financial liabilities at fair value	**-**	**712**	**-**	**712**

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**

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

The bank has invested in level 3 investments with a market value of £7,781,354 as at 31 March 2025 (2024: £7,381,517).

By the end of the year, the aggregate value of the investment portfolio at fair value reported in the above table amounted to £595,373,000 (2024: £593,212,000). These investments are measured at the market share price as at 31 March 2025.

f. Capital management

The bank's capital management for regulatory purposes 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., either directly or indirectly. The key management personnel include the Directors, two partners who are not Directors, and two members of the Management Team: the Chief Financial Officer and the Chief Risk and Compliance Officer. These individuals are considered to have significant influence under FRS 102.

Group As at 31 March	2025 £000	2024 £000
Loans and advances	19,455	16,785
Customer deposits	55,067	28,394
Income	79	79

The below table shows remuneration of key management personnel not already disclosed in Note 8 (Director's Emoluments).

Key management personnel compensation

Group For year ended 31 March	2025 £000	2024 £000
Aggregate emoluments	7,091	4,034
Pension contributions	110	53
Total key management compensation	7,201	4,087

The bank included related party transactions with key management personnel as of 31 March 2025 for loans and advances of £19.5m (2024: £16.8m) and deposits of £55.1m (2024: £28.4m). Any loans, advances or deposits with key management personnel are given the same interest rate and conditions as those provided to customers. During the year repayments of £1.3m were made against loans and advances.

The bank provides banking services to the bank's charitable trust, The Golden Bottle Trust, and made a charitable donation to the trust of £5.6m (2024: £12.0m) during the year.

The bank's fee income includes trustee services to key Management personnel and their close family members of £Nil (2024: £Nil) and rental income of £79k (2024: £79k) 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 2025 there were no charged assets across the group.

C. Hoare & Co.

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