

The balance sheet grew to £2.8bn at our year end, and more recently it touched £3bn. Lending was modestly up despite some significant repayments, and deposits rose 12% in the year. We had another good year for funds under management, which stood above £1.5bn at the balance sheet date, and the Master Charitable Trust continues to expand satisfactorily.

After including audited profits, the risk asset ratio is a healthy 20%, and such are the intricacies of the fourth Capital Requirements Directive that almost all our capital is now ranked as core equity tier 1 (the best). The headcount has increased to 400 people with a number of senior appointments recently.

At our Annual General Meeting the seven Partners unanimously agreed to invite Alex R. Q. Hoare to become a Partner and he bought some (unlimited liability) shares from his father, Richard Q. Alex has been primarily involved with credit over the last few years. Before that he spent a couple of years with Brown Brothers Harriman in New York and prior to that he worked widely around the bank.

Henry C. Hoare has decided to step down from the C. Hoare & Co. board when a new non-executive director is formally appointed, but he will remain an unlimited liability Partner and will remain on the board of Messrs Hoare Trustees.

Since my winter letter a lot of energy has been spent on regulation. I apologise for the impact on customers of the Mortgage Market Review, which appears to be a response to “liar loans” which never featured strongly here...

An upside of the blizzard of regulatory activity is accelerated investment in information technology. Not much of it has been visible to customers so far, but we are in the process of installing bank-wide electronic files, on the back of which we will be able to do much more. We hope to drive down the amounts of paper we are required to send to customers.

My last letter referred to exiting marginal businesses. We need to focus our resources where we are most competitive, and to simplify the bank wherever possible. We have significantly tightened our criteria for opening bank accounts for children (and their parents), and we no longer accept small investment portfolios (below £1m). We will need to review the custody-only business when the new European securities regulations come into force.

Bank of England base rate has some way to rise before it re-synchronises with ours. The business feels well positioned with regard to the main geopolitical, technological, regulatory and other hazards of which we are aware. However we remain alert to the Harold Macmillan risk “Events, dear boy...”

Alexander Hoare
July 2014

C. HOARE & CO. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
31ST MARCH 2014

	£000
ASSETS	
Cash and balances at central banks	565,415
Items in course of collection from banks	5,272
Derivative financial instruments	5,105
Loans and advances to banks	121,372
Loans and advances to customers	1,086,327
Debt securities and other available-for-sale financial assets	959,426
Tangible fixed assets	50,323
Heritage Assets	9,619
Prepayments and other assets	13,947
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Total Assets	2,816,806
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LIABILITIES	
Deposits by banks	16
Customer accounts	2,525,734
Repurchase agreements	25,000
Derivative financial instruments	18,250
Accruals and other liabilities	22,651
Defined benefit pension scheme liability net of deferred tax	5,488
Called-up share capital	120
Reserves	219,547
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Total Liabilities	2,816,806
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MEMORANDUM ITEMS	
- Contingent liabilities (guarantees)	29,428
- Commitments	306,671

Approved at the Annual General Meeting on 24th July 2014.

Note:

The Auditor's Report by PricewaterhouseCoopers LLP on the statutory financial statements was unqualified.