

The bank remains strongly capitalised by all measures, and it is still very liquid having lent to customers less than half your deposits. Over the last year we have increased our loans and advances by 12% and our deposits by 9%. Funds under discretionary management are up over 30%.

The Bank of England's base rate reached 3% on 6th November 2008, and we feared that any lower rate would jeopardise the long term viability of the bank. When the Bank of England reduced its base rate to 2% on 4th December 2008, we decided to maintain ours at 3%. We little imagined any disparity would continue more than a few months let alone several years, and it will be interesting to see how unconventional monetary policy is unwound.

However it seems that "austerity" is not such a bad thing for our customers whose deposits are up 50% since my 2008 summer letter. Over the same period, customers' borrowing has increased 70%, their funds under discretionary management have tripled and the bank's reserves have grown by 64% (£76m in absolute terms).

Since my last letter we have occupied 40 Fleet Street. One floor of it is allocated to our IT Department which is a large and strategic part of the bank. We continue to invest heavily in future efficiency. The internet has been a thoroughly positive force for a small bank with just two offices, and we would be lost without our Online Banking service. Our website however is in need of a major revision, and this is due to take place this autumn. It will have frequent updates and we encourage you to browse it and to look out for talks and other events we arrange for you.

We are fortunate to be based in London, which is rich in talented and creative people. We have recently drawn together a team to identify and serve the needs of entrepreneurs, who account for a substantial part of our customer base. The first events we have hosted have been well received.

Anyone who has eaten at the bank in the last 23 years will be saddened to learn of the death of our Head of Catering, Elwyn Wood. Cancer is all around us...

Over the years customers have kindly provided me with a great many reading opportunities. Now it is my turn to reciprocate. I have been waiting for a good explanation of the financial crisis, and finally one has turned up: "Scamonomics", by my university friend Justin Baldwin, which I recommend for a broad and deep understanding of the advantages and intractable problems of money. It is available from his website, www.scamonomics.co.uk.

Alexander Hoare
July 2013

C. HOARE & CO. AND ITS SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET
31ST MARCH 2013

	£000
ASSETS	
Cash and balances at central banks	542,377
Items in course of collection from banks	5,059
Derivative financial instruments	179
Loans and advances to banks	134,931
Loans and advances to customers	1,062,505
Debt securities and other available-for-sale financial assets	702,270
Tangible fixed assets	45,818
Heritage Assets	9,618
Prepayments and other assets	10,622
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Total Assets	2,513,379
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LIABILITIES	
Deposits by banks	4
Customer accounts	2,262,050
Derivative financial instruments	18,941
Accruals and other liabilities	22,771
Defined benefit pension scheme liability net of deferred tax	15,105
Called-up share capital	120
Reserves	194,388
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Total Liabilities	2,513,379
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MEMORANDUM ITEMS	
- Contingent liabilities (guarantees)	32,830
- Commitments	319,240

Approved at the Annual General Meeting on 18th July 2013.

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