

We were distracted from the state of the nation's finances and cheered by the Queen's Diamond Jubilee and the London Olympics. Happily the bank's financial condition remains good, and has improved since my Summer Letter.

Our investment performance has also been good, and in August our funds under discretionary management exceeded £1bn for the first time. In September STEP awarded us Private Banking Team of the Year and Institutional Trust Team of the Year (for Messrs Hoare Trustees) and then in October we won Private Bank of the Year (UK) from Spears. In December our lending also exceeded £1bn for the first time.

Thank you to those customers who participated in our customer survey. The feedback was very complimentary. The one consistent criticism concerned our deposit rates. At a time when we have much of our assets earning 0.5% from the Bank of England, it is hard to see how we could pay improved rates without either making a loss or taking more risk with your deposits. The whole thrust of central bank policy is to make holding cash unattractive. We do however endeavour to keep your cash safe, and we have no current plans to follow the Swiss example of charging for deposits!

Long term readers of my letters will know our enthusiasm for Schumacher's "Small is Beautiful". Another mantra we have held tightly to over the years is the KISS principle (Keep It Simple Stupid), and the two together have served us well. As we navigate a hostile environment for banks, we are pursuing simplification more, and this may result in exiting marginal services and a lessening of flexibility in some cases. It is imperative for us to be efficient and compliant at whatever we do.

Our Knightsbridge branch under Hazel Newman's leadership has adopted Intermission Youth Project at St Saviours (behind Harrods). This takes young people at risk of offending and gives them self-esteem and other opportunities, in putting on first class Shakespeare interpretations. The bank has been able to provide a range of skills and services, and introduce its customers to the shows, as well as give money from the Golden Bottle Trust. This combination of factors is powerful; please let us know if you would like to see a show or become involved.

Our Master Charitable Trust, which gives customers the benefit of a charitable trust without the onus of administration, has exceeded our expectations. Additional Rate tax payers can benefit from 50% tax relief on gifts of cash and qualifying assets until 5th April. On a similar theme we have appointed Simon Barker to head up services to charities, and Joanna Hewitt and I remain keen to meet philanthropists.

When, more than one hundred years ago, George Gilbert Williams, president of the famously conservative Chemical Bank, was asked for the secret of his success, he replied: "The fear of God". There's nothing new under the sun!

Alexander Hoare
January 2013

Please see overleaf for information about the Financial Services Compensation Scheme.

We are legally required to advise you of the following:

Important Information about Compensation Arrangements

We are covered by the Financial Services Compensation Scheme (FSCS). The FSCS can pay compensation to depositors if a bank is unable to meet its financial obligations. Most depositors - including most individuals and small businesses - are covered by the scheme.

In respect of deposits, an eligible depositor is entitled to claim up to £85,000.00. For joint accounts each account holder is treated as having a claim in respect of their share so, for a joint account held by two eligible depositors, the maximum amount that could be claimed would be £85,000.00 each (making a total of £170,000.00). The £85,000.00 limit relates to the combined amount in all the eligible depositor's accounts with the bank including their share of any joint account, and not to each separate account.

For further information about the scheme (including the amounts covered and eligibility to claim) please call us on 020 7353 4522 or refer to the FSCS website www.FSCS.org.uk.

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