

Hargreaves Lansdown plc

Regulatory Capital and Dividend Policy Update

Notification

Hargreaves Lansdown plc (“Hargreaves Lansdown” or the “Group”) today notifies the market of a change to its regulatory capital requirements and the consequent impact on its expected 2017 dividend declarations.

Hargreaves Lansdown is regulated by the Financial Conduct Authority (FCA). On 3 August, the FCA notified the Group that it intends to reassess its regulatory capital requirements given the Group’s strong recent growth in scale and complexity. The revised assessment would mean the Group’s regulatory capital surplus during 2018 is insufficient to meet our risk appetite levels if we paid a special dividend for the year ended 30 June 2017 in line with market expectations. In response, the Board has decided it must clarify its dividend policy and how it will be applied in the 2017 results.

Clarification of dividend policy and approach to 2017 declarations

Hargreaves Lansdown has a progressive ordinary dividend policy. The Board considers the dividend on a total basis, with the intention of maintaining the ordinary dividend payout ratio at around 65% across the market cycle and looking to return excess cash to shareholders in the form of a special dividend. Any such return will be determined according to market conditions and after taking account of the Group’s growth, investment and regulatory capital requirements at the time.

Reflecting this policy and our notification from the FCA yesterday, the Board expects to propose a final ordinary dividend that will generate a total ordinary dividend payout ratio of 65% for the financial year ended 30 June 2017. The Board has concluded it needs to retain an additional £50m of capital and hence the Group will not pay a special dividend for the financial year ended 30 June 2017.

Hargreaves Lansdown looks to create long-term value for shareholders by balancing our desire to deliver profit growth, capital appreciation and an attractive dividend stream to shareholders with the need to maintain a market-leading offering and high service standards for our clients. The Group maintains a strong net cash position and the Board believes it already had a robust balance sheet with sufficient capital to fund ongoing trading and future growth. The action announced today maintains capital above our regulatory risk appetite levels, in line with our strategy of offering a safe and secure home for our clients’ lifelong investments.

2017 full year results

Given the Group was due to release final audited results on 15 August, the Board has decided to pre-release key information to allow investors to assess its strong financial and trading performance alongside this announcement. For the financial year ended 30 June 2017, Hargreaves Lansdown expects to announce:

- Assets Under Administration up 28% to £79.2 billion
- Net New Business of £6.9 billion, up 15% in the year
- 954,000 active clients, an increase of 118,000 in the year
- Unaudited profit before tax increase of 21% to a range of £265 million to £266 million

At the results presentation on 15 August, Hargreaves Lansdown will discuss the results in more detail and update investors on the progress it is making in capturing the attractive opportunities it sees for growth in the UK savings and investments market.

About us:

Hargreaves Lansdown is the largest direct to investor investment service administering £79 billion of investments for over 950,000 clients. Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people’s savings and investments that offers great value, an incredible service and makes their financial life easy.

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Forward-looking statements

This document has been prepared to provide additional information to shareholders to assess the current position and future potential of the Hargreaves Lansdown Group (“the Group”). It should not be relied on by any other party for any other purpose. This document contains forward-looking statements that involve risks and uncertainties. The Group’s actual results may differ materially from the results discussed in the forward-looking statements as a result of various economic factors or the business risks, some of which are set out in this document.