



Hargreaves Lansdown PLC

Unaudited interim results for the
6 months ended 31 December 2011

9 February 2012

Forward-looking statements

These presentation slides contain forward-looking statements and forecasts with respect to the financial condition and the results of Hargreaves Lansdown PLC.

These statements are forecasts involving risk and uncertainty because they relate to events and depend upon circumstances that may occur in the future.

There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this presentation should be construed as a profit forecast.

Nothing in this presentation should be seen as a promotion or solicitation to buy Hargreaves Lansdown PLC shares. It should be remembered that the value of shares can fall as well as rise and therefore you could get back less than you invested.

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Tracey Taylor, Finance Director

Comment and strategy update

Ian Gorham, Chief Executive

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Overview and financial results

Tracey Taylor
Finance Director

H1 2012 overview

Continued growth in difficult conditions

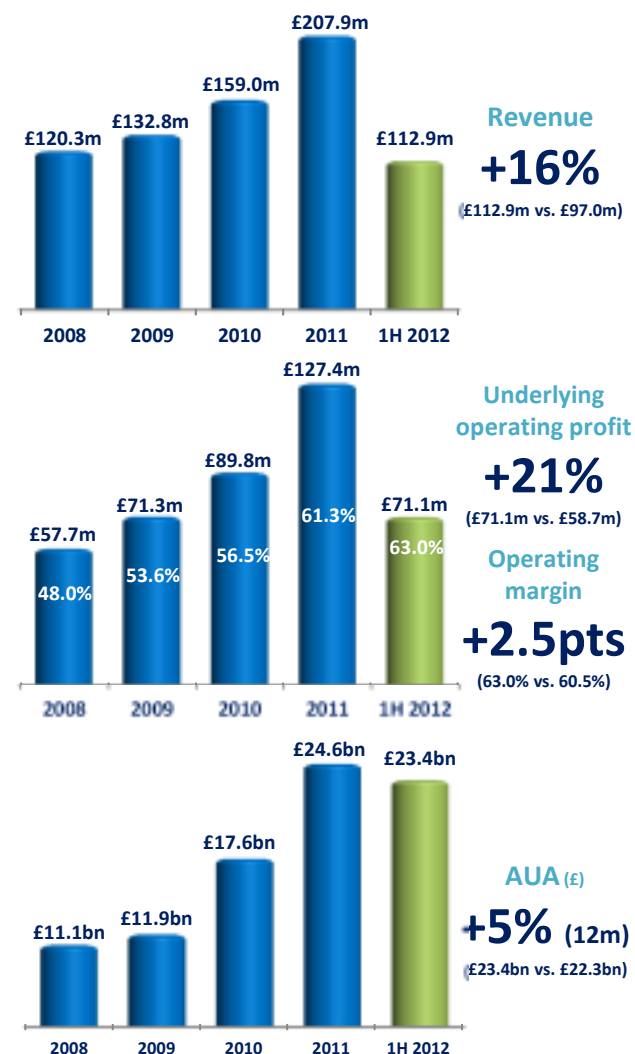
- ❖ Volatile markets
- ❖ Reduced investor confidence
- ❖ Client and asset retention remain very high
 - Continued strong net inflows from competitors
 - Increase in cash withdrawn from ISA, albeit still low in total

Excellent results, robust model

- ❖ Revenue up 16%, pre-tax profits up 28%
- ❖ Increase in operating profit margin to 63%
- ❖ Increased interim dividend to 5.1p per share

AUA +5% y-o-y, to £23.4bn (vs FTSE All-Share -7%)

- ❖ Not a traditional Asset Management business
- ❖ Net inflows to AUA £1.2bn

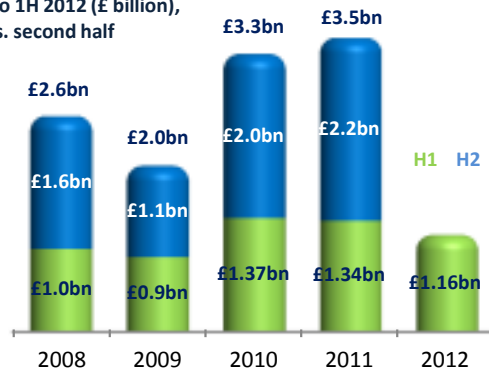


Overview - AUA

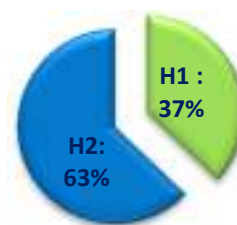
| | | 1H 2012 | 1H 2011 | FY 2011 |
|------------------------------|------------|-------------|-------------|-------------|
| Opening AUA at 1 July | | £24.6bn | £17.5bn | £17.5bn |
| Market/other growth | | (£2.4bn) | £3.4bn | £3.6bn |
| Market growth % | | -10% | +19% | +21% |
| Net new business inflows | -13% | £1.16bn | £1.34bn | £3.5bn |
| Organic growth % | | +5% | +8% | +20% |
| Closing AUA | +5% | £23.4bn | £22.3bn | £24.6bn |
| Total growth in AUA % | | -5% | +27% | +41% |
| FTSE All-Share | -7% | 2857.88 | 3062.85 | 3096.72 |
| Daily ave. FTSE All-Share | -2% | 2817.50 | 2861.77 | 2963.21 |

- 5% organic growth in AUA
- £1.16bn net new INFLOWS
- Inflows reflect financial challenges facing households
- Fall in market affects value of transfer business
- H2: end of tax year, traditionally stronger half particularly for ISA

Net new business inflows FY 2008 to 1H 2012 (£ billion), first vs. second half



Net new business FY2011



H1 2012 Group results

Continued growth in revenue and profit

| | | 1H 2012 | 1H 2011 | FY 2011 |
|---|---------|----------------|---------|---------|
| Revenue | +16% | £112.9m | £97.0m | £207.9m |
| Underlying operating profit ¹ | +21% | £71.1m | £58.7m | £127.4m |
| Underlying operating profit margin ¹ | +2.5pts | 63.0% | 60.5% | 61.3% |
| Underlying profit before tax ¹ | +21% | £72.0m | £59.3m | £129.0m |
| Additional FSCS levy | | - | £3.0m | £3.0m |
| Profit before tax as reported | +28% | £72.0m | £56.3m | £126.0m |
| Effective tax rate | | 26.0% | 27.7% | 27.7% |
| Underlying diluted EPS ¹ | +24% | 11.3p | 9.1p | 20.0p |

➤ Further operating margin improvement

➤ Revenue includes effect of tariff improvements (since 1 August)

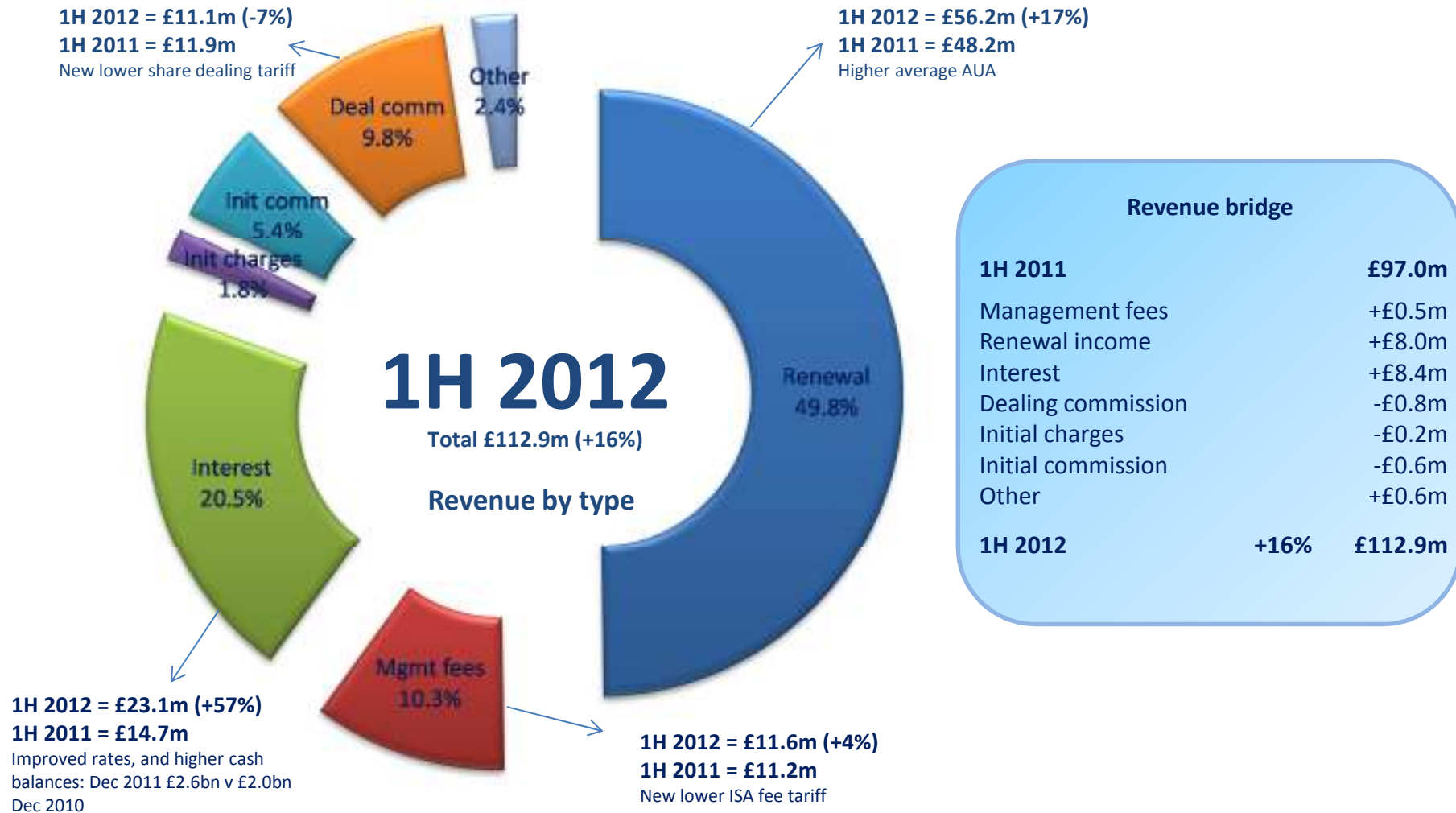
➤ Costs include efficiency improvements, increases re. new and improved services, and higher marketing spend

➤ Effective tax rate has reduced in line with main CT rate

¹ Underlying profit for 2010/11 excludes additional FSCS levy

Revenue

Recurring revenues 81% (FY 2011: 78%)



Review of sharedealing tariff reductions

- Functionality and tariff improvements from 1st August 2011
- Reduced ave. commission per online deal (Q2 2012 £11.50, better than expected)
- Higher volume of trades in overseas stocks
- Volatility drove Q1 volumes, total H1 volumes +12% (691,000 v 620,000)
- Stockbroking income down by 7% (£11.1m vs £11.9m)



- Gained UK EO market share* (+2ppt)

* Compeer Q3 2011 report: 10.7% June 2011 vs. 12.7% Sept 2011

Costs

9% growth in costs vs 16% revenue growth

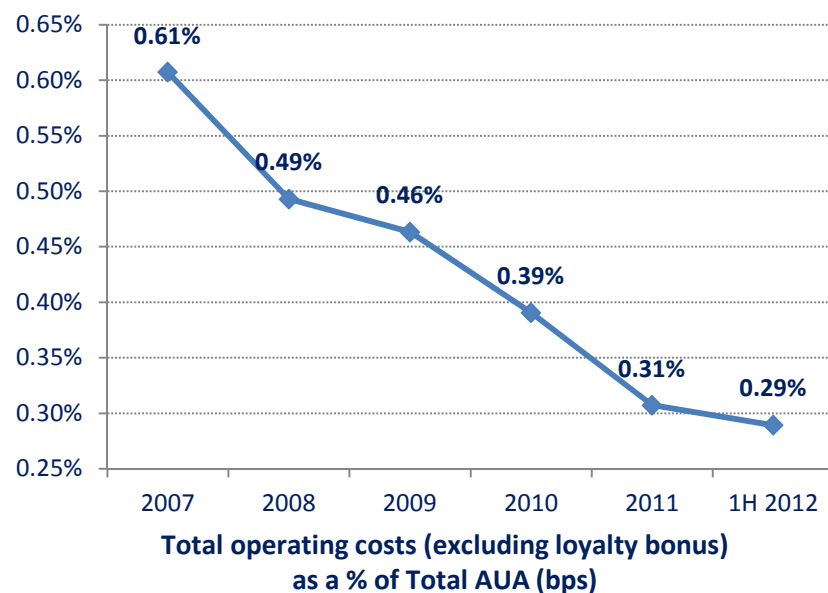
| | | 1H 2012 | 1H 2011 | FY 2011 |
|---|------------|---------------|---------------|---------------|
| Staff costs | +5% | £20.8m | £19.9m | £40.1m |
| Commission payable (loyalty bonus) | +9% | £8.1m | £7.4m | £15.7m |
| Marketing and distribution spend | +18% | £4.6m | £3.9m | £9.2m |
| Depreciation, financial costs | +9% | £1.2m | £1.1m | £2.6m |
| Premises costs | +10% | £2.2m | £2.0m | £4.1m |
| Other overheads | +15% | £4.2m | £3.7m | £8.0m |
| Compliance costs incl. FSCS levy | +92% | £0.7m | £0.3m | £0.8m |
| Underlying costs | +9% | £41.8m | £38.3m | £80.5m |
| Additional FSCS levy | | - | £3.0m | £3.0m |
| Total costs | +1% | £41.8m | £41.3m | £83.5m |
| Ave. no of staff | +5% | 657 | 626 | 647 |
| No of staff at end of period | +5% | 664 | 630 | 664 |
| % variable staff costs (discretionary bonus + share based payment) | -4pts | 35% | 39% | 33% |

- Operational efficiency improvements, online processes
- Increased marketing spend in response to economic conditions
- Cost of new and improved services

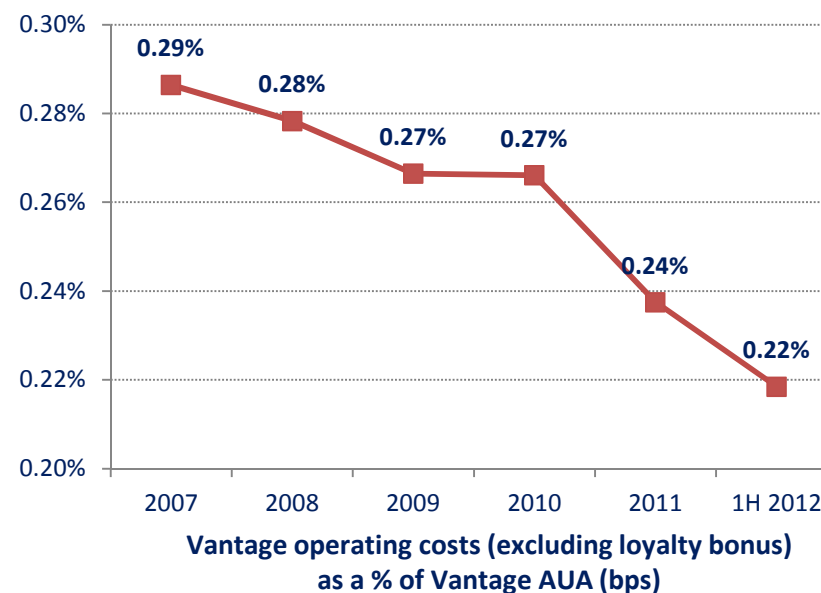
Operating leverage

Cost ratios have improved by 2bps since June

Group Cost Ratio



Vantage Cost Ratio



Costs represent underlying operating costs excluding loyalty bonus. Cost ratio = costs / average AUA.

Divisional results

| | Revenue | Underlying Operating profit |
|------------------------------|---------|--------------------------------|
| 1H 2011 | £97.0m | £58.7m |
| Vantage | +£13.6m | +£10.9m |
| Discretionary & Managed | +£1.6m | +£0.6m |
| Third party & Other services | +£0.7m | +£0.9m |
| 1H 2012 | £112.9m | £71.1m |

Vantage

77% of Group revenue



- Monthly ave. AUA +17%, revenue +19%
- Tariff improvements, revenue margin sustained
- Further operating efficiencies

| | |
|---|---------|
| Revenue | +19% |
| Average revenue margin | +1bps |
| Underlying operating profit margin ¹ | +2.9pts |
| Average cost ratio (on AUA, excl loyalty bonus) | -1bps |

| | |
|--|-------|
| No. of active Vantage clients ('000) | +14% |
| No. of active Vantage accounts ('000) | +13% |
| Clients registered for paperless service | +7pts |
| Clients registered for online access | +2pts |

| | |
|----------------------------------|------|
| Vantage AUA at end of period | +5% |
| Vantage net new business inflows | -15% |

1H 2012

£87.0m

79bps

63.6%

22bps

396

608

43%

74%

£21.9bn

£1.11bn

1H 2011

£73.4m

78bps

60.7%

23bps

346

538

36%

72%

£20.9bn

£1.30bn

FY 2011

£160.5m

78bps

61.8%

24bps

380

585

40%

71%

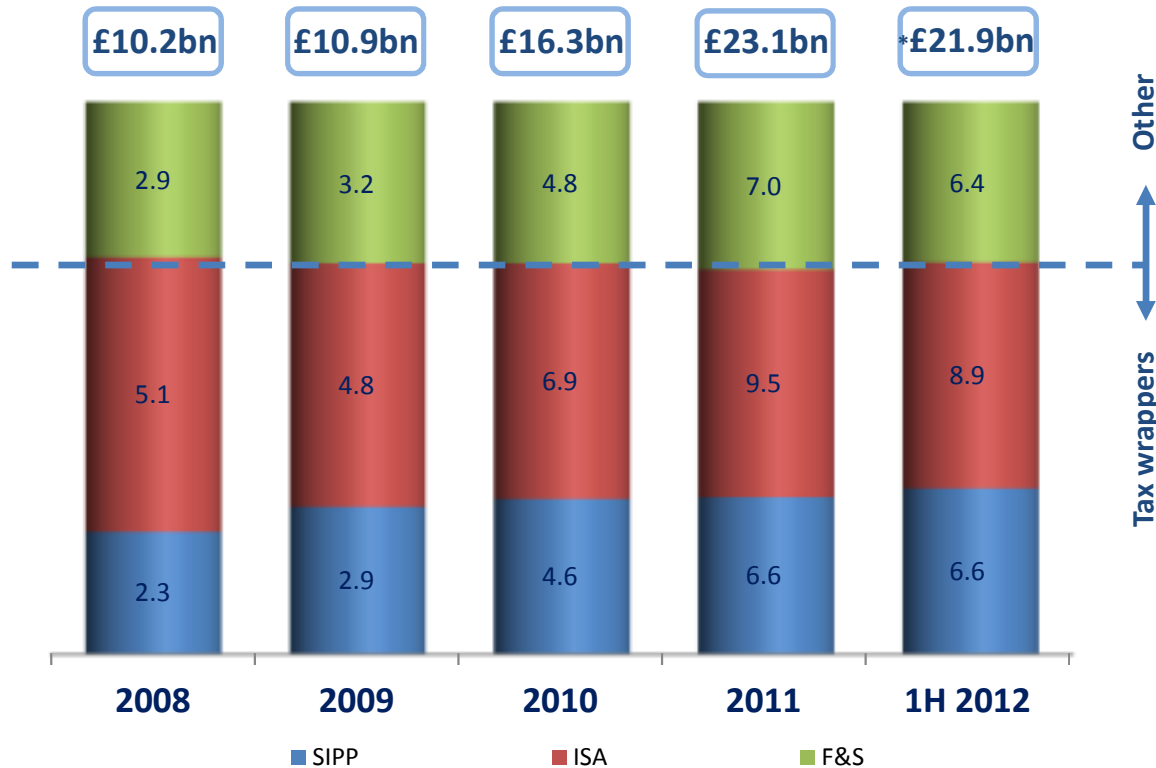
£23.1bn

£3.43bn

¹ Underlying profit for 2010/11 excludes additional FSCS levy

Vantage AUA

71% of Vantage AUA are held in tax wrappers (Jun 2011: 70%)



1H 2012

AUA at start of period £23.1bn

Market/other growth (£2.3bn)

Market growth % -10%

Net new inflows £1.1bn

Organic growth % +5%

AUA at end of period £21.9bn

AUA includes:

Corporate Vantage £63.7m

Junior ISA £6.5m

AUA by asset category:

Cash 12% (2011: 10%)

Equities* 29% (2011: 30%)

Investment funds 59% (2011: 60%)

* 1H 2012 AUA includes £1.3bn of Hargreaves Lansdown plc shares held in the Fund and Share account (FY2011: £1.9bn)

Vantage net new business £1.1bn



- ⌚ Increase in 1H ave. SIPP contribution
 - ⌚ Simpler £50k pension tax relief, ability to carry forward
 - ⌚ High level of SIPP inflows in November
 - ⌚ 25% y-o-y increase to regular savings
- Run rate £215m

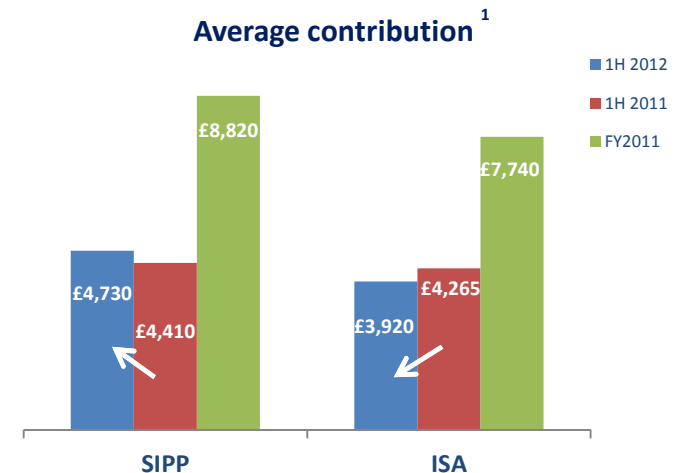


- ⌚ Fall in market affects value of transfer business (51% of total gross new business)
- ⌚ Subdued new investment particularly in ISA and F&S in Q2
- ⌚ Reduced 1H ave. ISA contribution
- ⌚ Higher level of money withdrawn from ISAs



- ⌚ H2 traditionally stronger
- ⌚ Very high client (95%) and asset (94%) retention rates

| | | Net new business | | |
|----------------------|------|------------------|---------------|---------------|
| | | 1H 2012 | 1H 2011 | FY 2011 |
| Vantage SIPP | +2% | £0.5bn | £0.5bn | £1.3bn |
| Vantage ISA | -32% | £0.3bn | £0.4bn | £1.3bn |
| Vantage F&S/other | -18% | £0.3bn | £0.4bn | £0.6bn |
| Vantage total | | £1.1bn | £1.3bn | £3.2bn |

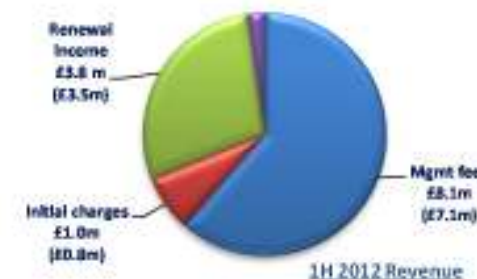


¹ Average contribution for those clients who have contributed during the year, includes both member and employer contributions, includes SIPP tax relief

Discretionary and managed

12% of Group revenue

- 3% fall in AUM since June
- Reduced levels of new business inflows
- Additional advisers recruited

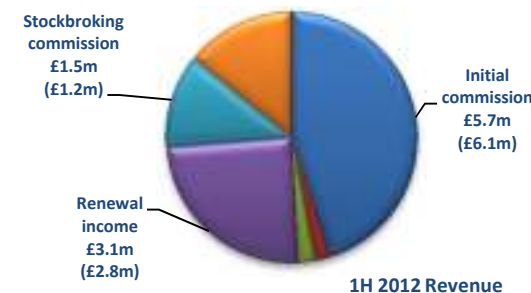


| | | 1H 2012 | 1H 2011 | FY 2011 |
|---|---------|----------------|---------|---------|
| Revenue | +14% | £13.2m | £11.6m | £24.7m |
| Recurring revenue | - | 92% | 92% | 91% |
| Underlying operating profit margin ¹ | -3.3pts | 66.7% | 70.0% | 70.1% |
| No. of advisers (at period end) | +15% | 77 | 67 | 73 |
| No. of PMS clients ('000) | +6% | 11.7 | 11.0 | 11.4 |
| Average PMS client value at period end (£'000) | -3% | 127.7 | 131.9 | 134.3 |
| Discretionary AUM at period end | +5% | £2.26bn | £2.15bn | £2.33bn |
| Net new business inflows | -15% | £68m | £80m | £200m |

¹ Underlying profit for 2010/11 excludes additional FSCS levy

Third Party/Other Services

11% of Group revenue



- 🔍 Funds Library 55% and HL Markets* 100% revenue growth
- 🔍 Decrease in Corporate Pensions revenue and Certificated share dealing

| | | 1H 2012 | 1H 2011 | FY 2011 |
|---|---------|---------|---------|---------|
| Revenue | +6% | £12.7m | £12.0m | £22.7m |
| Underlying operating profit margin ¹ | +4.4pts | 54.8% | 50.4% | 48.3% |
| No. of annuities | 3% | 4,105 | 3,983 | 8,192 |
| Ave. annuity size (£'000) | 6% | 37.6 | 35.5 | 37.0 |
| Certificated dealing volumes | -37% | 9,100 | 14,400 | 28,900 |
| Third party corporate pensions revenue | -11% | £3.4m | £3.8m | £5.3m |
| Funds Library revenue | +55% | £1.7m | £1.1m | £2.5m |
| HL Markets revenue | +100% | £1.2m | £0.6m | £1.7m |

* Relates to Currency, CFDs and Spreadbetting

¹ Underlying profit for 2010/11 excludes additional FSCS levy

Cash and regulatory capital

| | 31 Dec 2011 £m | 31 Dec 2010 £m | 30 Jun 2011 £m | |
|---------------------------------------|----------------------|----------------------|----------------------|---|
| Capital resources | 115 | 96 | 131 | 🔍 Strong balance sheet |
| Pillar 1 regulatory requirement | (8) | (7) | (9) | 🔍 Low normal capex requirement |
| Surplus group capital resources | 107 | 89 | 122 | |
| Declared dividend | (24) | (21) | (67) | |
| Total after dividend | 83 | 68 | 55 | 🔍 Consistently cash generative, no debt |
| Surplus of regulated companies | 47 | 42 | 46 | |
| Cash resources | 101 | 86 | 108 | 🔍 Regulatory capital surplus (c.6 x Pillar 1) |
| *Operating cash flow % | 105% | 95% | 92% | |

**Operating cash flows as a % of operating profit*

Dividend

Interim dividend up by 13%

Interim ordinary dividend
Interim special dividend
Interim dividend payable 11th April

Total interim dividend – April 2012

Total final dividend

Total ordinary dividend

Total special dividend

Total dividend per share

1H 2012

Pence per share

5.10p

-

5.10p

£23.6m

% of PAT FY 2011

Pence per share

4.50p

-

4.50p

14.37p

65% 12.91p

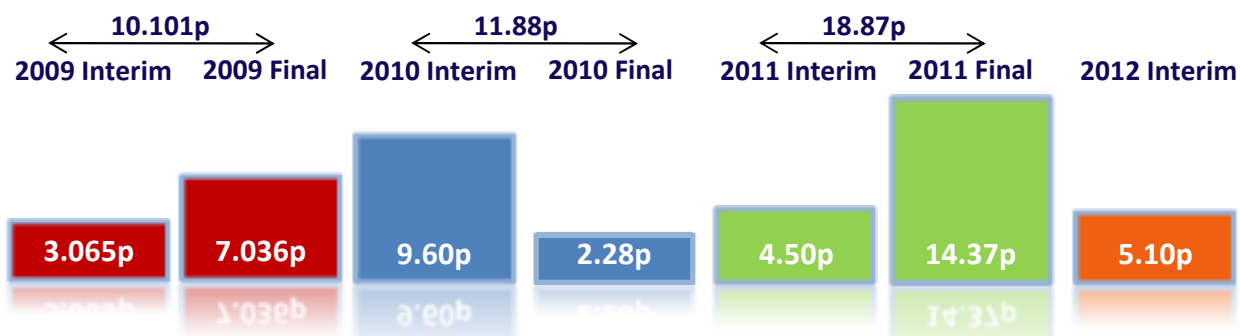
30% 5.96p

95% 18.87p



DIVIDEND

Interim and final dividend (pence)



Summary

Difficult
conditions

-8% FTSE All-Share since 30.6.11, AUA down 5%

Subdued new investment

New and improved services assisted retention and recruitment

Excellent
results

+16% Revenue, despite tariff reductions

+24% Underlying EPS

+2.5ppt Underlying operating profit margin

Robust
business

£1.2bn Net new business

+16000 Net new Vantage clients, 95% retention rate

94% Vantage asset retention rate, 71% AUA held in tax wrappers

... As always, conditions in the second half of the year will be key

Comment and Strategy Update

Ian Gorham
Chief Executive

H1 2012 overview

Continued growth in difficult conditions

Excellent results, robust model

Increased Client Assets (vs FTSE All-Share -7%)

Continue to attract New Clients

Revenue

+16%

(£112.9m vs. £97.0m)

Profit

+21%

(£71.1m vs. £58.7m)

Assets Under Administration

+5%

(£23.4bn vs. £22.3bn)

New Clients

+16,000

(+16,000 vs. +16,000)

Robust new business

Net new business

Vantage SIPP

Vantage ISA

Vantage F&S/Other

Vantage Total

1H 2012

£0.5bn

£0.3bn

£0.3bn

£1.1bn

1H 2011

£0.5bn

£0.4bn

£0.4bn

£1.3bn

FY 2011

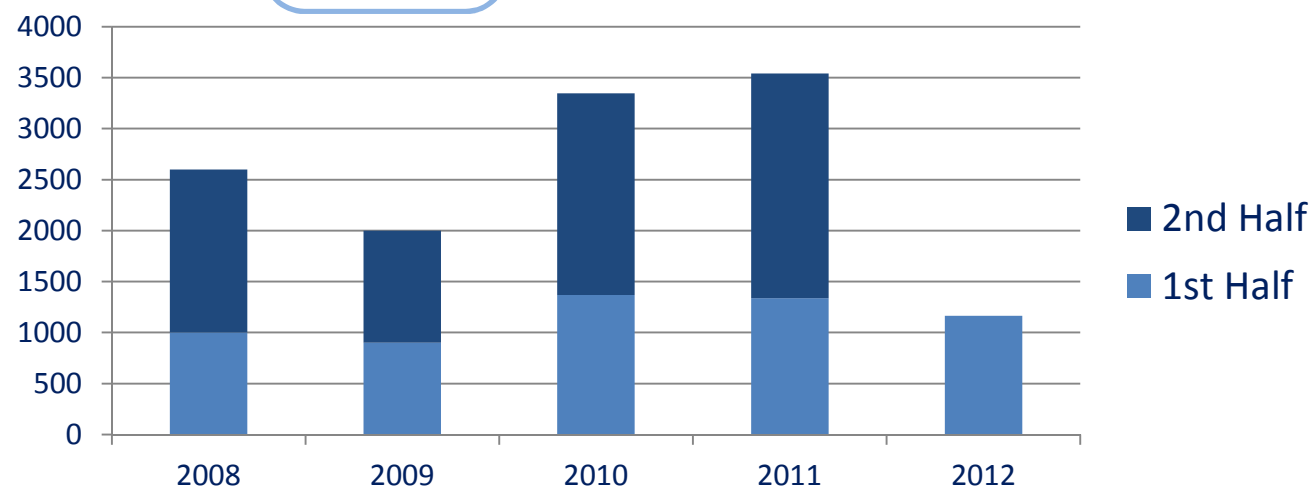
£1.3bn

£1.3bn

£0.6bn

£3.2bn

Total Net New Business (£ million)



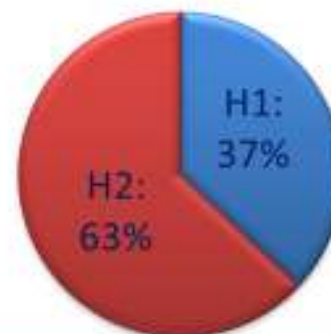
Robust new business

| Net new business | 1H 2012 | 1H 2011 | FY 2011 |
|----------------------|---------------|---------------|---------------|
| Vantage SIPP | £0.5bn | £0.5bn | £1.3bn |
| Vantage ISA | £0.3bn | £0.4bn | £1.3bn |
| Vantage F&S/Other | £0.3bn | £0.4bn | £0.6bn |
| Vantage Total | £1.1bn | £1.3bn | £3.2bn |

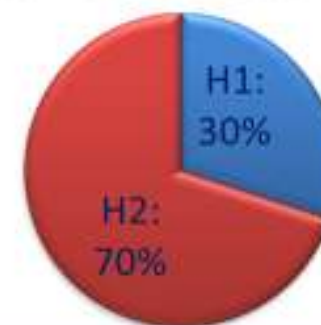
Remember:
2nd half is key, especially
for ISA new business



Net new business 2011

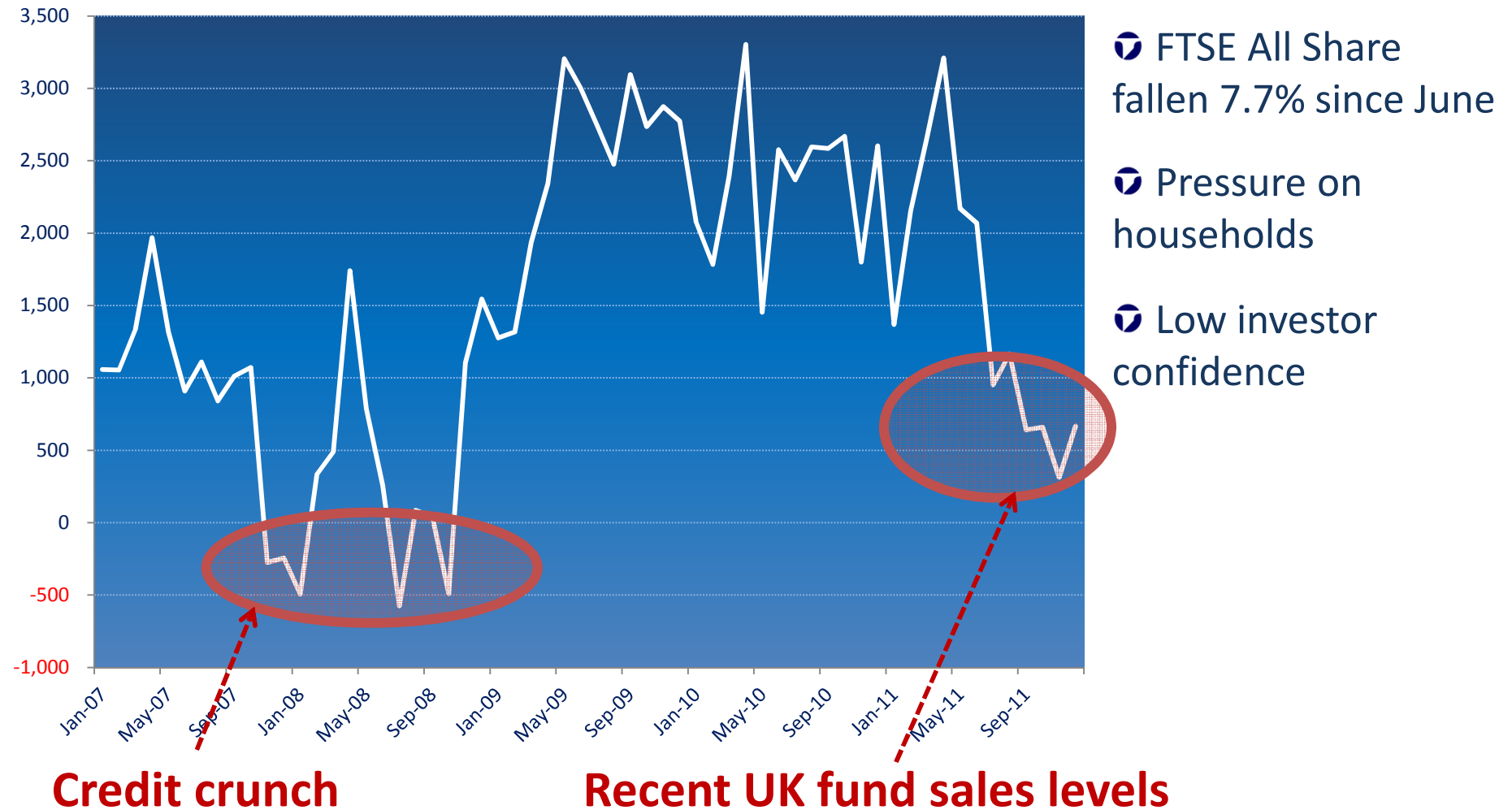


ISA new business 2011



Challenging Times....

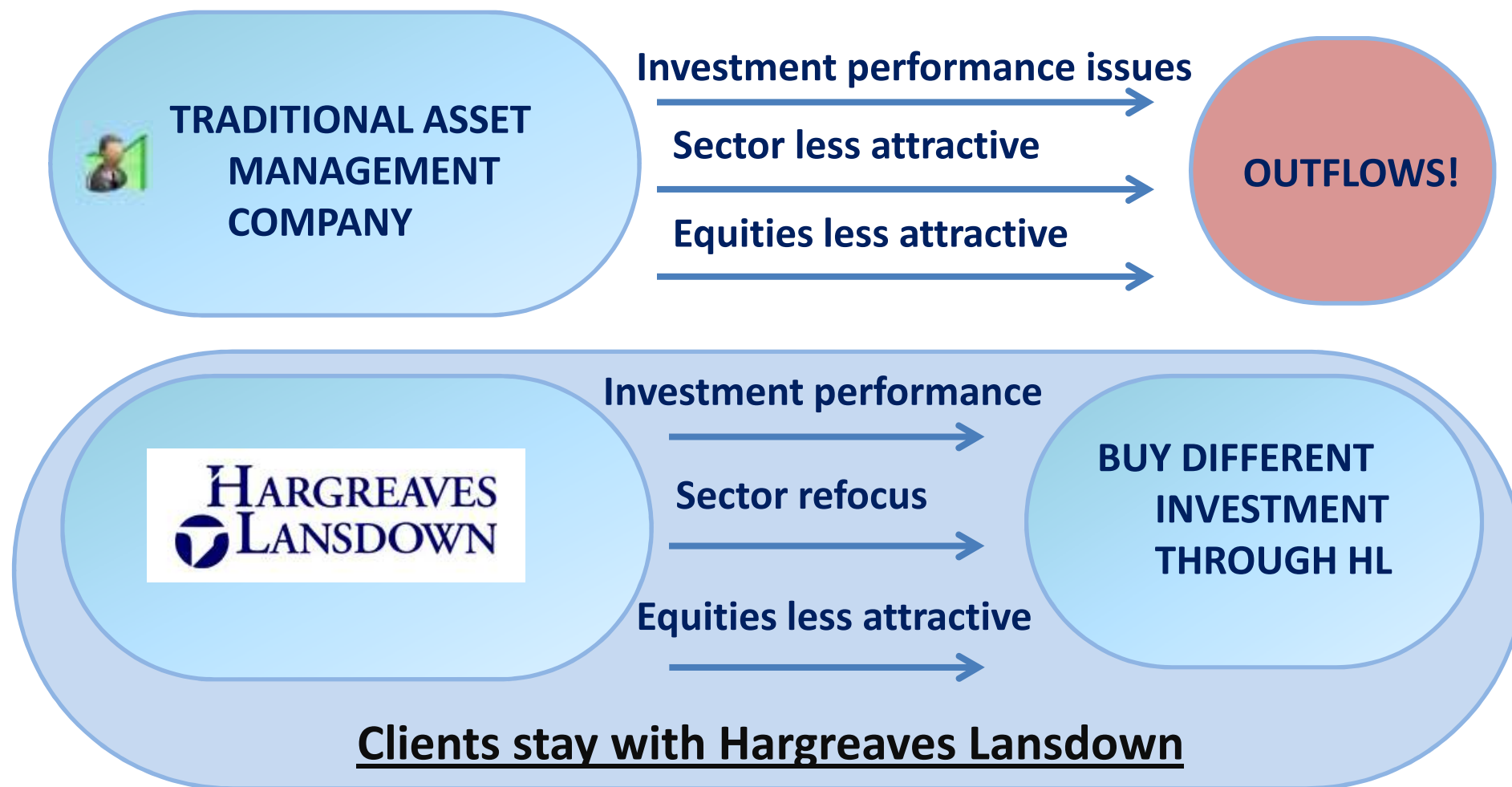
IMA UK NET RETAIL FUND SALES DATA (UK Retail Sales, £m)



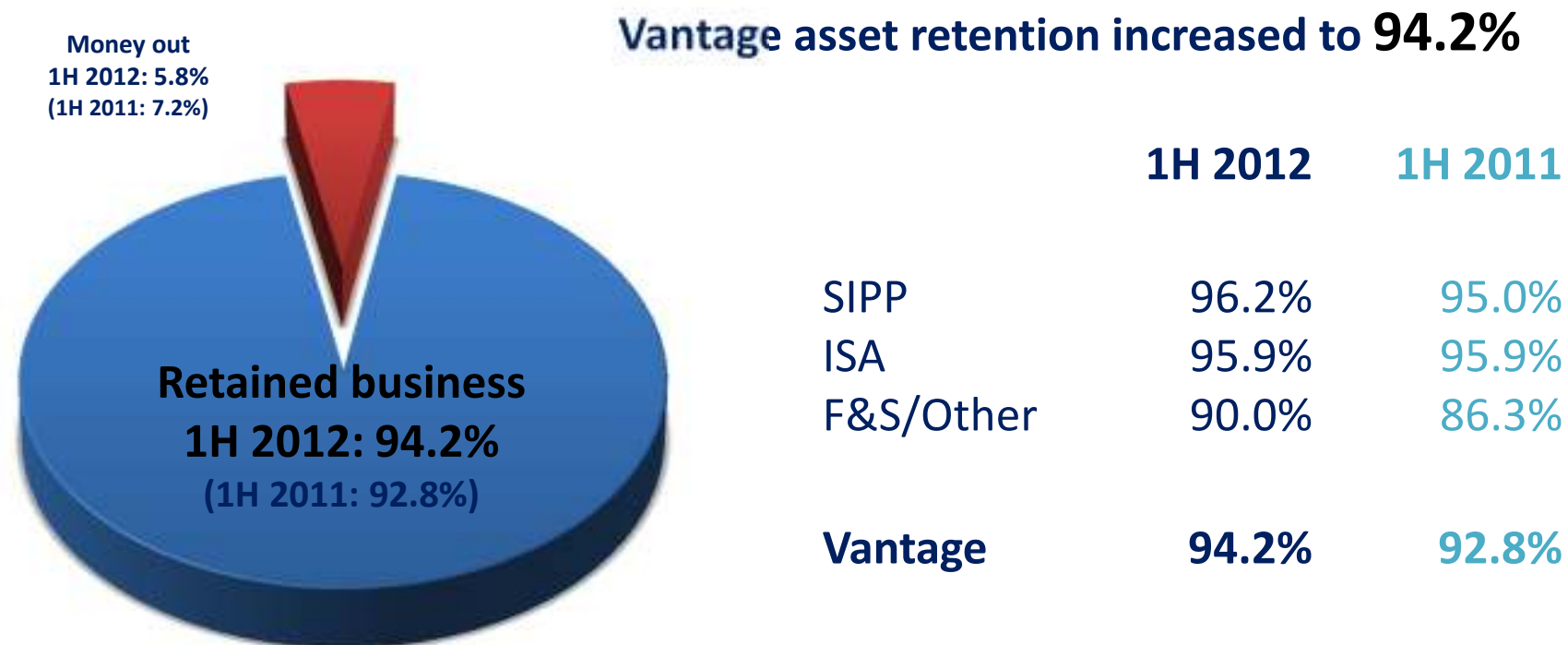
Interest rate expectations....



Why Hargreaves Lansdown is so robust...



Further Improvement in retention....



Increased part withdrawals = tough times for investors
Reduced lost business = improved competitive position

Summary

- ✔ **Excellent revenue, asset and profit growth**
- ✔ **Robust New Business : 2nd half is key**
- ✔ **Times are very challenging** for UK investors
- ✔ **Hargreaves Lansdown model is very robust**
- ✔ **Improved competitive position**
- ✔ **Excellent efficiency** and operating margin improvements



Strategic initiatives



Group Strategy : a reminder



Best Prices, Best Service, Best Information

Strategy update



Investment Supermarket Strategy

“Best place in the UK to buy investments directly”



Reduced ISA tariff



Stockbroking improvements & tariff reduction



Improved Investment Trusts, ETFs, Index trackers

Junior ISA



10 additional advisers



Digital Strategy



Long term : Corporate Vantage

Strategy rewards



Investment Supermarket Strategy

| | |
|--|----------------|
| Market Share* of UK Execution-only stockbroking market | 12.7% |
| Share dealing volumes | +12% |
| New Clients | +16,000 |
| New Junior ISAs opened (2 months) | 3,000 |
| Overseas deals now online (from standing start) | 80% |

Due to success we expect these investments to cost far less than anticipated FY2012

* Compeer Q3 2011 report: 10.7% June 2011 vs. 12.7% Sept 2011

Strategy rewards



Digital Strategy

“Mobile and digital media provide more channels for new business”

Apps launched on 1 August 2011

Downloaded more than **35,000** times from Apple and Android

10% of all visits to hl.co.uk now through **mobile media**

+1,000 new accounts opened directly as a result of App use

+15,000 deals undertaken through the app





Website visits 13.9 million for 6 months, increase of 1.4%



Corporate Vantage - update

Key performance indicators,
growth in:

6 months

| | 31 Dec 2011 | 30 Jun 2011 | Annualised Growth |
|---|-------------|-------------|-------------------|
|  Members* | 3,569 | 2,417 | +95% |
|  Schemes* | 39 | 27 | +89% |
|  Annual premiums* | £26m | £14m | +171% |
|  Value of AUA | £63.7m | £33.5m | +180% |

* numbers relate to schemes either live or in implementation (ie won and contracted)

What is coming next....



Investment Supermarket Strategy

Investigating improved Cash products, such as **Competitive Cash ISA**

Considering other **cash offers**

Client facing **website improvements**



Digital Strategy

Apps now in-house. New updates and functionality.

Further investment in online : search optimisation, developers



Corporate Vantage

Flexible benefits experts recruited

Gearing up for **auto enrolment (phased from 2013)**

Beneficial demographic trends

A growing need to **save earlier, and for longer**

A need to take **more personal responsibility**

Trend away from advice **towards self-directed investing**

Growth of the “defined contribution” generation

More post retirement options eg. income drawdown

Auto-enrolment : Compulsion & increased awareness

We said: Expect to see...

- ✓ **Best Direct to Client - gather assets**
- ✓ **Organic – gift horses only**
- ✓ **UK – until overseas necessary**
- ✓ **Focused, low risk, efficient business**
- ✓ **Marketing and investment led approach**



- ✓ **Energy into organic commercial opportunities**
- ✓ **High upside low risk favoured**
- ✓ **Operational strength**

Summary

- Much effort invested into initiatives
- Delivered on time and under-budget
- Rewards starting to become apparent

The wonderful world of..... Regulation

**“Reports of my death have been greatly
exaggerated”** Mark Twain

A recap....

- ❶ Focused mainly on the *advice* market
- ❷ Two main strands of relevance:

PS 10/6 “the advice part” : no material impact

- ❶ Rules known. HL compliant or minor changes to be so 
- ❷ 15% revenue advised. Fee based and advisers well qualified 

PS 11/9 “the platform part” : clarity awaited

- ❶ Some rules known – e.g. Disclosure of commission/unit holder information/re-registration
- ❷ FSA U-turn in early August confused the market
- ❸ Direction of travel: FSA considering no payments out of product for distribution
- ❹ FSA: “No new rules before 31 December 2012”
- ❺ More research and consultation

What we said previously still stands....

1. Re-organise to recognise parts of business not a “platform” :

- Media, Research (unregulated activities)
- SIPPs are excluded
- Non-platform administration (eg custody)

2. We have already-developed alternative charging models:

- Already use successfully for other investments

Hargreaves Lansdown current view....

- Retail Funds market will adjust as a result of advice rules
- Likely to be beneficial and necessary to change
- Expect to be able to retain the fundamentals of the HL model

So...

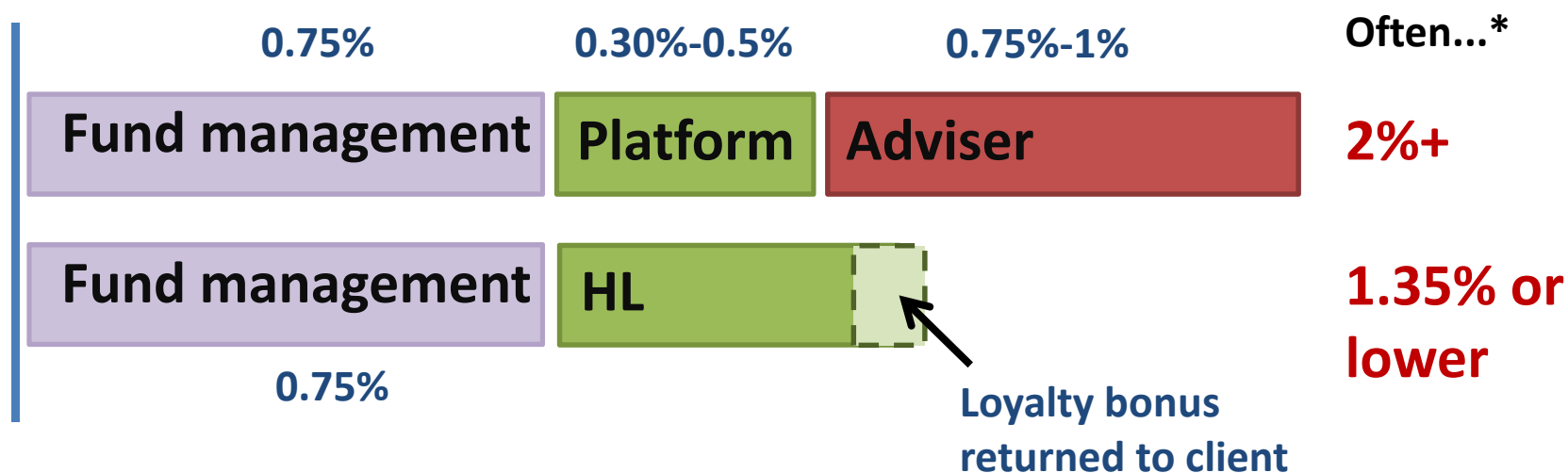
- **We still do not expect any material reduction in revenue to be caused by RDR**
- Watch and wait phase

In a nutshell : the key messages

- ❶ No New Developments
- ❷ Next FSA Paper due out “Q1 2012”
- ❸ Will be a consultation paper only
- ❹ Had useful regulatory dialogue
- ❺ Internal work has focused on “no payments to platforms” outcome
- ❻ Will declare our hand upon final clarity (unless market developments warrant earlier)
- ❼ Interim changes to pricing or service should not be over-analysed
- ❽ Over-reaction to any ban on “payments to platforms” unwarranted
- ❾ “HL watchers” should **beware wild speculation**

The Fundamentals will not change

Hargreaves Lansdown=cheaper than advice



Why is advice more expensive?

More mouths to feed : fund manager, platform, adviser

Higher liability for advice and advice hard to scale

Most platforms do not service the client or provide new business: HL does

* For illustrative purposes only

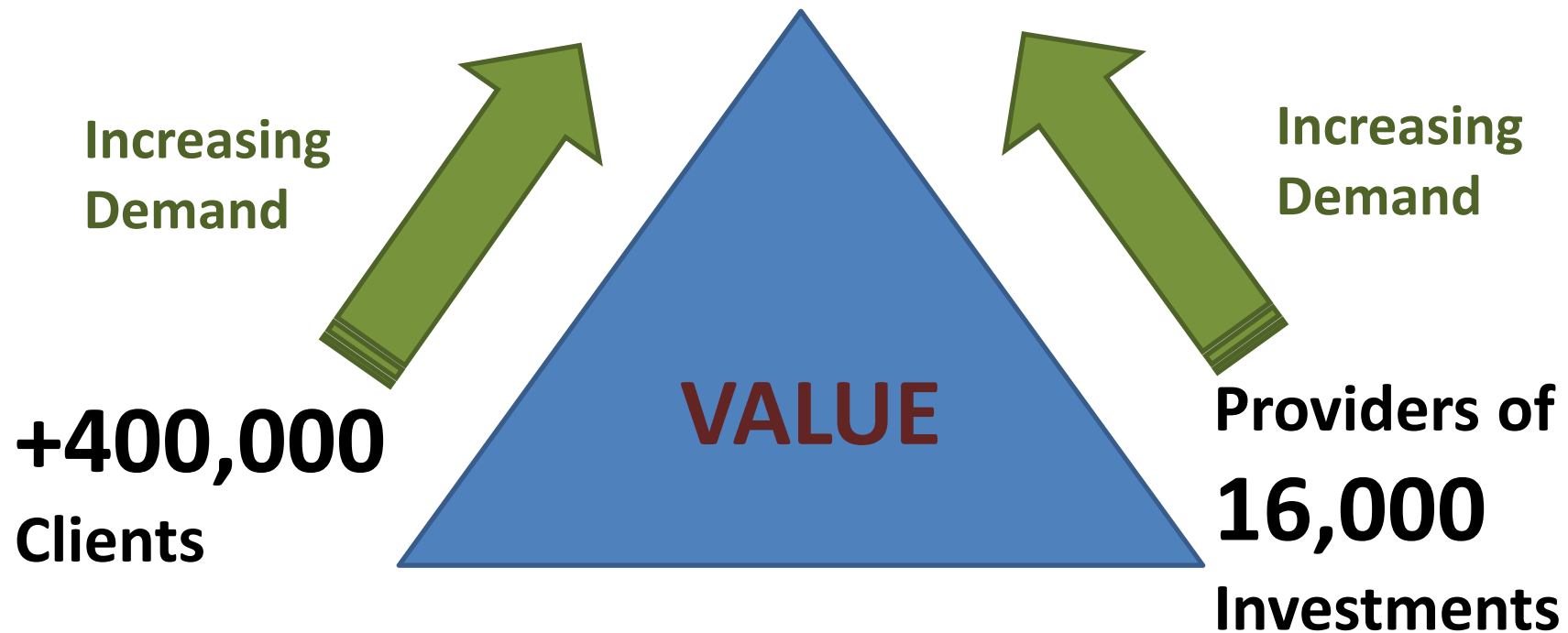
Barriers to entry will not change....

Need:

- ❶ **Platform technology**: available but has associated cost. HL owns.
- ❷ Trusted contact/potential **client list**: HL has 1.6 million
- ❸ Retail investment **marketing resources** & knowledge
- ❹ **Expertise**: this is not easy
- ❺ **Servicing** the client is very different to platform administration. HL has 650 staff for a reason
- ❻ **Scale** – No scale means no ability to address high fixed costs
- ❼ Very **long term payback** doesn't suit many investors eg. Private Equity
- ❽ **Increasing regulatory costs** & complexity to deal direct. Europe.
- ❾ Need **trusted brand** – clients now wary who they trust with money
- ❿ Need **powerful balance sheet** for market volatility and investment

None of these barriers will go away as a result of RDR

Challenge is mainly operational....



In summary....

- ❶ No New Tangible Developments
 - ❷ Next FSA Consultation Paper due out “Q1 2012”
 - ❸ Beware myths in the vacuum
-
- ❹ Internal work progresses
 - ❺ COO appointed and focused on RDR. Does not distract business.
 - ❻ Business as usual at the moment.
-
- ❼ Regulation unlikely to be clear for a while
 - ❽ **Can deal with “ban on payments to platforms”**



The Round Up

The Key Messages....

- ✔ **Excellent Revenue and Profit** performance
- ✔ **Robust New Business** and new clients
- ✔ **Model resilient to date** but challenging conditions

- ✔ **Strategic initiatives delivered** on time and budget
- ✔ Delivered **price reductions** and many **new services** to clients
- ✔ Tangible **rewards** from clients and in **market position**

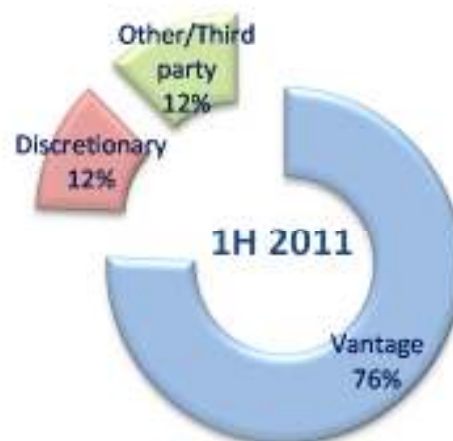
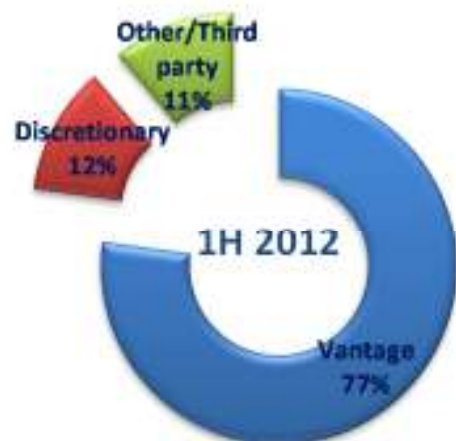
- ✔ **Confident on foreseeable regulatory outcomes** - including payment ban

Appendices

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Divisional Revenue



Revenue, by division

| | |
|---------------------|------|
| - Vantage | +19% |
| - Discretionary | +14% |
| - Third Party/Other | +6% |

1H 2012

£87.0m
£13.2m
£12.7m
£112.9m

1H 2011

£73.4m
 £11.6m
 £12.0m
 £97.0m

FY 2011

£160.5m
 £24.7m
 £22.7m
 £207.9m

Divisional Revenue

| Vantage Revenue | | 1H 2012 | 1H 2011 | FY 2011 |
|---------------------------|-------------|----------------|----------------|----------------|
| Renewal income | +17% | £49.3m | £42.0m | £91.6m |
| Management fees | -15% | £3.5m | £4.1m | £8.7m |
| Interest receivable | +59% | £22.7m | £14.3m | £32.3m |
| Initial income | -33% | £0.4m | £0.6m | £1.3m |
| Stockbroking income | -10% | £9.6m | £10.7m | £22.6m |
| Initial and other charges | -12% | £1.5m | £1.7m | £4.0m |
| Total | +19% | £87.0m | £73.4m | £160.5m |
| % of Group revenue | | 77% | 76% | 77% |

Discretionary and Managed Revenue

| | | | | |
|---------------------|-------------|---------------|---------------|---------------|
| Renewal income | +9% | £3.8m | £3.5m | £7.2m |
| Management fees | +14% | £8.1m | £7.1m | £15.0m |
| Initial charges | +25% | £1.0m | £0.8m | £1.9m |
| Interest receivable | - | £0.1m | £0.1m | £0.2m |
| Other | - | £0.2m | £0.2m | £0.4m |
| Total | +14% | £13.2m | £11.6m | £24.7m |
| % of Group revenue | | 12% | 12% | 12% |

Third Party and Other Services Revenue

| | | | | |
|---|------------|---------------|---------------|---------------|
| Corporate pensions | -11% | £3.4m | £3.8m | £5.3m |
| Investments | +4% | £2.4m | £2.3m | £4.5m |
| Personal life & pensions | +10% | £3.3m | £3.0m | £6.5m |
| Other services | +24% | £3.6m | £2.9m | £6.4m |
| Total (further breakdown on next page) | +6% | £12.7m | £12.0m | £22.7m |
| % of Group revenue | | 11% | 12% | 11% |

Third Party & Other Services Revenue

| Corporate Pensions Revenue | | | | 1H 2012 | 1H 2011 | FY 2011 |
|--|-----------------------|--|-------|---------|---------|---------|
| Renewal income | | | +25% | £0.5m | £0.4m | £0.9m |
| Initial income | - corporate annuities | | - | £0.3m | £0.3m | £0.6m |
| | - corporate pensions | | -21% | £2.3m | £2.9m | £3.3m |
| Advisory fees | | | - | £0.2m | £0.2m | £0.5m |
| Total | | | -11% | £3.4m | £3.8m | £5.3m |
| | | | | | | |
| Investments Revenue | | | | | | |
| Renewal income | | | +5% | £2.3m | £2.2m | £4.2m |
| Initial income | | | - | £0.1m | £0.1m | £0.3m |
| Total | | | +4% | £2.4m | £2.3m | £4.5m |
| | | | | | | |
| Personal Pensions Revenue | | | | | | |
| Renewal income | | | - | £0.3m | £0.3m | £0.5m |
| Initial income | - annuities | | +8% | £2.8m | £2.6m | £5.8m |
| | - pensions/other | | +100% | £0.2m | £0.1m | £0.2m |
| Total | | | +10% | £3.3m | £3.0m | £6.5m |
| | | | | | | |
| Other Services Revenue | | | | | | |
| Stockbroking income | | | +42% | £1.7m | £1.2m | £2.7m |
| - <i>Certificated</i> | | | -17% | £0.5m | £0.6m | £1.0m |
| - <i>Currency services</i> | } HL Markets | | +80% | £0.9m | £0.5m | £1.2m |
| - <i>CFD & Spreadbetting</i> | | | +200% | £0.3m | £0.1m | £0.5m |
| Interest receivable | | | -33% | £0.2m | £0.3m | £0.6m |
| Funds Library income | | | +55% | £1.7m | £1.1m | £2.5m |
| Other | | | - | - | £0.3m | £0.6m |
| Total | | | +24% | £3.6m | £2.9m | £6.4m |
| | | | | | | |
| Total Third Party & Other Services Revenue | | | +6% | £12.7m | £12.0m | £23.9m |

Regulatory capital

| | 31 Dec 2011 | 31 Dec 2010 | 30 Jun 2011 |
|---|-----------------|---------------|----------------|
| | £'000 | £'000 | £'000 |
| Share capital & reserves | 116,660 | 97,856 | 130,867 |
| Intangible assets | (258) | (257) | (296) |
| Regulatory adjustments | (1,333) | (1,333) | (1,333) |
| Net capital | 115,069 | 96,266 | 129,238 |
| Regulatory requirement | 8,106 | 7,483 | 7,483 |
| Surplus group capital | 106,963 | 88,783 | 121,755 |
| Proposed dividend | (23,600) | (20,800) | (66,500) |
| Total | 83,363 | 67,983 | 55,255 |
| Surplus of regulated companies | £47m | £42m | £46m |

Regulatory capital increases with retained earnings, reduced by dividends and any acquisition of intangible assets. Regulatory requirement increases as business grows, the above figure being the Tier 1 minimum capital requirement

Dec 2010 and June 2011 regulatory requirement and surplus are based on audited figures

Simplified cash flow statement

| | HL Cash | Client Settlement | Total |
|---------------------------------|------------|-------------------|------------|
| | £'m | £'m | £'m |
| Cash bought forward | 108 | 14 | 122 |
| Profit after tax | 53 | | 53 |
| Non cash – incl. depreciation | 2 | | 2 |
| Tax charged less tax paid | - | | - |
| Dividend | (67) | | (67) |
| Capital expenditure | (1) | | (1) |
| Decrease in receivables | 1 | 74 | 75 |
| Increase/(decrease) in payables | 4 | (77) | (73) |
| Interest received | 1 | | 1 |
| Cash carried forward | 101 | 11 | 112 |

Assets under administration

| | AUA | AUM | Less MM funds in Vantage | 1H 2012 | 1H 2011 | FY 2011 |
|---------------------------|-------|-------|--------------------------------|------------|------------|------------|
| | £bn | £bn | £bn | £bn | £bn | £bn |
| AUA at start of period | 23.1 | 2.3 | (0.8) | 24.6 | 17.5 | 17.5 |
| Net new business inflows | 1.1 | 0.1 | (0.0) | 1.2 | 1.3 | 3.5 |
| Market movement | (2.3) | (0.1) | 0.0 | (2.4) | 3.4 | 3.6 |
| AUA at end of period | 21.9 | 2.3 | (0.7) | 23.4 | 22.3 | 24.6 |
| Net new business inflow % | 5% | 3% | 2% | 5% | 8% | 20% |
| Daily ave. FTSE All-Share | | | | 2817.50 | 2861.77 | 2963.00 |

FTSE All-Share has decreased by 8% since 30 June 2011

AUA at 31 December 2011 includes £1.3bn representing Hargreaves Lansdown plc shares held in Vantage

Discretionary AUM

Net new business inflows £70m (1H 2011: £80m)

| | H1 2012 £bn | H1 2011 £bn | FY 2011 £bn |
|----------------------------|----------------|----------------|----------------|
| AUM at start of period | 2.33 | 1.83 | 1.83 |
| Net new business inflows * | 0.07 | 0.08 | 0.22 |
| Market movement | (0.14) | 0.24 | 0.28 |
| AUM at end of period | 2.26 | 2.15 | 2.33 |
| Net new business % | 3% | 4% | 12% |
| Market movement % | -6% | 13% | 15% |

* Includes multi-manager funds new business inflows held in Vantage 1H 2012: £0.01bn, FY 2011 £0.1bn

Vantage AUA

71% of Vantage AUA in tax wrappers (Jun 11: 70%)

| | SIPP** £bn | ISA £bn | F&S/Other*** £bn | Total £bn | 1H 2011 £bn | FY 2011 £bn |
|------------------------------|---------------|------------|---------------------|--------------|----------------|----------------|
| Total AUA at start of period | 6.6 | 9.5 | 7.0 | 23.1 | 16.3 | 16.3 |
| Net new business inflows | 0.5 | 0.3 | 0.3 | 1.1 | 1.3 | 3.4 |
| Market movement * | (0.5) | (0.8) | (1.0) | (2.3) | 3.3 | 3.4 |
| AUA at end of period | 6.6 | 8.9 | 6.4 | 21.9 | 20.9 | 23.1 |
| Net new business % | 8% | 3% | 5% | 5% | 8% | 21% |
| Market movement % | -8% | -9% | -14% | -10% | 20% | 21% |
| Net business inflows 1H 2011 | 0.5 | 0.4 | 0.4 | | 1.3 | |

* Market movements includes other growth factors, such as retained investment income, totalling £144m (FY 2011: £176m). Figures contain roundings.

** Vantage SIPP AUA includes £1,129m income drawdown assets at 31 December 2011 (June 2011: £1,105m)

*** Vantage Fund & Share Account includes £1.3bn (FY 2011: £1.9bn) of Hargreaves Lansdown plc shares with market decline of £0.5m during the last 6 months

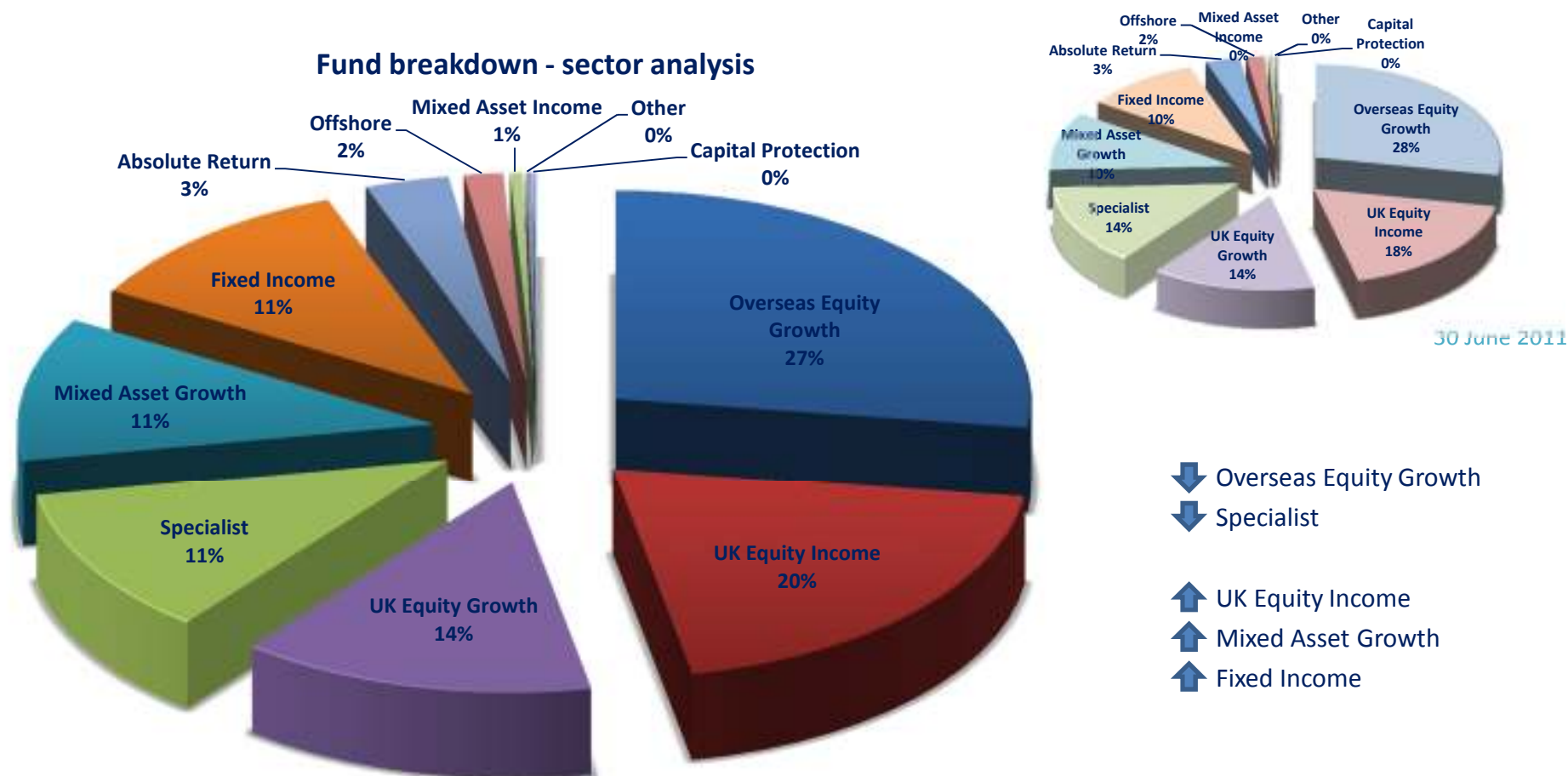
Vantage AUA analysis

71% of Vantage AUA in tax wrappers (Jun 2011: 70%)

| | SIPP | ISA | F&S/Other | Total |
|-----------------------|------------|------------|------------|-------------|
| At 31 Dec 2011 | | | | |
| Stocks and shares | 24% | 17% | 53% | 29% |
| Investment funds | 54% | 75% | 41% | 59% |
| Cash | 22% | 8% | 6% | 12% |
| % of Vantage | 30% | 41% | 29% | 100% |
| At 30 Jun 2011 | | | | |
| Stocks and shares | 24% | 16% | 55% | 30% |
| Investment funds | 57% | 77% | 40% | 60% |
| Cash | 19% | 7% | 5% | 10% |
| % of Vantage | 29% | 41% | 30% | 100% |

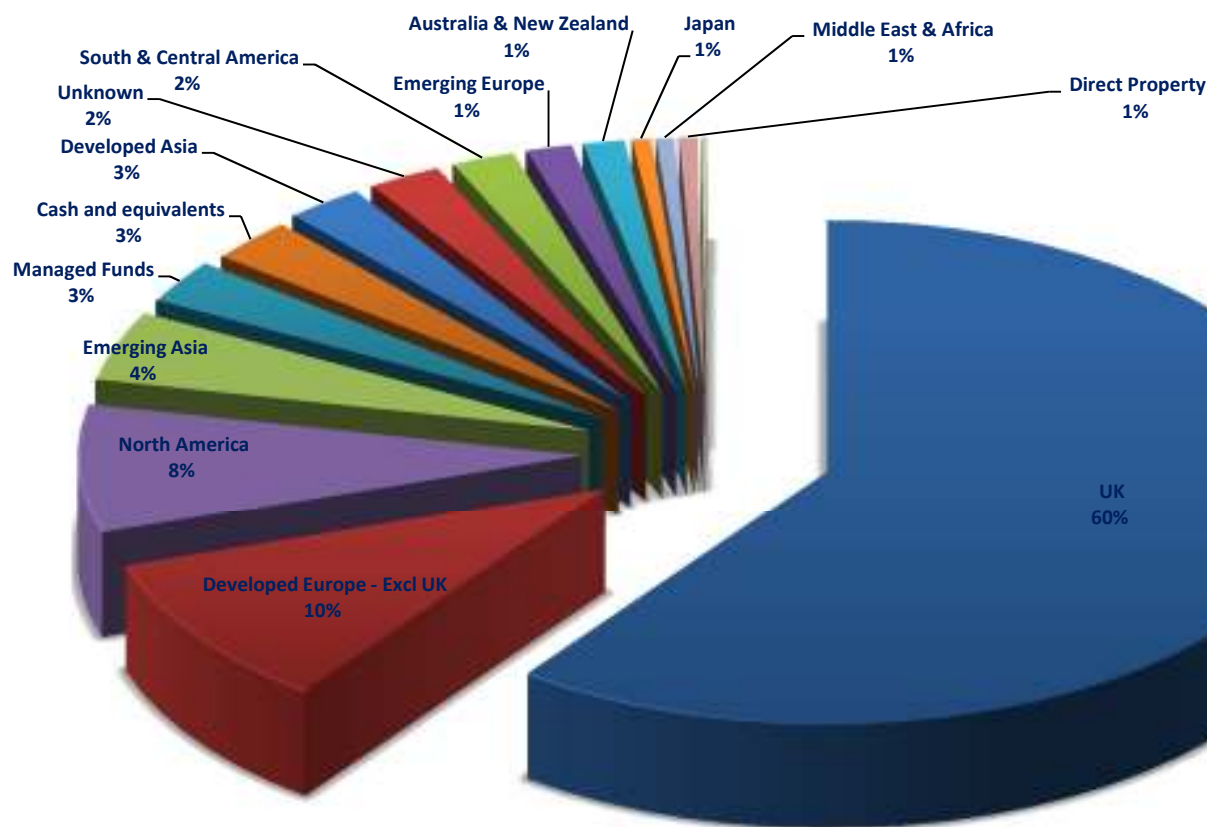
Vantage AUA analysis by sector

59% of Vantage AUA held as investment funds (Jun 2011: 60%) across the following sectors:



Vantage AUA analysis by country

Geographical exposure of all Vantage holdings at 31 December 2011:



Vantage revenue and average AUA

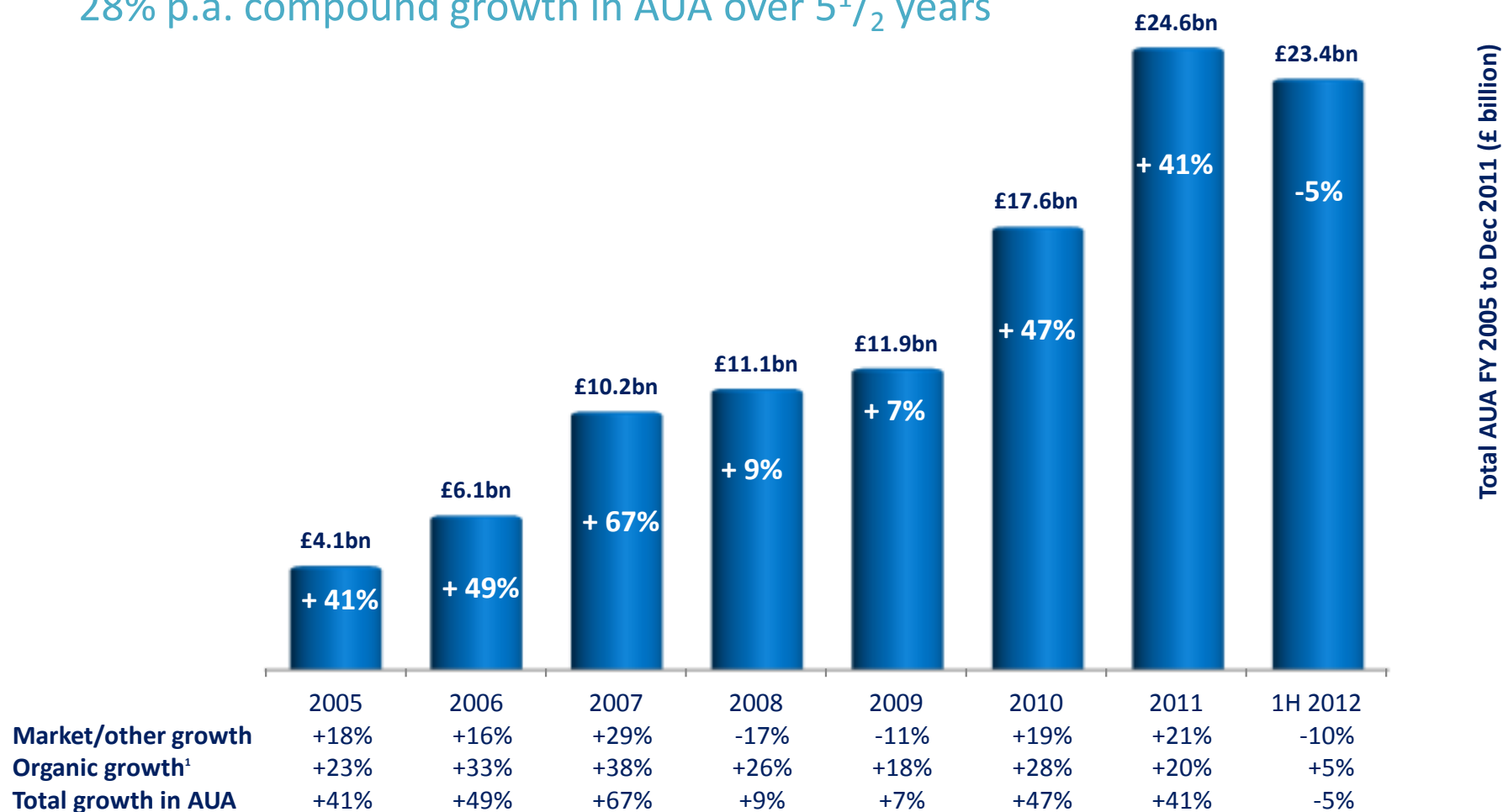
| | 1H 2012 | | 1H 2011 | | FY 2011 | |
|--|----------------|--------------------|----------------|--------------------|----------------|--------------------|
| | Revenue £'m | Ave Assets £'bn | Revenue £'m | Ave Assets £'bn | Revenue £'m | Ave Assets £'bn |
| Renewal income | 49.3 | | 42.0 | | 91.6 | |
| Initial income | 0.4 | | 0.6 | | 1.3 | |
| Total revenue from qualifying funds | 49.7 | 12.8 | 42.6 | 11.1 | 92.9 | 12.1 |
| Stockbroking income | 9.6 | | 10.7 | | 22.6 | |
| Management fees | 3.5 | | 4.1 | | 8.7 | |
| Total revenue from other stock | 13.1 | 6.6 | 14.8 | 5.6 | 31.3 | 6.3 |
| Total revenue from cash | 22.7 | 2.4 | 14.3 | 2.0 | 32.3 | 22.1 |
| Other income | 1.5 | | 1.7 | | 4.0 | |
| Total | 87.0 | 21.8 | 73.4 | 18.7 | 160.5 | 20.5 |
| Average revenue margin | 79bps | | 78bps | | 78bps | |

Vantage – other information

| | SIPP | ISA | F&S/Other | Total | 1H 2011 | FY 2011 |
|--|---------|---------|-----------|-----------|-----------|-----------|
| No. of equity deals | 238,500 | 202,500 | 241,300 | 682,300 | 605,500 | 1,271,000 |
| % Internet | 94% | 80% | 86% | 87% | 83% | 83% |
| No. of fund deals | 954,000 | 777,300 | 208,100 | 1,939,400 | 1,771,200 | 3,878,000 |
| Average active client value at period end (£'000) | 59.4 | 33.1 | 41.4 | 55.2 | 60.4 | 60.7 |
| Average age (years) | 47.7 | 56.6 | 57.0 | 54.4 | 55.4 | 54.9 |
| New active accounts ('000) | 11 | 5 | 7 | 23 | 24 | 71 |
| No. of active accounts ('000) | 133 | 320 | 155 | 608 | 538 | 585 |

Total AUA

28% p.a. compound growth in AUA over 5¹/₂ years



¹ Organic growth based on net inflows as a % of opening AUA

Recent awards

2011

Best Direct-to-Customer Platform – Aberdeen UK Platform Awards 2011

Best SIPP Provider – What Investment

Best Financial Services Plc – UK Stock Market Awards 2011

Best Group SIPP – Pension and Investment Provider Awards (from the Financial Times Limited)

2010

Low Cost SIPP Provider of the Year 2010 - Investors Chronicle

Top 10 for Quality of Goods & Services - Most Admired UK Company Awards - Management Today

Retail Stockbroker of the Year - City A.M. Awards

Best Wealth Manager for Tax - FT and Investors Chronicle Wealth Management Awards

Best Group SIPP - TAS awards (the Pensions & Investment Group of The Financial Times Limited)

Best Online SIPP - TAS awards (the Pensions & Investment Group of The Financial Times Limited)

Best SIPP Provider - What Investment

Best Independent Financial Adviser - What Investment

