



Hargreaves Lansdown PLC

Unaudited preliminary results for the
year ended 30 June 2010

1 September 2010

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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Mike Evans
Chairman

Tracey Taylor
Group FD

Ian Gorham
Deputy CEO

Overview

2010 overview

A record year

- ✔ Growth in revenue (+20%), adjusted profits¹(+22%), and dividend (+18%)
- ✔ Strong results despite interest rate headwind
- ✔ Record net new business £3.3bn (+65%), AUA £17.5bn (+47%)
- ✔ Impressive growth in client numbers (48,000 net new Vantage clients, +17%)
- ✔ Strong Board - new Board members

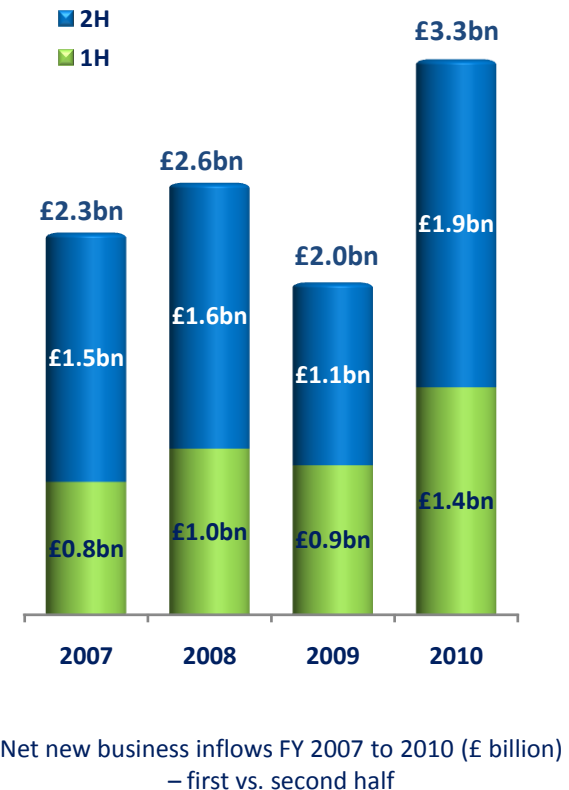
¹ Adjusted PBT excludes £4.4m one-off costs related to new offices

Financial highlights and results

Assets under administration

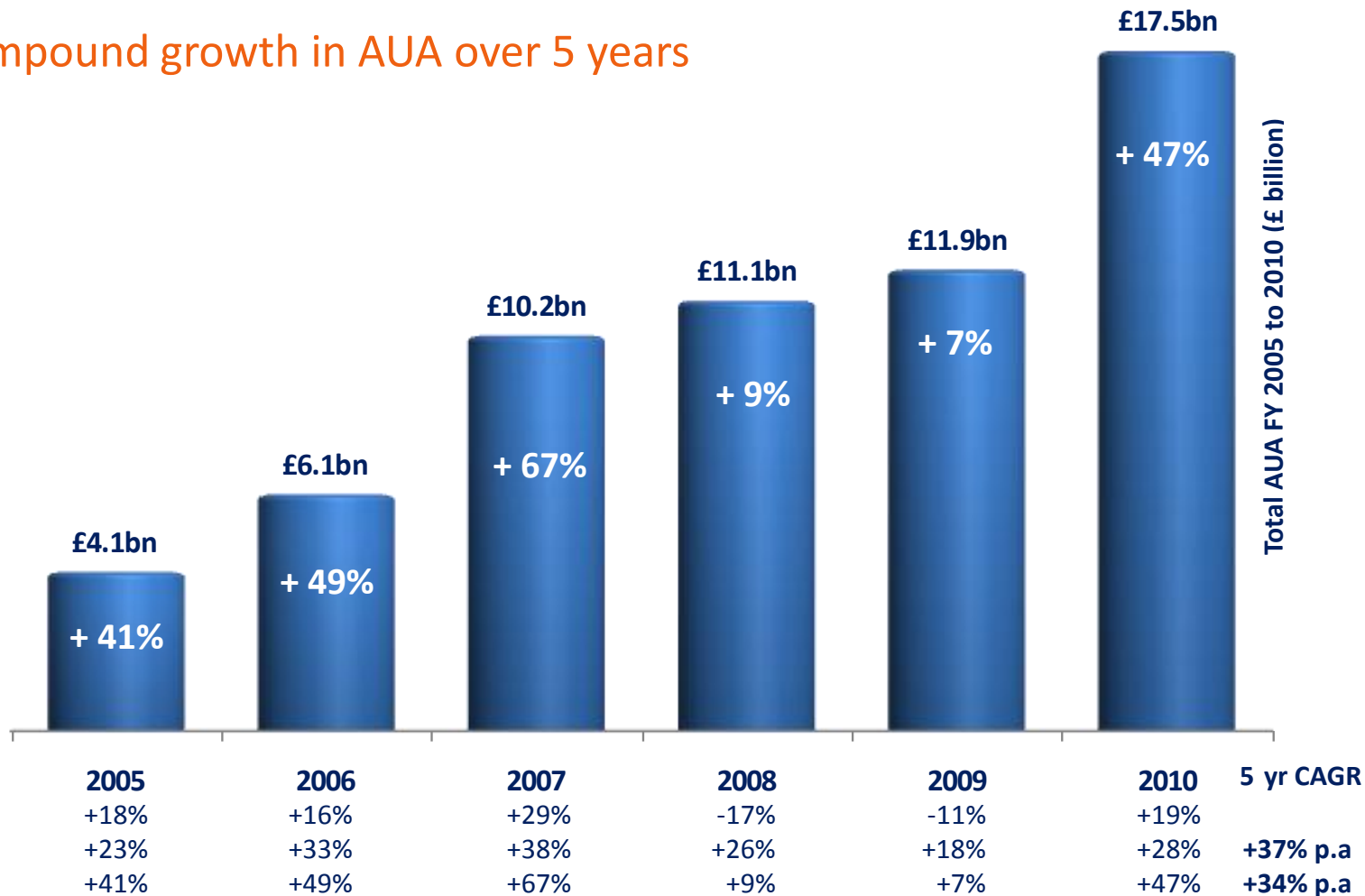
Strong organic growth continues

		FY 2010	FY 2009
Total AUA at 1 July		£11.9bn	£11.1bn
Market/other growth		£2.3bn	(£1.2bn)
Market growth %		+19%	-11%
Net new business inflows	+65%	£3.3bn	£2.0bn
Organic growth %		+28%	+18%
Total AUA	+47%	£17.5bn	£11.9bn
FTSE All-Share	+17%	2543.47	2172.08



Total AUA

34% p.a. compound growth in AUA over 5 years



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

2010 Group results

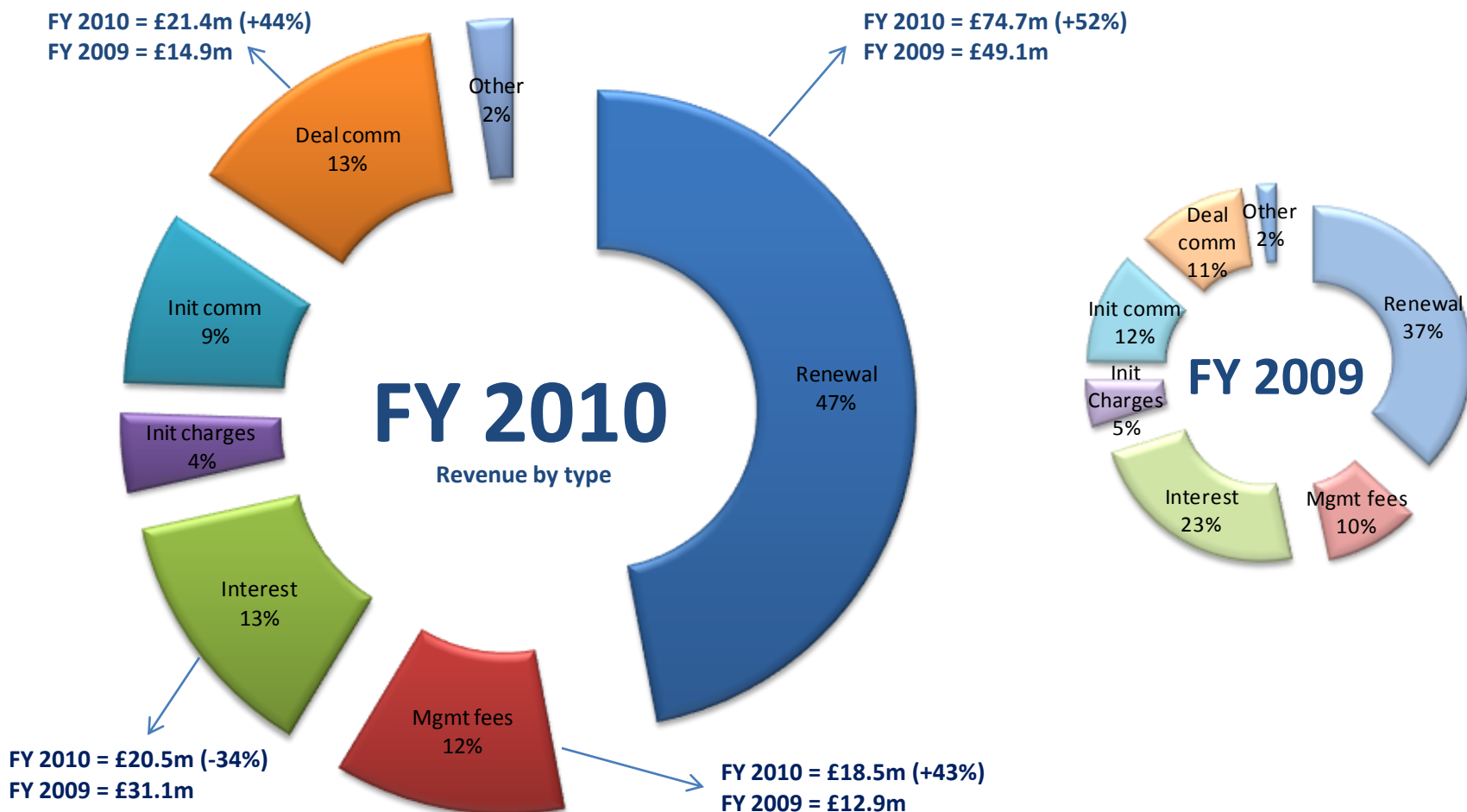
- 🕒 £3.3bn net new business
- 🕒 One-off costs (new offices)
- 🕒 Market, up 17% (FTSE All-Share)
- 🕒 Lower interest rates, £11m headwind

	Change	FY 2010	FY 2009
Revenue	+20%	£159.0m	£132.8m
One-off costs		£4.4m	£1.4m
Adjusted operating profit ¹	+26%	£89.8m	£71.2m
Adjusted pre tax profit ¹	+22%	£90.7m	£74.5m
Adjusted profit after tax ¹	+22%	£65.4m	£53.4m
Adjusted operating profit margin ¹	+2.9pts	56.5%	53.6%
Adjusted diluted earnings per share	+23%	13.9p	11.3p

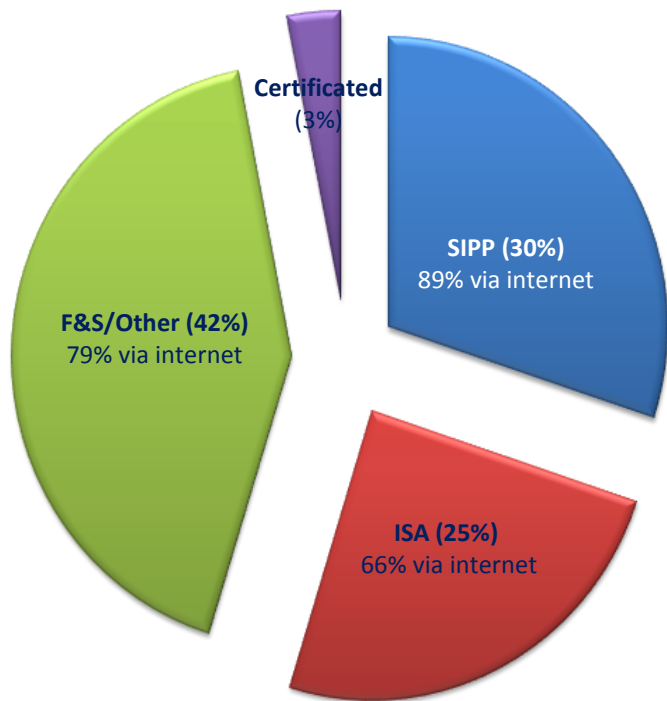
¹ Adjusted profit excludes one-off costs related to new offices

Revenue

Recurring revenues 72% (FY 2009: 70%)



Dealing commissions and volumes



Stockbroking equity deal volumes, by product (% of total)

Total equity deal volumes

2010	1,107,000
2009	766,000
2008	492,000

↑ 44%

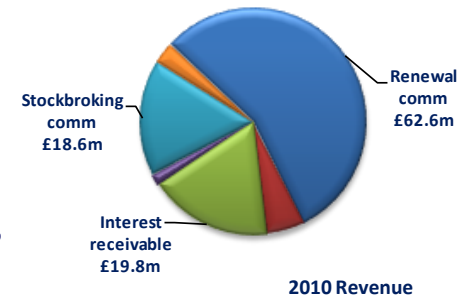
Ave. deals per Vantage client

2010	3.5 p.a
2009	2.8 p.a
2008	1.8 p.a

Dealing activity is highest in SIPP

Vantage

71% of Group revenue



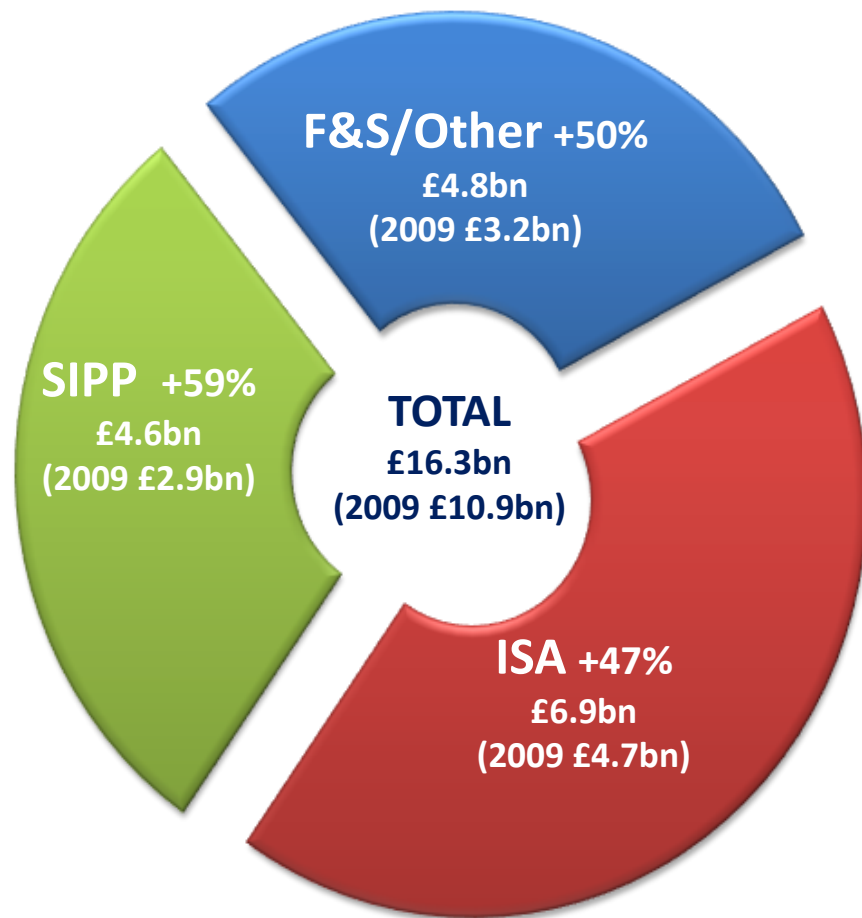
- Lower interest margin
- Further efficiencies
- 50% growth in AUA
- Use of Financial Practitioners
- Strong client recruitment

		FY 2010	FY 2009
Revenue	+28%	£112.2m	£87.5m
Average revenue margin	-14bps	78bps	92bps
Adjusted operating profit margin	-1pt	57.5%	58.5%
Clients registered for online access	+5pts	71%	66%
Clients registered for paperless service	+9pts	33%	24%
No. of active Vantage clients ('000) *	+17%	330	282
No. of active Vantage accounts ('000) *	+16%	514	442
Vantage AUA at end of period*	+50%	£16.3bn	£10.9bn

* Includes £169m assets, 6,000 clients and 9,000 accounts previously classified as 'Other AUA'

Vantage AUA

Vantage AUA, by type and wrapper



Cash 12% (2009 16%)

Equities 28% (2009 26%)

Investment funds 60% (2009 58%)

Investment funds by sector (see Appendix):

- ↓ UK equity growth / income
- ↓ Fixed income
- ↑ Overseas equity growth
- ↑ Mixed asset growth
- ↑ Absolute return
- ↑ Specialist

Vantage net new business

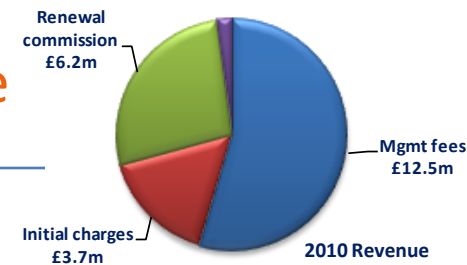
- More clients
- Increased ISA allowance
- Restricted tax relief on pensions
- Very high client retention rate

Net new business	2010	2009	Ave. contribution ¹	2010	2009
Vantage SIPP	£1.3bn	£0.9bn	SIPP	£9,100	£11,000
Vantage ISA	£1.3bn	£0.5bn	ISA	£7,900	£5,600
Vantage F&S/Other	£0.6bn	£0.4bn			
Vantage total	£3.2bn	£1.8bn			

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

Discretionary

14% of Group revenue



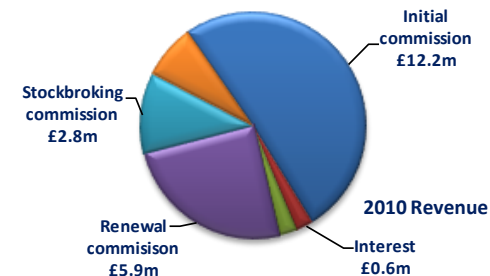
- Fewer advisers
- Role of Financial Practitioners
- Asset gathering

		FY 2010	FY 2009
Revenue	+19%	£22.9m	£19.3m
Recurring revenue	+11pts	82%	71%
Adjusted operating profit margin	+14.3pts	60.6%	46.3%
No. of PMS clients ('000)	+5%	10.7	10.2
Average PMS client value at year end (£'000)	+20%	116.4	96.6
Net new business inflows		£0.20bn	£0.24bn
Discretionary AUM at period end	+32%	£1.83bn	£1.39bn

Third Party/Other Services

15% of Group revenue

- Third party revenue still expected to decline
- Other services (e.g. currency, Funds Library), potential for growth



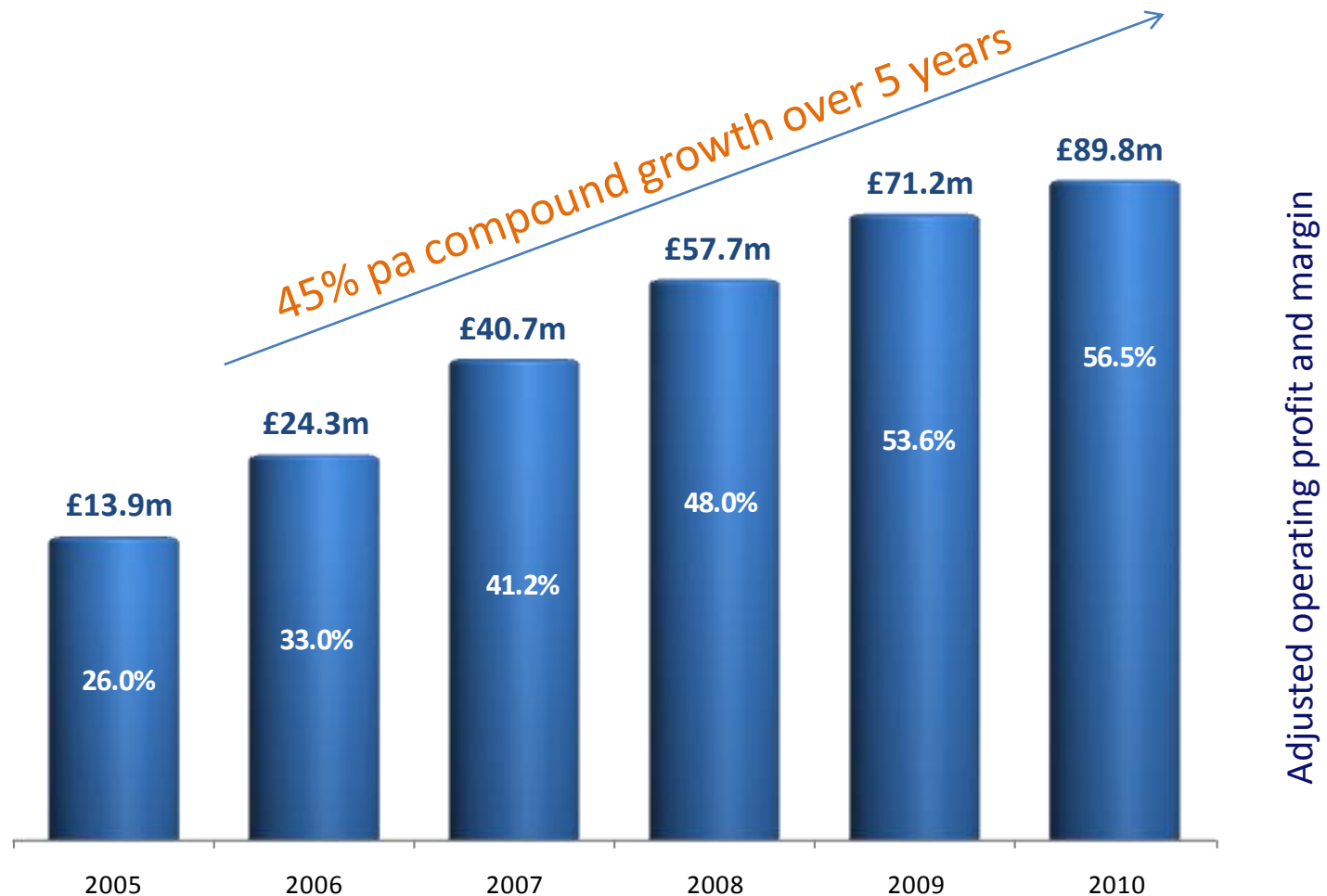
		FY 2010	FY 2009
Revenue	-8%	£23.9m	£26.0m
Adjusted operating profit margin	+5.1pts	47.7%	42.6%
No. of annuities	+6%	7,477	7,060
Ave. annuity size (£'000)	-8%	32.8	35.7
Certificated dealing volumes	-10%	33,800	37,400
Corporate pensions revenue	-18%	£7.3m	£8.9m

Administrative costs

- 🕒 Loyalty bonus costs increased
- 🕒 Reduction to discretionary pay
- 🕒 Efficiencies
- 🕒 Increased premises costs (2011 + £1.5m)

	Change	FY 2010	FY 2009
Staff costs	-3%	£36.0m	£37.2m
Commission payable (loyalty bonus)	+42%	£11.8m	£8.3m
Marketing and distribution spend	+37%	£8.2m	£6.0m
Depreciation, financial costs	+42%	£2.7m	£1.9m
Other overheads	+28%	£10.5m	£8.2m
Net costs	+12%	£69.2m	£61.6m
One-off costs (new offices)		£4.4m	£1.4m
Total costs	+17%	£73.6m	£63.0m
Ave. no of staff	+3%	628	607
No of staff at 30 th June		644	599
% variable staff costs (discretionary bonus + share based payment)		21%	30%

Adjusted operating profit margin



Cash, capital and dividend

- 11.88p 2010 total dividend (90% of PAT)
- Low normal capex requirement
- Current trading in line with expectations
- Cash generative, no debt
- Large capital surplus

	30 Jun 2010	30 Jun 2009
	£m	£m
Capital resources	65	83
Pillar 1 regulatory requirement	(7)	(6)
Surplus group capital resources	58	77
Proposed dividend (2010: 2.28p)	(11)	(33)
Total after dividend	£47m	£44m
Surplus of regulated companies	£42m	£34m
Cash resources	£61m	£77m

Strategy and outlook

Clean balance sheet

Debt	£0
Embedded value accounting	None
Cash	£61m

Results include significant expensed technology investment

Speed and storage – client experience 3 times faster

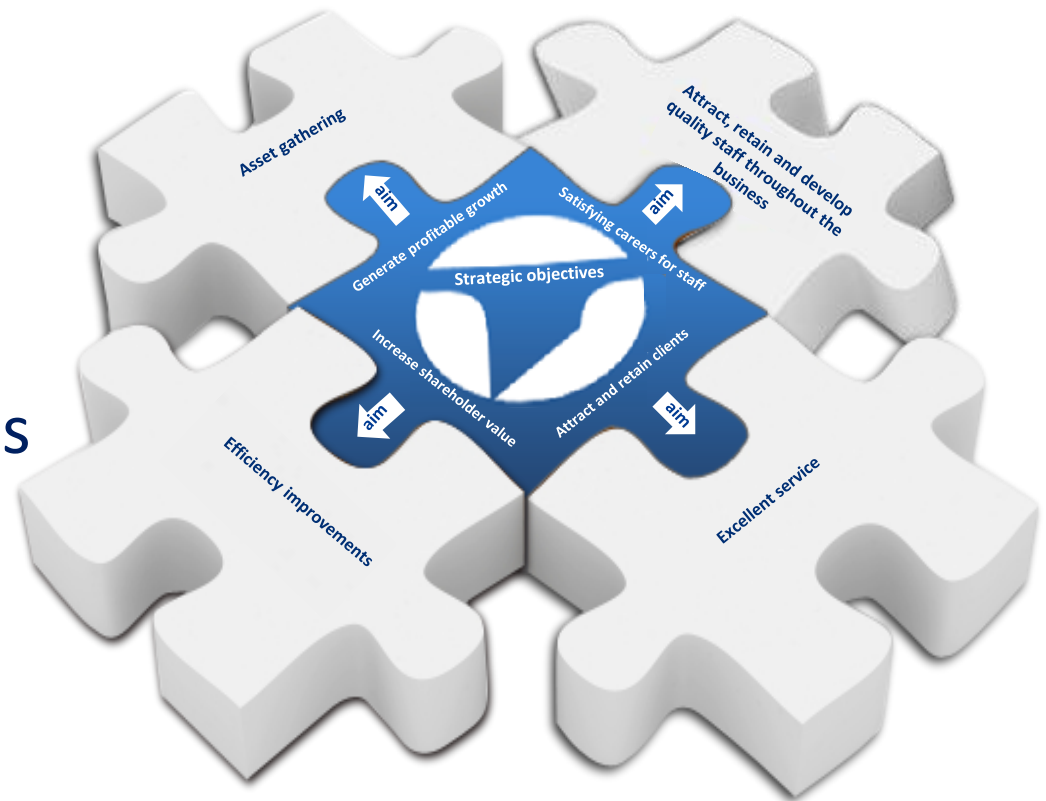
Improving internal data retrieval and storage capacity

Increased firewalls and proactive fraud monitoring

Group Strategy

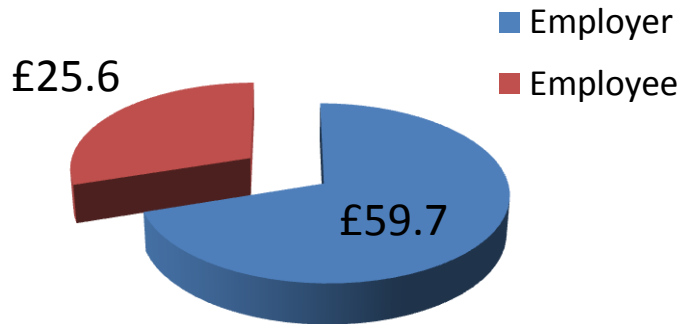
The 4 key components to our strategy are:

- Excellent service
- Asset gathering
- Efficiency improvements
- Quality staff

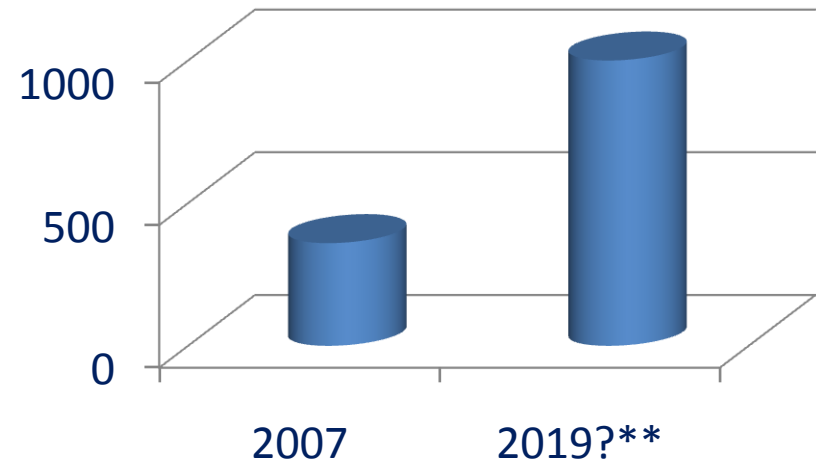


The Corporate Market

Pension Contributions (£bn) ***



Defined Contribution asset value (£bn)*



Annuities set up 2008 454,000
Annuity value £14.1 billion
Estimated value 2017 £49.6 billion \$



Defined Benefit £1.9 trillion
87% closed to new entrants \$
91% in deficit \$

* 2007, Spence & Johnson. ** assuming 11% growth combined contributions + investment growth *** PwC report for Department of Work and Pensions 2007 \$ FTSE 100 DB schemes, Watson Wyatt "In retirement" study 2008

Corporate Vantage

The screenshot shows the Hargreaves Lansdown website's Corporate Vantage page. At the top left is a black box with a white 'LOGO' placeholder. To the right is the Hargreaves Lansdown logo. Below is a navigation bar with links: Home, ISA, SIPP, Fund account, Share account, Investment news & research, Knowledge centre, and My accounts & dealing. On the left side, there are two boxes: 'Log in' with the text 'Log in to your account' and 'Register' with the text 'Register for a corporate Vantage account'. The main content area features a large image of a dandelion with the text 'Corporate Vantage' and a description: 'The [redacted] Corporate Vantage Service allows you to hold all your investment ISAs, funds, stocks and shares and Self Invested Personal Pensions (SIPPs) in one easy to manage account. You can make new contributions via payroll or cheque as well as transferring in existing investments. A better future for your investments.' Below this is a section titled 'Benefits of the [redacted] employee Vantage Service' with six bullet points:

- ✓ A quick and easy way to manage your ISAs, Funds, Shares and Pensions.
- ✓ Free investment information and tools to help you make more of your savings.
- ✓ If you have a number of investments held with different companies you can consolidate them allowing you to view your investments performance on one statement making them far easier to manage.
- ✓ Earn cash back each year on your existing ISAs and Funds - earn £700 on a £20,000 portfolio over 10 years.
- ✓ Access to 2,300 funds from the UK's leading fund managers as well as shares, investment trusts, ETFs, gilts and cash.
- ✓ Contributions can be made by employer pay roll, debit card or cheque.
- ✓ Save up to 5.5% on the initial charges of funds - Save £561 upfront on this years ISA.

Existing solutions*:

66% not enough investment choice

50% online very poor

Over 50% poor information

33% don't take up

Corporate Vantage:

Flexibility

Co-Branded

Financial education

Choice

Convenience

* Hargreaves Lansdown survey, 750 employee respondents, 2009

Corporate Vantage Progress



On Track

Implemented	1	<i>Product works</i>
Initial target list		4,500
Focus companies		1,500
Visited to 31 July 2010		290
Indicated wish to implement in next 24 months	16%	46
Average transfer value (where known)		£14.6 million
Average current annual premium (where known)		£2.25 million

Financial Practitioners

2009 New business - £375m

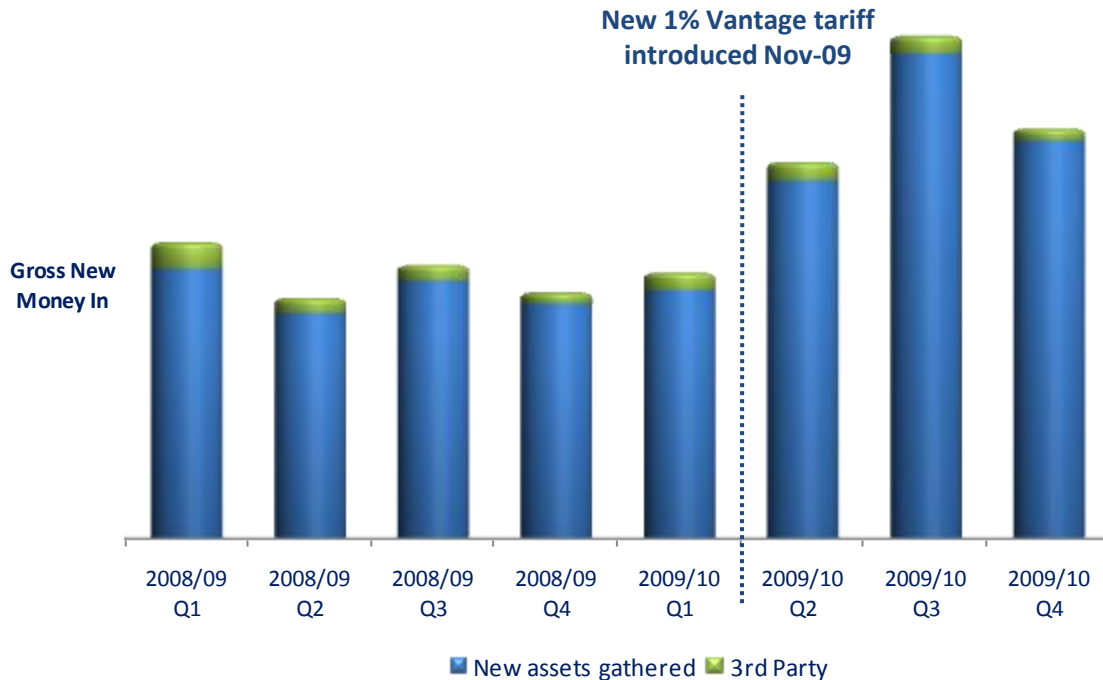
Leads – 4,200

Conversion – 21%

2010 New business - £552m

Leads – 4,600

Conversion – 24%

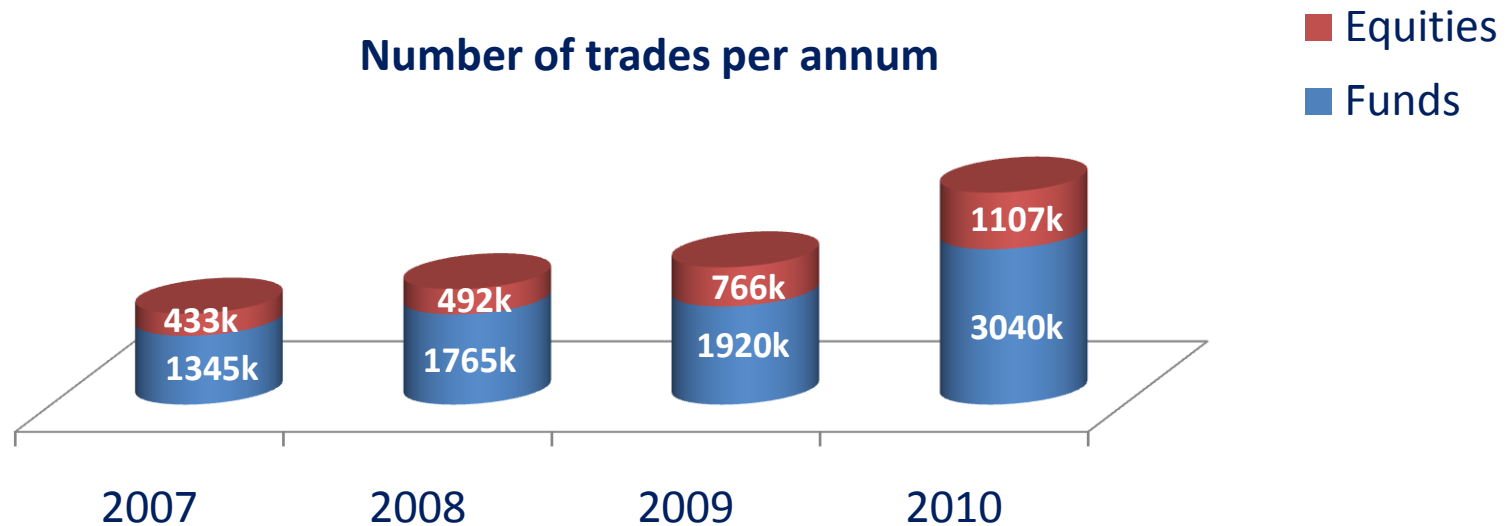


1%
charge for advice

FREE
platform assistance

Stockbroking

Already one of UK's largest execution only stockbrokers



Rationale for stockbroking growth

Competition lives off cash margins

Retention & attraction

17%*

Clients who think we could improve functionality/charges of stockbroking service

20%*

Leavers who would be less inclined to leave Vantage

Long term profit and retention play
Looking at potential revision of pricing
Developing functionality for expansion

* Percentage of respondents to survey

Portfolio Management

Reviewing & improving PMS

- Scalability of delivery – consolidating internal procedures & systems
- Improving the information & research delivered to clients
- Improving functionality & flexibility
- Consolidated reporting

Identified savings

Examples:

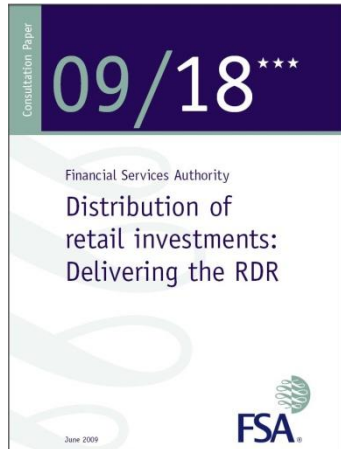
- 🕒 online withdrawals
- 🕒 computerisation of some share exchange business
- 🕒 reduction to system processing times
- 🕒 secure messaging system
- 🕒 merging administration departments
- 🕒 increase in paperless clients (extra 40,000 clients)

Future opportunities:

- 🕒 transfer business
- 🕒 electronic fund settlement

Retail Distribution Review

Distribution of retail investments: Delivering the RDR



Requirements known
Amended advisor remuneration structure
Qualifications met by majority of advisors

Platforms: delivering the RDR & other issues for discussion

Final requirements not yet known
Execution only excluded (c.85% of business)
Can comply with all the options
We already charge clients for some platform use



Succession

- ❖ **Peter Hargreaves** **Remains an Executive Director**

- ❖ **Ian Gorham** **Chief Executive as of 2.9.10**
Now joined Plc Board
Share incentives and tie-ins

- ❖ **Stephen Lansdown** **Becomes non-executive Director**

- ❖ **New Director** **Chris Barling joins as new Non-Executive Director**

Outlook

- 🕒 Market performance, as always, is key
- 🕒 Budget, further tax changes
- 🕒 Low interest rates for much of FY2011
- 🕒 Success of new initiatives (probably 24 month timeframe)
- 🕒 Regulation, expect limited financial impact of RDR as it stands
- 🕒 Existing long-term profit strategy, new energy & ideas

Conclusions



- ✔ Strong organic growth
- ✔ Opportunities to build on momentum
- ✔ Low risk appetite
- ✔ Strong balance sheet, cash generative, strong cost control
- ✔ Strong management team, and increased capacity

– well positioned for continued growth

Appendices

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Basis of preparation/IFRS 8

Group reorganisation and adoption of IFRS 8 ‘Operating Segments’

This year the Group is required to comply with the requirements of the new accounting standard IFRS 8 “Operating Segments”. As a result, previously published information will reflect a number of restatements when presented as comparative information in the Group’s interim and full year results. The accounting standard requires the identification of those segments which are regularly reviewed by the chief operating decision maker, being the Board, and the disclosure of profit and revenue used by the chief operating decision maker. The implementation of IFRS 8 has no effect on amounts presented on the face of the Income Statement or the Balance Sheet.

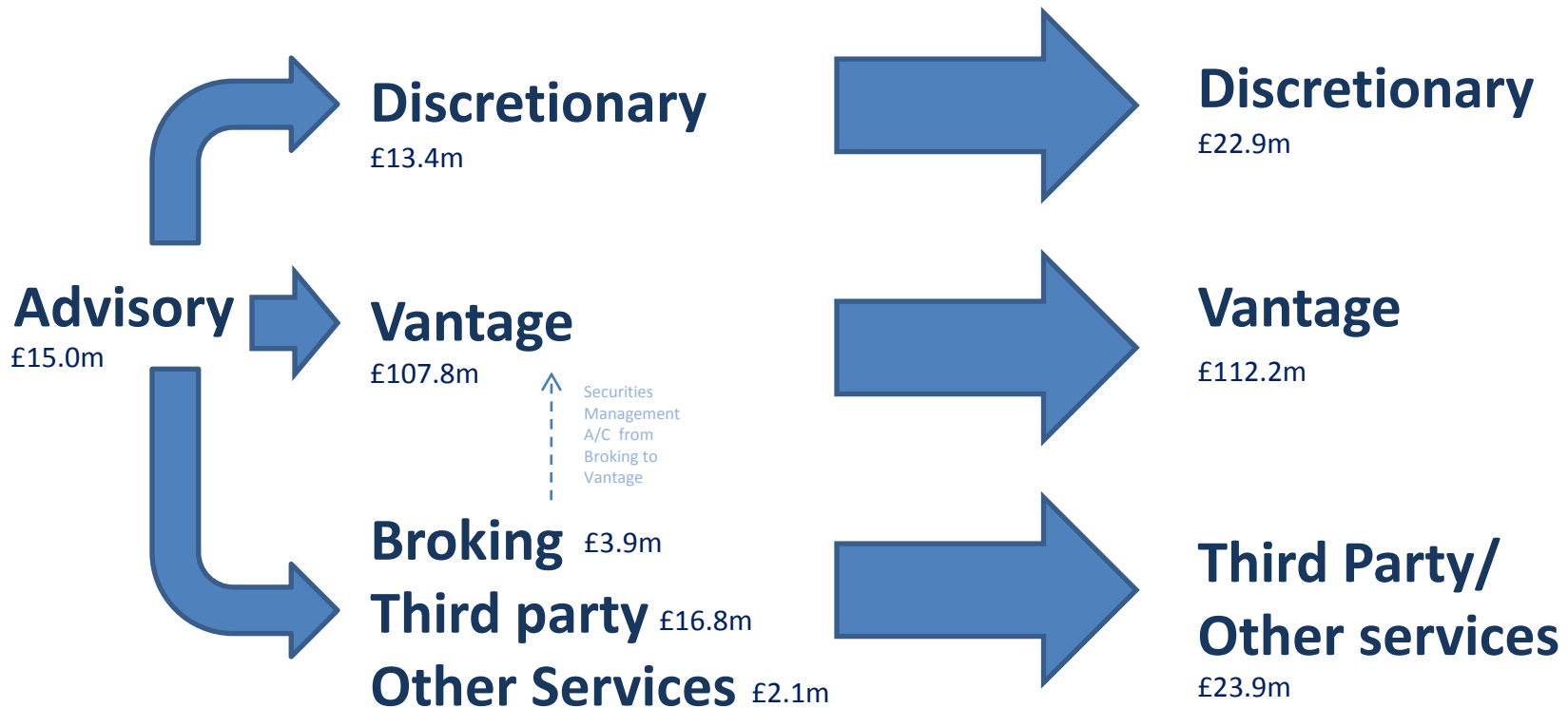
The Board monitors the business organised into three segments: Vantage, Discretionary and Third Party/Other Services. The results of these segments are published within the 2010 preliminary results announcement . In previous years we have provided the results of five divisions. The key differences are:

- The Securities Management account and other legacy nominee services are now reported within the Vantage business (previously within a separate Stockbroking division);
- Other stockbroking services - certificated dealing services, CFD’s and Foreign Exchange services – are now reported within the Third Party/Other Services segment (previously within a separate Stockbroking division);
- All advisory business transacted is now reported within the segment to which the business relates, either Vantage, Discretionary or Third Party/Other Services, rather than in a separate Advisory division;
- Central Services activities, namely banking services and data services, are now reported within the Third Party/Other Services segment.

New segmental reporting

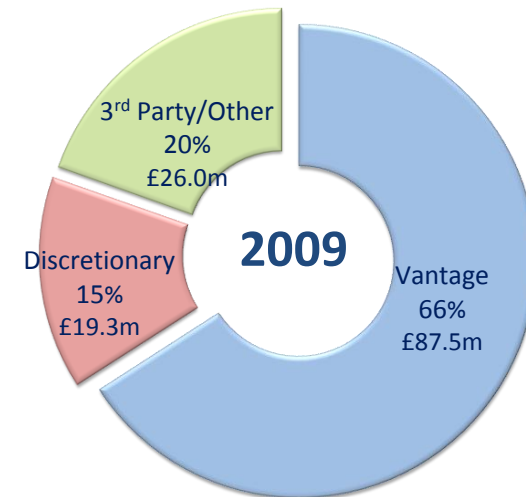
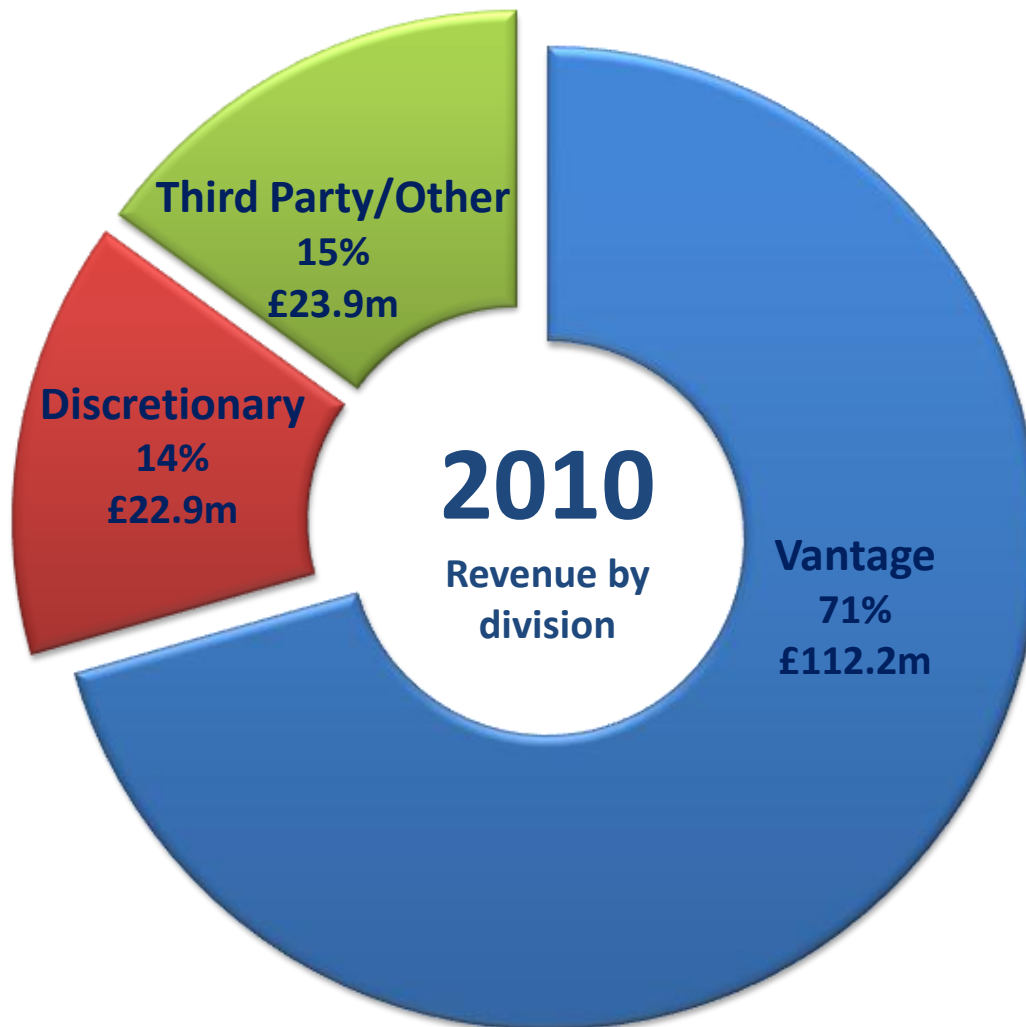
FY 2010 revenue (old structure)

FY 2010 revenue (new structure)



Revenue

Revenue by division



Vantage Revenue

	Change	FY 2010	FY 2009
Renewal commission	+60%	£62.6m	£39.2m
Management fees	+54%	£6.0m	£3.9m
Interest receivable	-34%	£19.8m	£29.9m
Initial commission	+89%	£1.7m	£0.9m
Stockbroking commission	+55%	£18.6m	£12.0m
Non investment income	+119%	£3.5m	£1.6m
Total	+28%	£112.2m	£87.5m
% of Group revenue		71%	66%

Discretionary Revenue

	Change	FY 2010	FY 2009
Renewal commission	+35%	£6.2m	£4.6m
Management fees	+39%	£12.5m	£9.0m
Initial charges	-31%	£3.7m	£5.4m
Interest receivable	-	£0.1m	£0.1m
Other	+100%	£0.4m	£0.2m
Total	+19%	£22.9m	£19.3m
% of Group revenue		14%	15%

Third Party & Other Services Revenue

	Change	FY 2010	FY 2009
Corporate pensions	-18%	£7.3m	£8.9m
Investments	+11%	£5.2m	£4.7m
Personal life & pensions	-9%	£6.0m	£6.6m
Other services	-7%	£5.4m	£5.8m
Total	-8%	£23.9m	£26.0m
% of Group revenue		15%	20%

Third Party - Corporate Pensions Revenue

	Change	FY 2010	FY 2009
Renewal commission	+20%	£0.6m	£0.5m
Initial commission - corporate annuities	+100%	£0.6m	£0.3m
- corporate pensions	-26%	£5.7m	£7.7m
Advisory fees	-	£0.4m	£0.4m
Total	-18%	£7.3m	£8.9m
% of Group revenue		5%	7%

Third Party - Investments Revenue

	Change	FY 2010	FY 2009
Renewal commission	+12%	£4.8m	£4.3m
Initial commission	-	£0.4m	£0.4m
Total	+11%	£5.2m	£4.7m
% of Group revenue		3%	4%

Third Party - Personal Pensions Revenue

	Change	FY 2010	FY 2009
Renewal commission	-	£0.5m	£0.5m
Initial commission - annuities	-4%	£5.0m	£5.2m
- pensions/other	-44%	£0.5m	£0.9m
Total	-9%	£6.0m	£6.6m
% of Group revenue		4%	5%

Third Party - Other Services Revenue

	Change	FY 2010	FY 2009
Stockbroking commission	-7%	£2.8m	£3.0m
- <i>Certificated</i>	+8%	£1.3m	£1.2m
- <i>Currency services</i>	+10%	£1.1m	£1.0m
- <i>CFD & Spreadbetting</i>	-50%	£0.4m	£0.8m
Interest receivable	-40%	£0.6m	£1.0m
Other	+11%	£2.0m	£1.8m
Total	-7%	£5.4m	£5.8m
% of Group revenue		3%	4%

Simplified cash flow statement

	HL Cash	Client Settlement	Total
	£'m	£'m	£'m
Cash bought forward	77	10	87
Profit after tax	61		61
Non cash – incl. depreciation	3		3
Tax charged less tax paid	4		4
Dividend	(77)		(77)
Capital expenditure	(8)		(8)
Increase in trade debtors	(3)	(26)	(29)
(Decrease)/increase in trade creditors	6	27	33
Change in funding	1	(1)	0
Employee Benefit Trust transactions	(3)		(3)
Cash carried forward	61	10	71

Dividend

18% growth in dividend per share

	% of PAT	FY 2010	% of PAT	FY 2009
		Pence per share		Pence per share
Interim ordinary dividend		8.00p		3.065p
Interim special dividend		1.60p		-
Total interim dividend		9.60p		3.065p
Final ordinary dividend		0.58p		4.229p
Final special dividend		1.70p		2.807p
Total final dividend		2.28p		7.036p
Total ordinary dividend	65%	8.58p	65%	7.294p
Total special dividend	25%	3.30p	25%	2.807p
Total dividend per share	90%	11.88p	90%	10.101p

Assets under administration

	Vantage AUA	Discr. AUM	Less MM funds in Vantage	FY 2010	FY 2009
	£bn	£bn	£bn	£bn	£bn
AUA at start of period	10.9	1.4	(0.4)	11.9	11.1
Net new business inflows	3.2	0.2	(0.1)	3.3	2.0
Market movement	2.2	0.2	(0.1)	2.3	(1.2)
AUA at end of period	16.3	1.8	(0.6)	17.5	11.9
Net new business inflow %	29%	14%		28%	18%
Daily ave. FTSE All-Share			+17%	2657	2268

FTSE All-Share has increased by 17% since 30 June 2009

AUA at 30 June 2010 includes £1.1bn representing Hargreaves Lansdown plc shares held in Vantage.

Vantage AUA

70% of Vantage AUA in tax wrappers (Jun 09: 71%)

	SIPP***	ISA	F&S/Other	Total	FY 2009
	£bn	£bn	£bn	£bn	£bn
Total AUA at start of period	2.9	4.8	3.2	10.9	10.2
Net new business inflows	1.3	1.3	0.6	3.2	1.8
Market movement *	0.4	0.8	1.0	2.2	(1.1)
AUA at end of period**	4.6	6.9	4.8	16.3	10.9
Net new business %	45%	27%	19%	29%	18%
Market movement %	14%	17%	31%	20%	-11%
Net business inflows FY 2009	0.9	0.5	0.4		1.8

* Market movements includes other growth factors, such as retained investment income, totalling £167m (FY 2009: £117m). Figures contain roundings.

** Vantage AUA includes £169m assets previously classified as 'Other AUA'

*** Vantage SIPP AUA includes £730m income drawdown assets at 30 June 2010 (June 2009: £356m)

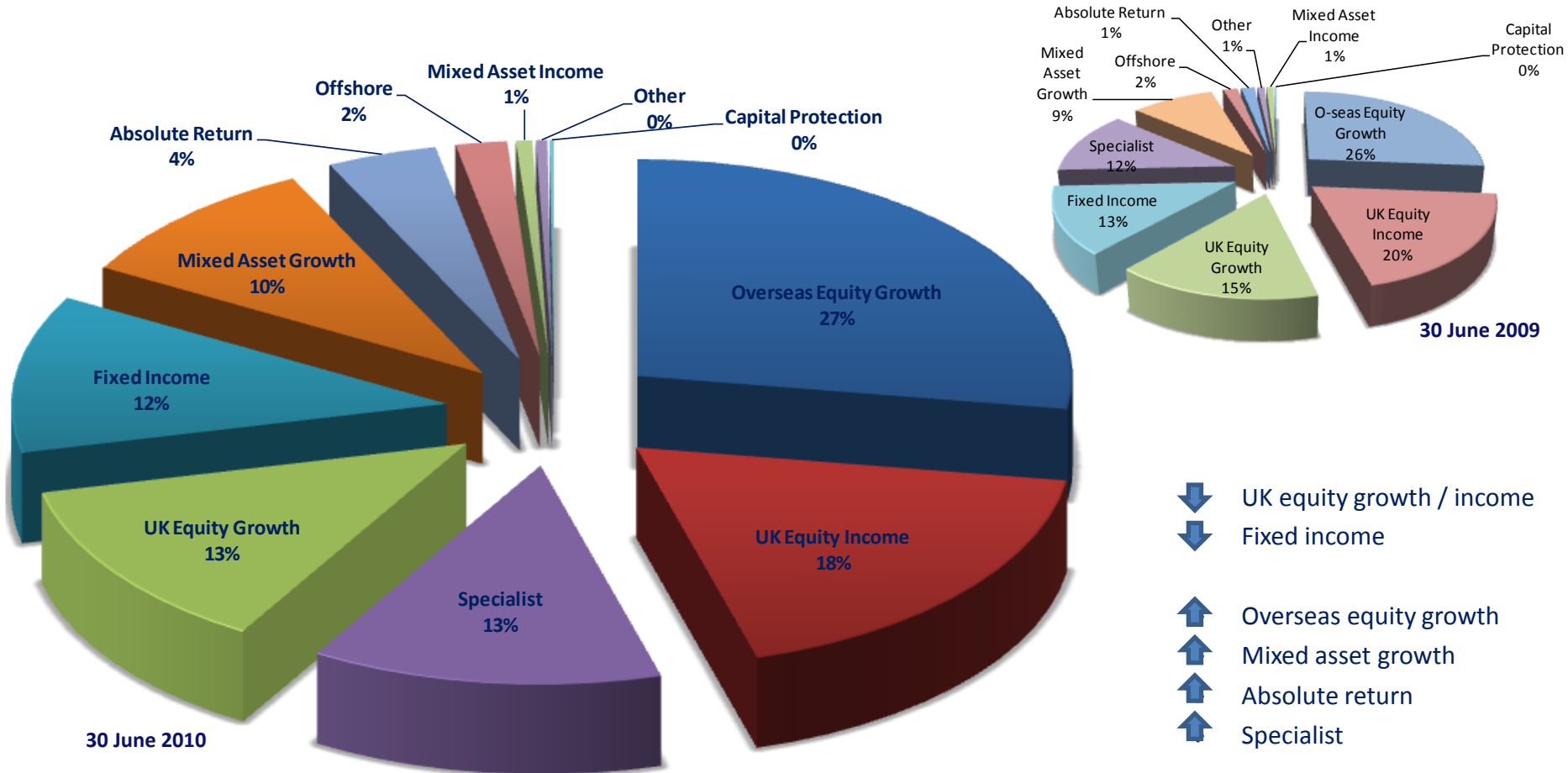
Vantage AUA analysis

70% of Vantage AUA in tax wrappers (Jun 2009: 71%)

	SIPP	ISA	F&S/Other	Total
At 30 Jun 2010				
Stocks and shares	22%	15%	52%	28%
Investment funds	52%	77%	41%	60%
Cash	26%	8%	7%	12%
% of Vantage	28%	42%	30%	100%
At 30 Jun 2009				
Stocks and shares	18%	13%	52%	26%
Investment funds	45%	78%	39%	58%
Cash	37%	9%	9%	16%
% of Vantage	27%	44%	29%	100%

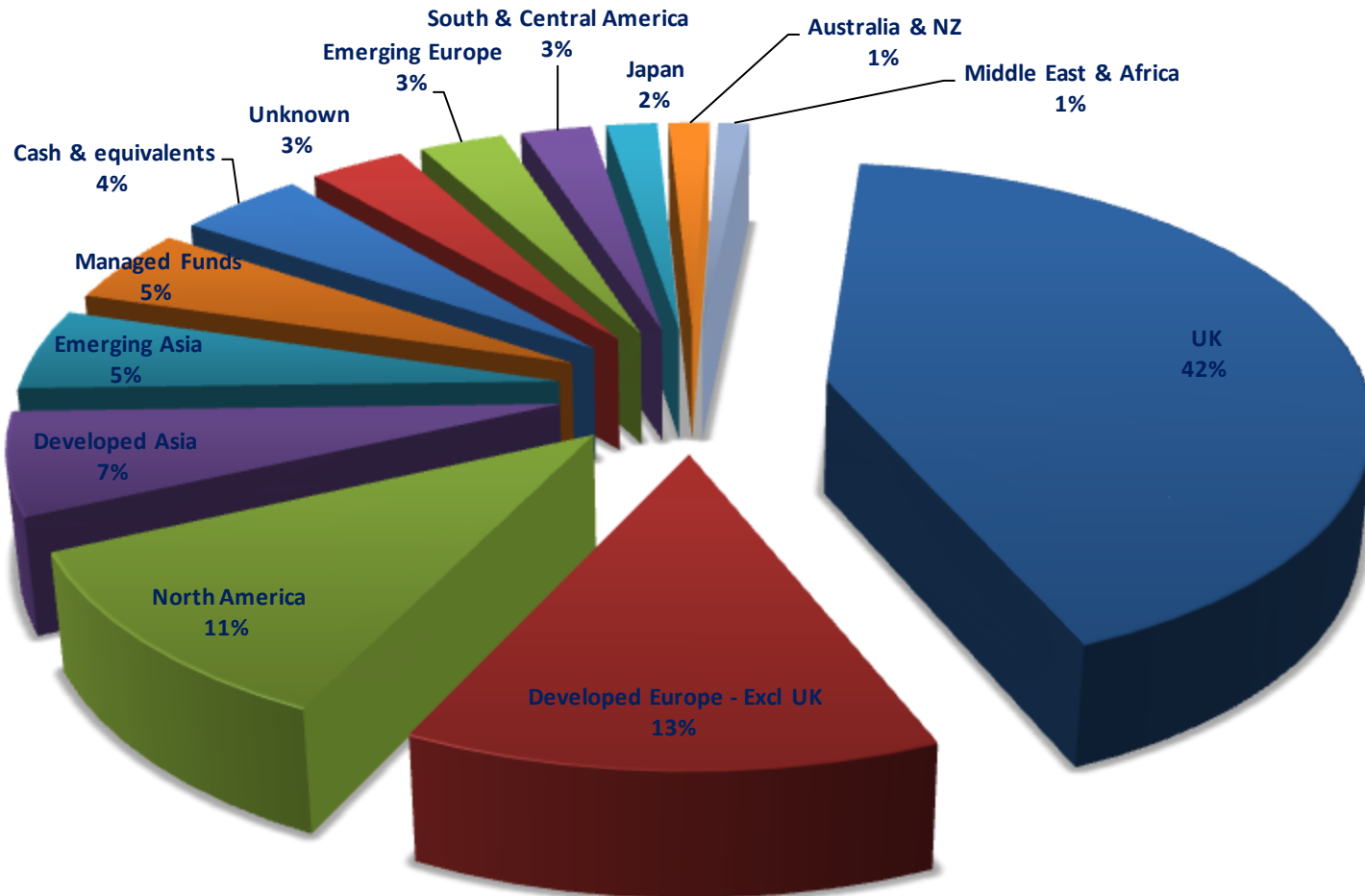
Vantage AUA analysis by sector

60% of Vantage AUA held as investment funds (Jun 2009: 58%) across the following sectors:



Vantage AUA Investment funds geographical exposure

> 46% of underlying holdings within clients investment funds are located outside of the UK



Vantage revenue and average AUA

	FY 2010		FY 2009	
	Revenue £'m	Ave Assets £'bn	Revenue £'m	Ave Assets £'bn
Renewal commission	62.6		39.2	
Initial commission	1.7		0.9	
Total revenue from qualifying funds	64.3	8.5	40.1	5.4
Stockbroking commission	18.6		12.0	
Management fees	6.0		3.9	
Total revenue from other stock	24.6	4.1	15.9	2.5
Total revenue from cash	19.8	1.9	29.9	1.6
Other income	3.5		1.6	
Total	112.2	14.5	87.5	9.5
Average revenue margin	78bps		92bps	

Vantage – other information

	SIPP	ISA	F&S/Other	Total	FY 2009
No. of equity deals	333,000	273,000	467,000	1,073,000	730,000
% Internet	89%	66%	79%	79%	77%
No. of fund deals	1,370,000	1,274,000	396,000	3,040,000	1,920,000
Average active client value at period end (£'000)	56.5	30.1	36.7	49.3	38.4
Average age (years)	47.7	57.5	56.9	55.3	56.6
New active accounts ('000)	26	28	18	72	

Awards

2010

Best IFA firm – Unbiased.co.uk

Media IFA of the year – Danny Cox – Unbiased.co.uk

Best Pensions IFA – Tom McPhail – Unbiased.co.uk

2009

Execution Only Stockbroker of the Year - FT and Investors Chronicle

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

Best Member Communication Strategy - Corporate Adviser Awards

Best SIPP Provider - What Investment

Tony Sellon Memorial Award for services to financial planning - Danny Cox - Institute of Financial Planning

Best Investment Adviser - Money Marketing Awards

