

# Hargreaves Lansdown PLC

Unaudited preliminary results for the  
year ended 30 June 2013



04 September 2013

# Forward-looking statements

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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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Michael Evans, Chairman

Highlights and Financial Results

Tracey Taylor, CFO

Strategy and Regulation

Nigel Bence, COO

Appendices

# Tracey Taylor, CFO

Highlights

Financial results

# FY 2013 highlights

## RECORD FINANCIAL RESULTS

- EPS up 30%, DPS up 31%

## BETTER TRADING CONDITIONS VS FY2012

- Higher levels of investor confidence (+50% since June 2012)
- Low interest rates

## RECORD BUSINESS VOLUMES

- More transfer business, notable increase in H2 2013 transfers
- More clients investing new money
- Increase in dealing activity (share dealing volumes +30%, funds +24%)

## STRONG ORGANIC GROWTH AND PROGRESS ON STRATEGY

- Record AUA of £36.4bn
- High client satisfaction scores
- 507,000 active clients, 76,000 net new clients (FY2012: 45,000)
- £5.1bn of assets gathered (FY2012: £3.2bn)

Revenue

**+22%**

(£292.4m vs. £238.7m)

Operating profit

**+28%**

(£192.5m vs. £150.6m)

Operating margin

**+2.7pts**

(65.8% vs. 63.1%)

AUA

**+38%**

(£36.4bn vs. £26.3bn)

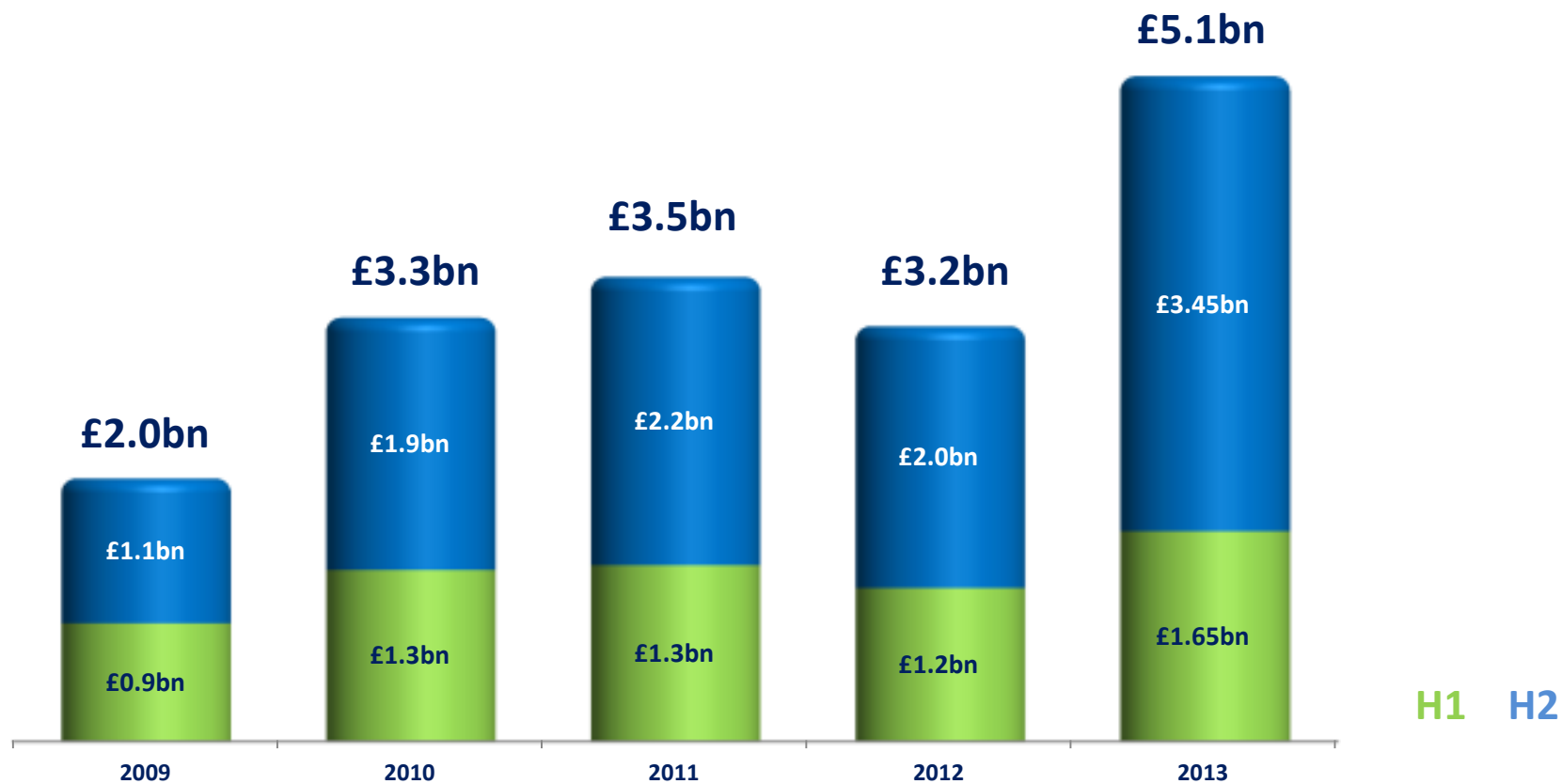
FTSE All-Share

**+14%**

(3289.71 vs. 2891.45)

# £5.1bn net new inflows

59% INCREASE IN NEW BUSINESS



Net new business inflows FY 2009 to FY 2013 (£ billion), first vs. second half

# Sustained growth in clients and AUA

TOTAL ACTIVE CLIENTS

2x

507,000

250,000 net  
new clients

257,000

CAGR +14.5%

TOTAL AUA

3x

£36.4bn

£17.1bn  
net new business,  
£8.2bn market  
growth

£11.1bn

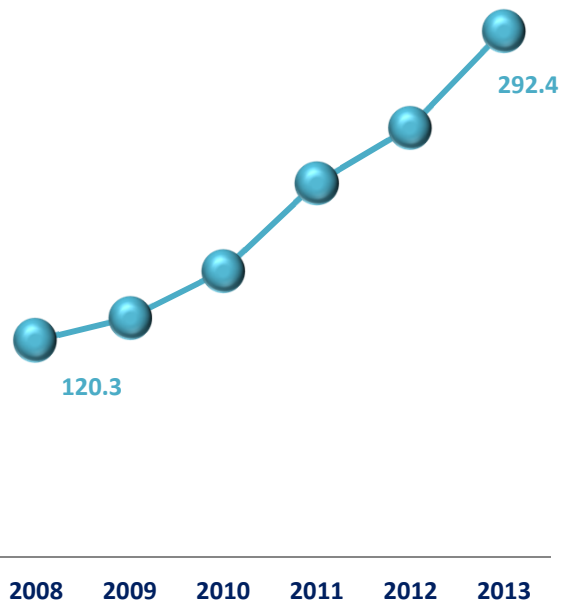
CAGR +27%

5 year movement: June 2008 vs. June 2013

# Sustained financial performance

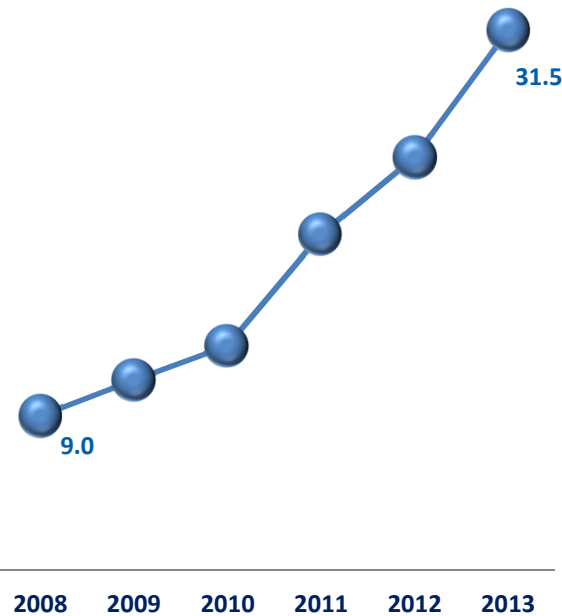
REVENUE £M

← CAGR +19% →



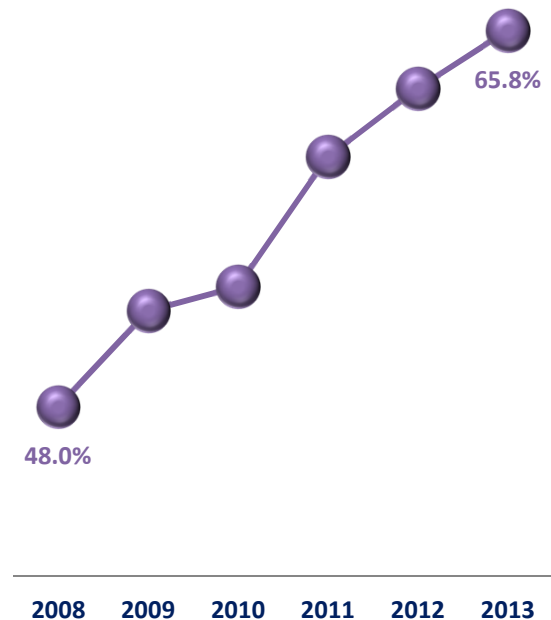
DILUTED EPS (PENCE)

← 3.5 x →



OPERATING PROFIT MARGIN %






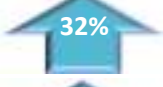

← +17.8 pts →





# FY 2013 financial headlines

IMPROVED PERFORMANCE THROUGHOUT THE INCOME STATEMENT

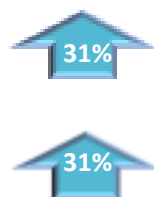
		FY 2013	FY 2012	
Revenue		<b>£292.4m</b>	£238.7m	Good cost discipline, further operating margin improvement
Operating profit		<b>£192.5m</b>	£150.6m	
Operating profit margin		<b>65.8%</b>	63.1%	
Operating profit is stated after - Total FSCS levy expense		<b>(£0.5m)</b>	£4.8m	Effective tax rate has reduced in line with main CT rate
Profit before tax		<b>£195.2m</b>	£152.8m	
Effective tax rate		<b>23.7%</b>	25.9%	Strong cash generation
Profit after tax		<b>£149.0m</b>	£113.3m	
EPS (diluted)		<b>31.4p</b>	24.1p	

# Dividend

## PROGRESSIVE DIVIDEND POLICY + TRACK RECORD OF DIVIDEND GROWTH

Interim dividend (ordinary)  
Final dividend (incl. special)  
**Total dividend**

Total ordinary dividend  
Total special dividend  
**Total dividend per share**

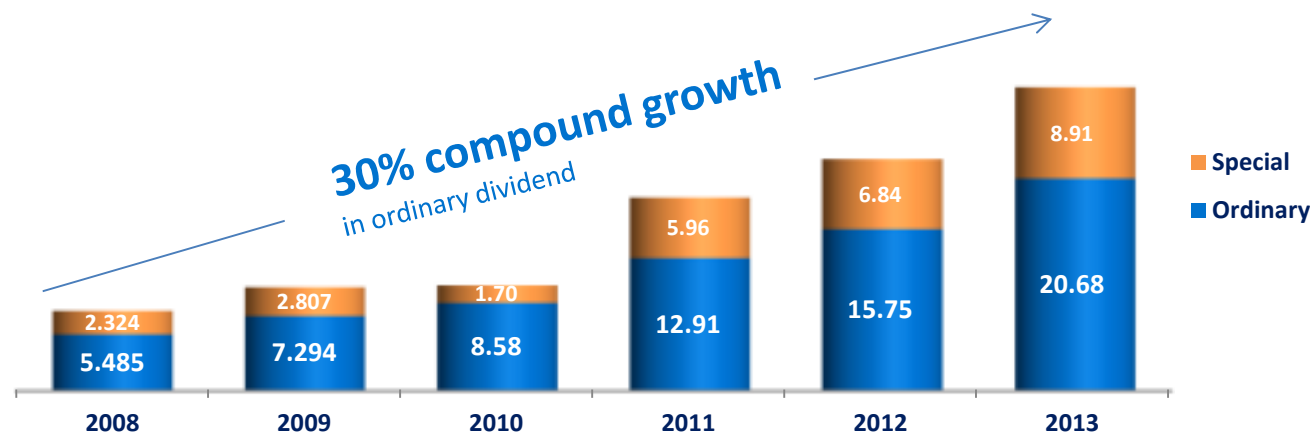


**% of PAT** **FY 2013**  
Pence per share

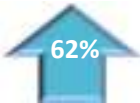
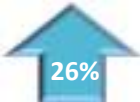
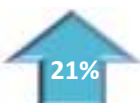
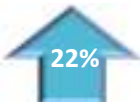
65% 20.68p  
28% 8.91p  
**93% 29.59p**

**% of PAT** **FY 2012**  
Pence per share

65% 15.75p  
28% 6.84p  
**93% 22.59p**



# Strong revenue growth

		FY 2013	FY 2012	
Other income		£6.0m	£3.7m	Strong % growth in our Funds Library business
Transactional income – incl. dealing commission, advice fees		£53.4m	£42.5m	30% increase in share dealing volumes (1.93m v 1.49m FY2012)
Recurring revenue – fees, interest, renewal income		£233.0m	£192.6m	Ave. level of AUA +30%  Effect of lower interest rates, 5.5bps decrease to Vantage revenue margin
Total revenue		£292.4m	£238.7m	

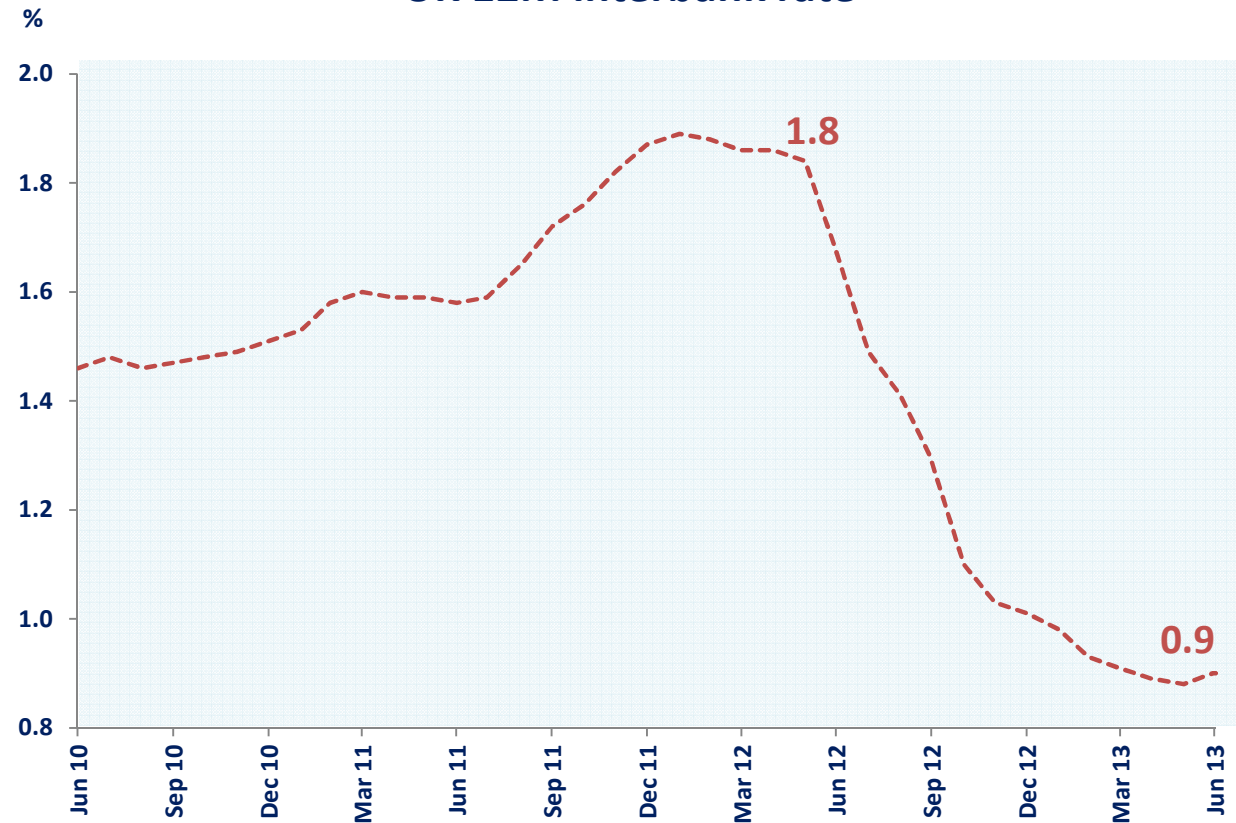
# FY 2014 headwind from lower interest rates

Further reductions to bank deposit rates seen in H2 2013

Further reduction to interest income in FY 2014

Cash = c.10% of AUA

UK 12M interbank rate



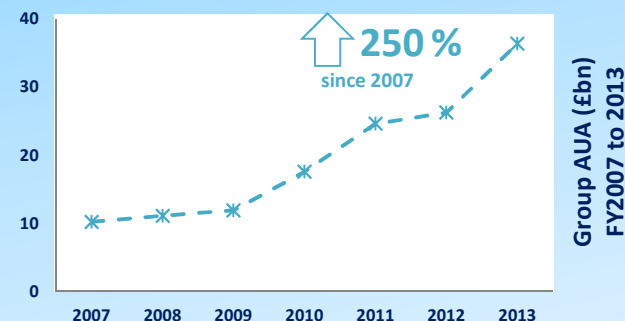
# Growth and scale

Lower interest rates + SIPP loyalty bonus (from 1.1.13) have contributed to a reduced Vantage net revenue margin this year

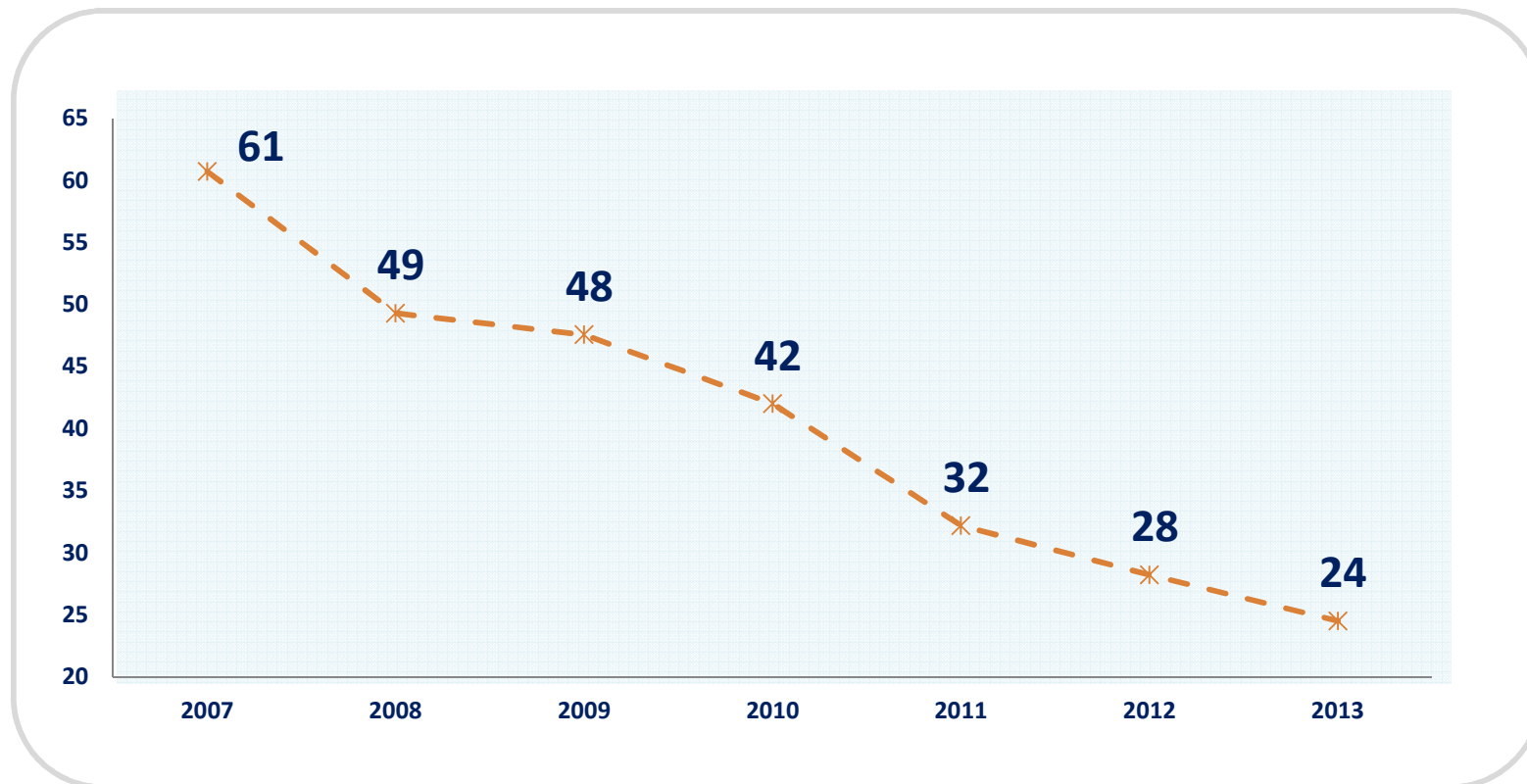


	Group net revenue margin	Total AUA	Group cost ratio improvement	Revenue	Op. profit
2007	111bps	£10.2bn	61bps	£98.8m	£40.7m
2013	84bps	£36.4bn	24bps	£292.4m	£192.5m
Change	<b>-24%</b>	<b>+250%</b>	<b>+60%</b>	<b>+196%</b>	<b>+373%</b>

The **combined** effect of **growth in AUA** and benefits of **increased scale** has more than offset margin reductions and **driven growth in profit**



# The cost ratio continues to improve



GROUP COST RATIO (BPS) FY2007 TO 2013

# Further improvement in efficiency and service

**Clear and consistent focus on simplicity and on operating efficiency**

COST RATIO = 24BPS  
AND OPERATING PROFIT  
MARGIN = 65.8%

**Investing in client experience and convenience to make our strong platform even better**

CLIENT SATISFACTION  
SCORE = 96% AND  
CLIENT RETENTION  
RATE = 94.5%

# Staff costs

		FY 2013	FY 2012
Staff costs	+15.6%	£50.3m	£43.5m
No of staff at 30th June	+13%	741	658
Ave. no of staff (FTE)	+11%	728	657

## IT'S A SCALABLE BUSINESS, SO WHY HAVE STAFF NUMBERS INCREASED?

	Increase in headcount vs June 2012	Why?
<b>Corporate Vantage</b> sales, marketing and implementation	+9	Strategic initiative (Pensions Opportunity) - expand the Pensions business
<b>Advice:</b> Financial Practitioners and advisory helpdesk	+25	To expand the advice business in selected locations, increased demand for advice
Web and <b>digital</b>	+7	Strategic initiatives (Digital and Investment Supermarket) – focus on affiliates, SEO, content, mobile
<b>IT development</b> and testing	+11	Strategic initiative (Digital), service improvements, RDR changes and increasing capacity of systems
Vantage <b>transfer</b> -in teams	+12	52% increase in transfer-in applications, largely a manual process in the industry
Funds Library	+6	To expand the business



# Continued cost control

13% GROWTH IN COSTS VS 22% REVENUE GROWTH

		FY 2013	FY 2012
Total operating costs	+13%	£99.9m	£88.1m
Of which, loyalty bonus	+41%	£23.2m	£16.4m
Marketing and distribution spend	+17%	£11.0m	£9.4m
And other non staff costs	-6%	£26.4m	£28.2m

Loyalty bonus increases with value of investment funds AUA (+22% ave.)

New **SIPP loyalty bonus** from 1.1.13 (£3.7m/6 months)

Increase in **digital marketing** spend

VAT recovery of £2.2m last year, £2.1m FSCS levy refund this year

# Divisional results

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	Revenue	Operating profit
<b>FY 2012</b>	<b>£238.7m</b>	<b>£150.6m</b>
Vantage	+£41.5m	+£32.0m
Discretionary & Managed	+£6.9m	+£4.8m
Third party & Other services	+£5.3m	+£5.1m
<b>FY 2013</b>	<b>£292.4m</b>	<b>£192.5m</b>

# Vantage

20% ORGANIC GROWTH IN AUA, 39% TOTAL GROWTH  
18% INCREASE IN VANTAGE CLIENTS

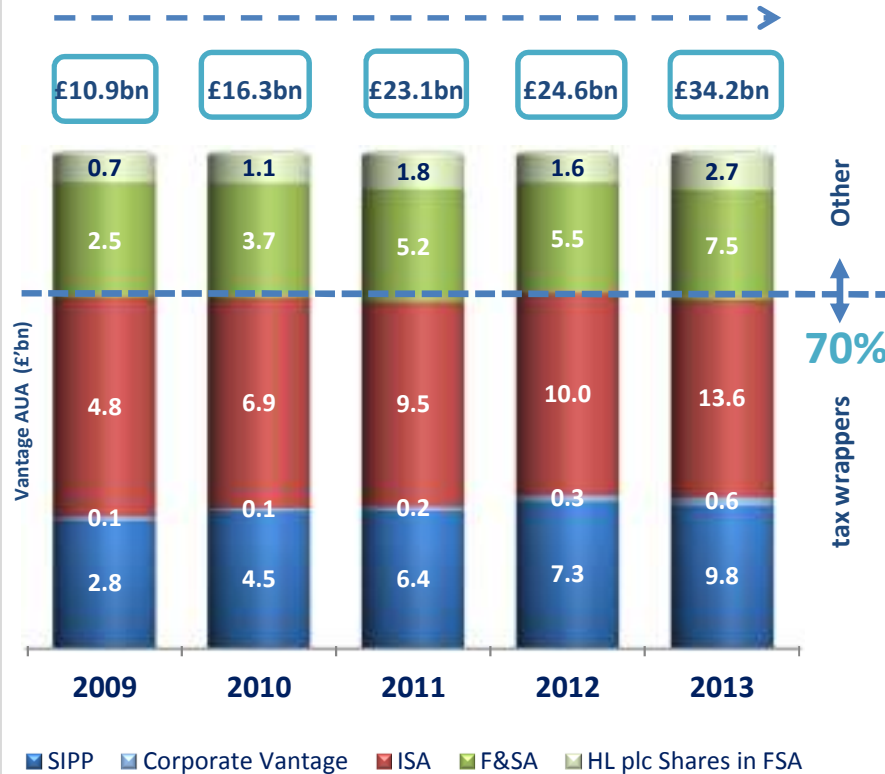


KPIs		FY 2013	FY 2012
Revenue	+22%	£227.2m	£185.7m
Ave. revenue margin	-5.5bps	75.5bps	81bps
Ave. net revenue margin (net of loyalty bonus)	-6bps	68bps	74bps
Operating profit margin	+2.4pts	66.1%	63.7%
Average cost ratio (on AUA, excl loyalty bonus)	-3.2bps	18.4bps	21.6bps
No. of active Vantage clients	+18%	500,000	425,000
No. of active Vantage accounts	+15%	722,000	626,000
Vantage AUA at start of year		£24.6bn	£23.1bn
Vantage net new business inflows	+55%	£4.8bn	£3.1bn
Market movement		£4.7bn	(£1.55bn)
Vantage AUA at end of year	+39%	£34.2bn	£24.6bn

# 20% organic growth in Vantage AUA

## VANTAGE AUA (£BN)

5 YEAR CAGR = 28%



Corporate Vantage AUA includes legacy. £356m excluding legacy (2012: £95m). See Appendix for further details.

## ASSET CATEGORY

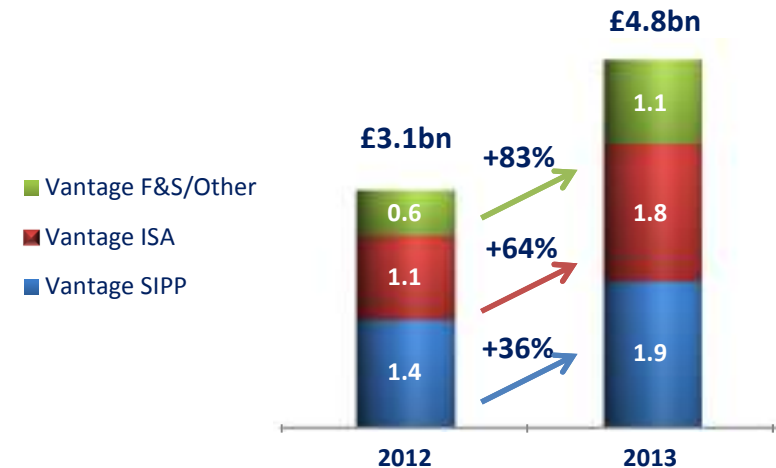
56% of Vantage AUA held in investment funds

34% shares

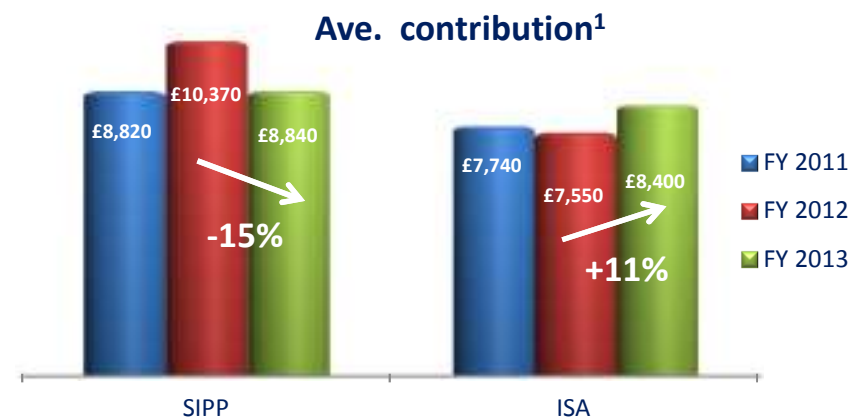
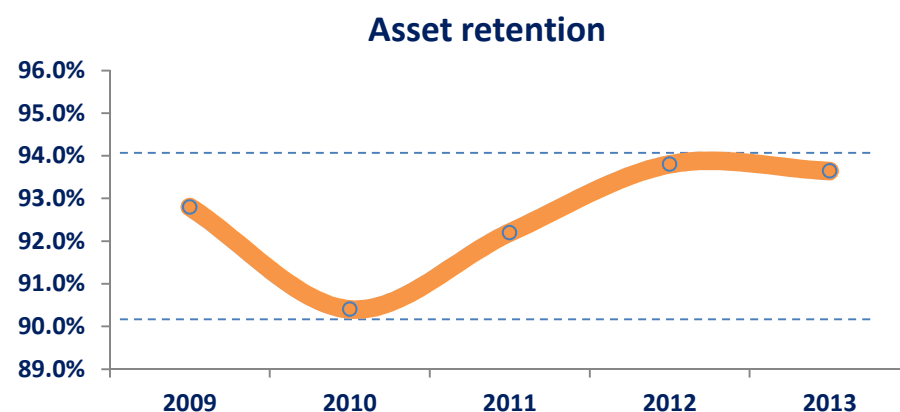
10% cash

(2012: 57%, 31%, 12% respectively)

## NET NEW BUSINESS (£BN)



# £4.8bn Vantage net new business (+55%)



Improvement in investor **confidence**  
 Introduction of **SIPP Loyalty Bonus**  
 Availability of **in-specie transfers**  
**RDR1** changes in the advised market  
 Increase in the number of clients contributing **new monies** (SIPP +28%, ISA +38%)  
 18% increase in the number of Vantage clients (+75,000)



15% y-o-y increase to regular contributions. Run rate £299m  
 52% increase in the number of transfer-in applications to Vantage.  
 £3.4bn **transfers-in** to Vantage (gross, 2012: £2.2bn)  
 Employed **more financial advisers**.  
 20% increase in advised new business (£387m vs £322m)



Households are still facing financial challenges  
 Higher level of money withdrawn from ISAs (+28% to £394m)  
 Very high client (94.5%) and asset (93.6%) **retention rates**



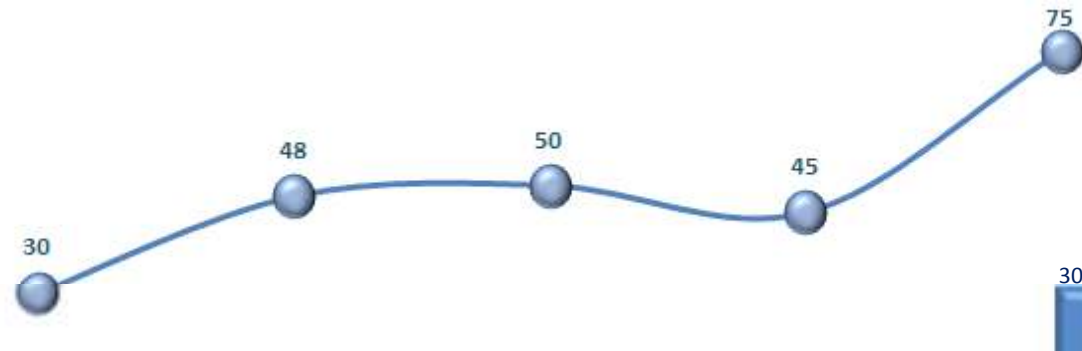
<sup>1</sup> Average contribution for those clients who have contributed during the year, includes both member and employer contributions, includes SIPP tax relief

# New clients choosing HL, existing clients staying loyal

## Client retention



## 75,000 net new Vantage clients ('000)



## 18% increase in no. of Vantage clients



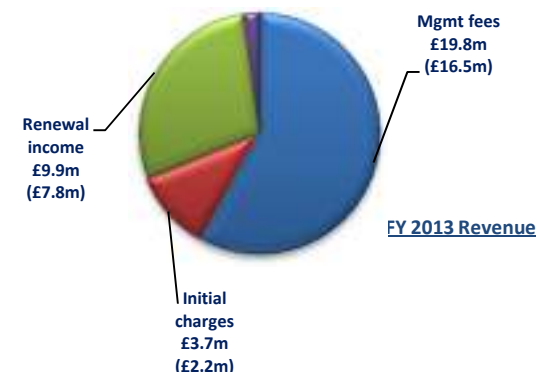
Vantage net new clients progression ('000)

# Discretionary and managed

37% INCREASE IN AUM

INCREASED NUMBER OF ADVISERS FROM 68 TO 92

INCREASED LEVELS OF NEW BUSINESS INFLOWS IN PMS



## KPIs

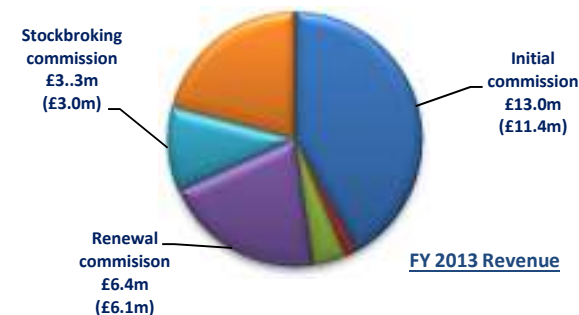
		FY 2013	FY 2012
Revenue	+25%	£34.1m	£27.3m
Recurring revenue	-2ppt	88%	90%
Operating profit margin	+0.4pts	67.8%	67.4%
No. of PMS clients	+12%	13,400	12,000
No. of advisers at 30 June	+35%	92	68
Discretionary AUM at period end	+39%	£3.35bn	£2.41bn
Net new business inflows to PMS	+203%	£495m	£150m

# Third Party/Other Services

CONTINUED GROWTH IN DEVELOPING BUSINESSES -

FUNDS LIBRARY AND HL MARKETS\*

16% INCREASE IN AVE. ANNUITY CASE SIZE



## KPIs

Revenue	+21%
Operating profit margin	+7.0pts
Funds Library revenue	+68%
HL Markets revenue	+8%
HL annuities service revenue	+16%

## FY 2013

£31.1m
61.4%
£6.2m
£2.6m
£7.8m

## FY 2012

£25.7m
54.4%
£3.7m
£2.4m
£6.7m

\* Relates to Currency, CFDs and Spreadbetting



# Summary

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**Continued growth, record results**

**Remain focussed on costs and improving operational scalability**

**Maintained strong balance sheet**

**Increased dividend by 31%**

# Nigel Bence, COO

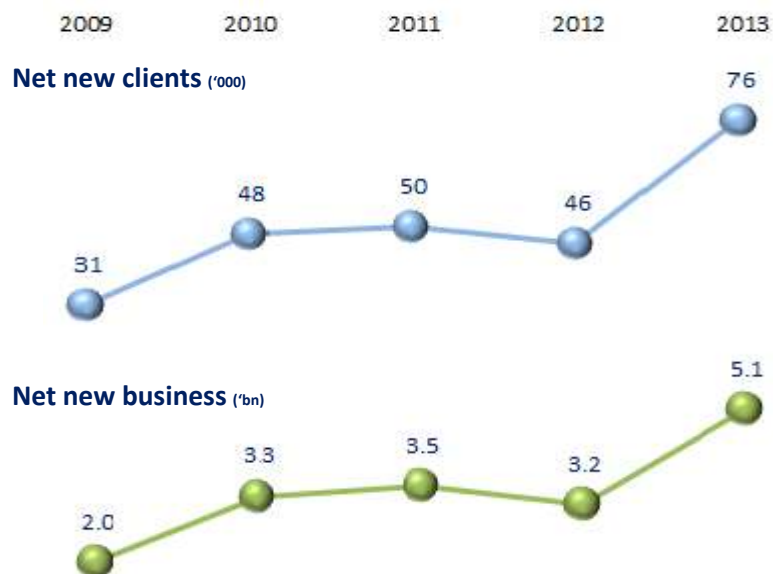
**Results comment**

**Strategy update**

**Regulatory update**

# Comments on results

- **EXCEPTIONAL GROWTH**
- **STEP CHANGE IN AUA, NEW BUSINESS AND CLIENT RECRUITMENT**
- **INCREASED MARKET SHARE**
- **BETTER ECONOMIC CONDITIONS**



## Why these results?

- Client recommendation
- Digital media, mobile
- Pre-eminence of distribution
- Lack of competitive impact
- Excellent client retention (94.5%)

## Market shares

- Stocks and Shares ISA: now 8.4% (2012: 6.9%)
- Junior ISA: 32%
- UK XO stockbroking: 19.4% (2012: 14.1%)

# Group strategy : a reminder



# Beneficial demographic trends

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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...**

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**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**

# Strategy update

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## 3 KEY INITIATIVES



### Investment Supermarket

**“The best place in the UK to buy any investment directly”**



### Digital

**Harness electronic channels to encourage investing with Hargreaves Lansdown**



### The Pensions Opportunity

**Providing the UK public with better pensions options**

# Investment supermarket

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## DELIVERED:

- Better Family accounts
- Share dealing - further improved market share
- SIPP Loyalty Bonus
- Enhanced annuity engine
- Online transfers

## MORE COMING:

- Factsheets for Investment Trusts, ETFs
- Wider research coverage
- Stockbroking initiatives
- **Superclean Funds**





# The Superclean initiative

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## Post RDR fund management units

- Seeking best deal for our clients
- Whilst remaining independent



The Exercise:

Fund management companies approached: **222**

Respondents (by AUM on Vantage): **89%**



The Result:

W150 funds – better deal than standard: **68%**

# Superclean initiative : how it will work



## Europe Excluding UK

Our view on the Europe Excluding UK sector »

	Initial charge	Initial saving	Full saving?	Annual charge
<b>Our favourite fund</b> ✓				
XYZ fund Accumulation	5.00%	5.00%	✓	0.xx%
IM Argonaut European Alpha Accumulation	5.25%	5.25%	✓	0.75%
JO Hambro Continental European Income	5.00%	5.00%	✓	0.75%
Jupiter European Income	5.00%	5.00%	✓	0.75%
Jupiter European Special Situations Accumulation	5.25%	5.25%	✓	0.75%
Neptune European Opportunities (Class A) Accumulation	5.00%	5.00%	✓	0.75%
Schroder European Alpha Plus Accumulation	0.00%	0.00%	✓	0.75%

- ✓ W150 currently being reviewed by the **Research Department**
- ✓ Choices will be based on potential for **Highest Total Return** to clients
- ✓ Remains **Dynamic** and **Investment Led**
- ✓ Wealth 150 will remain sole client facing brand

# Superclean: objectives

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**= Lower TERs on popular funds when investing through Hargreaves Lansdown**

- ✓ Potential for improved distribution for fund managers
- ✓ Differentiated fund management cost will improve total return for clients
- ✓ Change face of the market for funds
- ✓ HL exercises client buying power on their behalf. Not just custodian.
- ✓ Competitive advantage for Hargreaves Lansdown
- ✓ Loyalty Bonuses and discounts will continue



**A highly successful process so far**

# Digital strategy

## Mobile



**Mobile app downloads:**

125,000+ to date

**Rise of Android:**

Downloads up 102% y-o-y

**App fund and share**

**deals:** Up 86% y-o-y

## HL.co.uk



## iPad app coming soon



- Fully user configurable content
- Full functionality - Account log in, fund & share deals, new account applications, account top ups and withdrawals
- Watchlists synced to mobile app



**DIGITAL MARKETING ACTIVITIES ARE DIRECTLY BRINGING IN NEW CLIENTS** (19K ACCOUNTS JAN-JUNE 2013)

# Summary of digital progress

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Huge uptick in traffic and accounts through all channels

Investment in content networks and affiliates **delivering strongly**

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Key points:





- This all **costs money**. Others cannot afford to match.
- HL has most **relevant and engaging content and visit stats**
- **In-house knowledge and expertise** now very strong
- Our **affiliate credentials** dwarf others
- **HL most resources** to compete for and buy clicks
- **Clear leader** in digital in this market now

# Pensions strategy

Loyalty bonus introduced in SIPP on 1 January 2013

Auto enrolment phasing in, affects all employers by Q1 2017. Potential for higher take up rates c.10% AE opt-out rates (DWP)

Corporate Vantage progress:

	<u>2013</u>	<u>2012</u>	% change
 <b>Members*</b>	<b>13,112</b>	<b>4,734</b>	<b>+177%</b>
 <b>Schemes *</b>	<b>78</b>	<b>47</b>	<b>+66%</b>
 <b>Annual Premiums *</b>	<b>£78.8m</b>	<b>£29.6m</b>	<b>+166%</b>
 <b>AUA</b> (CV, excludes legacy)	<b>£355.5m</b>	<b>£94.8m</b>	<b>+275%</b>

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

# Regulation - RDR: a recap

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## *RDR 1* “Advice”

31/12/2012: (Already live)

Fee Based Advice  
Qualifications  
Independence  
Transfers in stock

## *RDR 2* “Platforms”

From 06/04/2014

FCA PS13/01, as expected  
(minor clarification expected  
through supplementary  
consultation Sept 2013)

# The two main effects of RDR 1

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1. *Rise in our own fee based advice business:*  
Discretionary (PMS) inflows +200%  
Other advised inflows +20%
2. *Rise in transfers from third party advisers – eg*  
transfers from main advisory platforms +85%



**RDR 1 confirmed as good for Hargreaves Lansdown**



# What does RDR 2 say?

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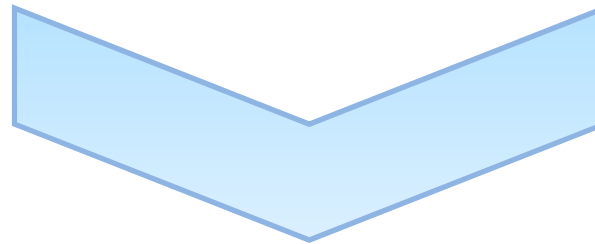
- Rebates can still be received
  - cash loyalty bonuses will continue to be paid on existing fund holdings acquired pre 6/4/2014
  - on business received after 6/4/2014 rebates must **be passed in full to clients** as additional units (unit rebates)
  - after 6/4/2016 **all rebates must be passed to clients**
- May charge fund groups for errors, information and corporate actions
- Advertising income allowed (HL does not intend to use)

# RDR2 - timing

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COMMUNICATION

**END NOV/START DEC 2013**



NEW ARRANGEMENTS START

**EARLY 2014**

## Why this timing?

- Little client interest: Only 1 in 1000 calls are about RDR
- Seen no advantage for early movers

# Hargreaves Lansdown's RDR approach

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## OBTAIN DISCOUNTS: "THE BEST PRICES"

- Fund discounts will save clients £million's per annum in charges

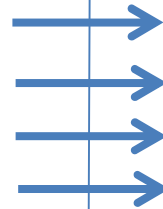
## FEE TARIFF FOR FUNDS

- Competitive
- Percentage based, tiered structure
- % based suits small accounts
- Tiered rewards large accounts
- No account or manual dealing fees
- Replaces existing fund "platform fee"

# Hargreaves Lansdown's RDR approach

## FUNDS HELD BEFORE 6 APRIL 2014

- No action required - take advantage automatically
- Vastly increased loyalty bonus (0.75% or more in many cases)



Option to convert for free  
as clients wish

## FUNDS PURCHASED AFTER 6 APRIL 2014

- Clean funds with loyalty bonus (in units)
- OR superclean class funds

# It's incredibly compelling for clients...

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- **Save money** with the best discounts: “The Best Prices”
- Financially **secure** and **trusted** FTSE 100 firm
- Amazing award winning **service** and intuitive **useability**
- Vast **free expert research** and information
- Discounts and competitive fee tariff – **most people will pay less**
- **No fixed or account charges** if you're just starting out
- Even bigger discounts if you have a **large account**
- **Seamless fee collection**
- We retain the best resources for **distribution and marketing**
- **Little disturbance** for existing clients

# RDR summary

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- ✓ RDR 1 has been excellent for Hargreaves Lansdown
- ✓ RDR 2 work is on-track. Superclean activity very successful so far
- ✓ Very compelling post RDR 2 proposition
- ✓ Stand by original message: currently no evidence of material net revenue or profit disruption from RDR
- ✓ No-one really knows how RDR 2 will pan out – but we have worked hard to take advantage

# The (non) effect of competition

Increases in market share across the board

**Asset retention** (93.6%) and **client satisfaction** (96%) **still excellent**

Assets transferring to Hargreaves Lansdown

**Net transfers for year +£1.1bn (+59%)**

Fragmented market

Stockbrokers

Directly held assets

Life Companies

Wealth managers

Other platforms



**Investment  
Supermarket**

# Still heavy barriers to entry

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## Need:

- **Platform technology**: available but has associated cost. HL owns.
- Trusted contact/potential **client list**: HL has more than 1.8 million
- Retail investment **marketing resources** & knowledge
- **Expertise**: this is not easy and attracting top expertise demands scale
- **Servicing** the client is very different to platform administration. HL has 750 staff for a reason
- **Scale** – there are high fixed costs. Scale wins
- Very **long term payback** doesn't suit many investors eg. Private Equity
- **Increasing regulatory costs** & complexity to deal direct. Europe.
- Need **trusted brand** – clients now wary who they trust with money
- Need **powerful balance sheet** for market volatility and investment

**NONE OF THESE BARRIERS WILL GO AWAY AS A RESULT OF RDR**



# Summary

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- **Exceptional revenue and profit** performance
- **Exceptional growth in assets** and new clients
- **Investment in strategic initiatives** = increased market share
- **Better economic outlook**
- **Low interest rates**
- **Regulatory change has been good** for Hargreaves Lansdown
- **No competitor impact**
- Working hard – continuing to improve the business

# Appendices

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# Cash flow and regulatory capital

	June 2013 £m	June 2012 £m
<b>Regulatory capital</b>		
Capital resources	196	157
Pillar 2 regulatory capital requirement *	(25)	(21)
Declared final dividend	(109)	(82)
<b>Total surplus capital after dividend</b>	<b>62</b>	<b>54</b>
<b>Cash flow (excl EBT)</b>		
<b>Operating cash flow % **</b>	<b>103%</b>	<b>104%</b>
Cash bought forward	142	
Profit after tax	149	
Non cash – incl. depreciation	4	
Dividends paid during year	(112)	
Other items	(5)	
<b>Cash resources (before final dividend)</b>	<b>178</b>	

Low normal capex requirement

Large regulatory capital surplus  
( >2 x capital requirement)

Consistently cash generative

Strong, conservative balance sheet

- No debt
- Retain flexibility to reinvest in our business
- Retain responsiveness if opportunities arise

\*Pillar 1 minimum capital requirement = £10m

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

# Divisional Revenue

<b>Vantage Revenue</b>		<b>FY 2013</b>	<b>FY 2012</b>
Renewal income	+25%	<b>£127.4m</b>	£102.3m
Management fees	+29%	<b>£10.1m</b>	£7.8m
Interest receivable	+15%	<b>£58.7m</b>	£51.2m
Initial income	-	<b>£0.9m</b>	£0.9m
Stockbroking income	+29%	<b>£26.6m</b>	£20.1m
Advice and other charges	+3%	<b>£3.5m</b>	£3.4m
<b>Total</b>	<b>+22%</b>	<b>£227.2m</b>	<b>£185.7m</b>
% of Group revenue		<b>78%</b>	78%
<b>Discretionary and Managed Revenue</b>			
Renewal income	+25%	<b>£9.9m</b>	£7.9m
Management fees	+20%	<b>£19.8m</b>	£16.5m
Advice charges	+68%	<b>£3.7m</b>	£2.2m
Interest receivable	-33%	<b>£0.2m</b>	£0.3m
Other	+25%	<b>£0.5m</b>	£0.4m
<b>Total</b>	<b>+25%</b>	<b>£34.1m</b>	<b>£27.3m</b>
% of Group revenue		<b>12%</b>	11%
<b>Third Party + Other Services Revenue</b>			
Corporate pensions	+19%	<b>£7.4m</b>	£6.2m
Investments	+6%	<b>£5.0m</b>	£4.7m
Personal life & pensions	+13%	<b>£8.0m</b>	£7.1m
Other services	+38%	<b>£10.6m</b>	£7.7m
<b>Total</b> (further breakdown on next page)	<b>+21%</b>	<b>£31.1m</b>	<b>£25.7m</b>
% of Group revenue		<b>10%</b>	11%

# Third Party & Other Services Revenue

## 3P Corporate Pensions Revenue

			FY 2013	FY 2012
Renewal income	+9%		£1.2m	£1.1m
Initial income	-17%	- corporate annuities	£0.5m	£0.6m
	+22%	- corporate pensions	£4.9m	£4.0m
Advisory fees	+60%		£0.8m	£0.5m
Total	+19%		£7.4m	£6.2m

## 3P Investments Revenue

Renewal income	+4%		£4.7m	£4.5m
Initial income	+50%		£0.3m	£0.2m
Total	+6%		£5.0m	£4.7m

## 3P Personal Pensions Revenue

Renewal income	+20%		£0.6m	£0.5m
Initial income	+20%	- annuities	£7.3m	£6.1m
	-80%	- pensions/other	£0.1m	£0.5m
Total	+13%		£8.0m	£7.1m

## Other Services Revenue

Stockbroking income	+10%		£3.4m	£3.1m
- <i>Certificated</i>	-		£0.7m	£0.7m
- <i>Currency services</i>	+6%		£1.8m	£1.7m
- <i>CFD &amp; Spreadbetting</i>	+29%		£0.9m	£0.7m
Interest receivable	-		£0.5m	£0.5m
Funds Library income	+62%		£6.0m	£3.7m
Other	+75%		£0.7m	£0.4m
Total	+38%		£10.6m	£7.7m

Total Third Party & Other Services Revenue	+21%		£31.1m	£25.7m
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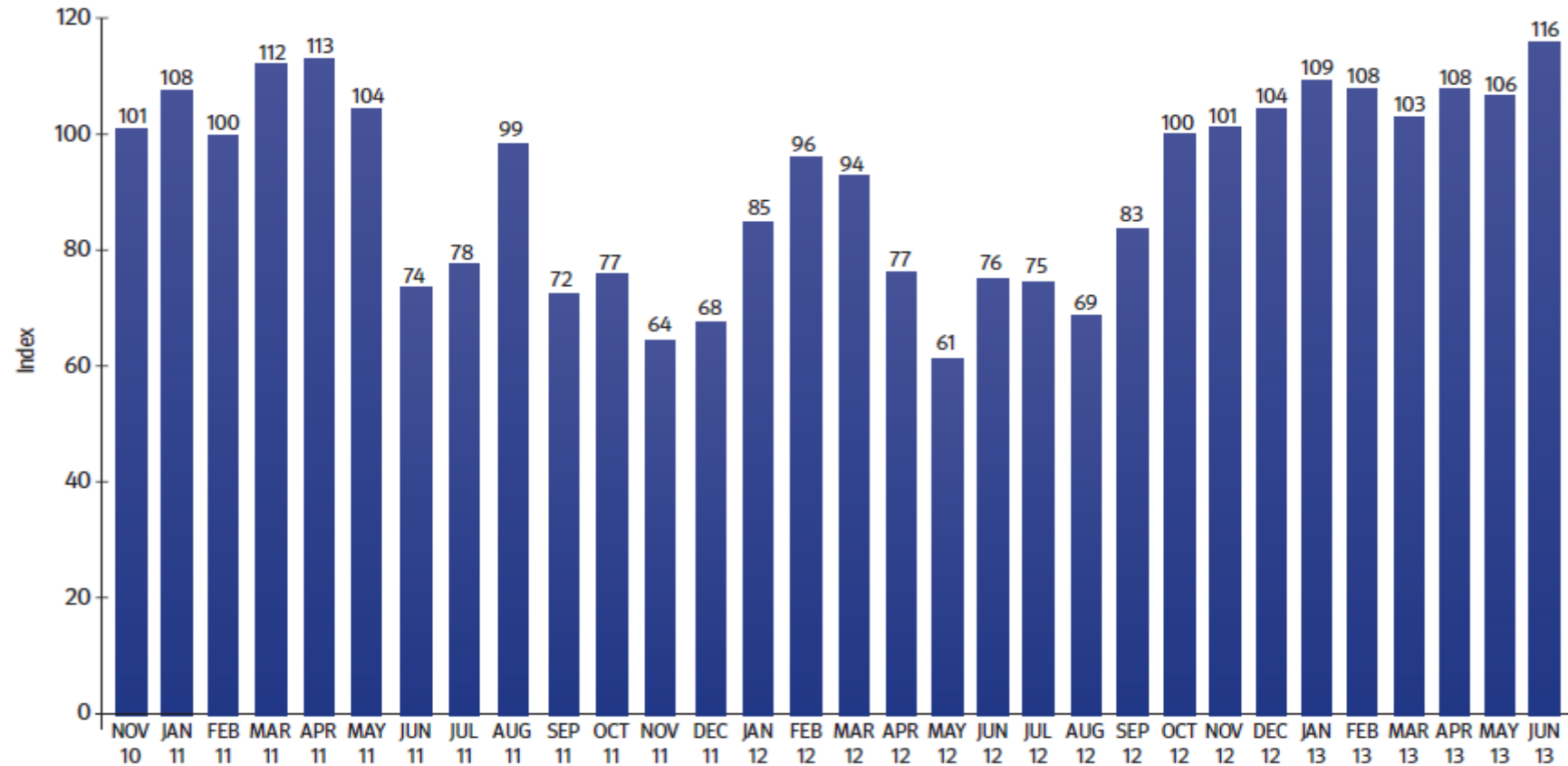
# Costs

		FY 2013	FY 2012
Staff costs	+16%	£50.3m	£43.5m
Commission payable (loyalty bonus)	+41%	£23.2m	£16.4m
Marketing and distribution spend	+17%	£11.0m	£9.4m
Depreciation, financial costs	-23%	£2.0m	£2.6m
Office running costs	-16%	£3.8m	£4.5m
Other costs	+46%	£10.1m	£6.9m
<b>Total administrative expenses</b>	<b>+21%</b>	<b>£100.4m</b>	<b>£83.3m</b>
Total FSCS levy costs		(£0.5m)	£4.8m
<b>Total operating costs</b>	<b>+13%</b>	<b>£99.9m</b>	<b>£88.1m</b>

# Hargreaves Lansdown

## Investor Confidence Index

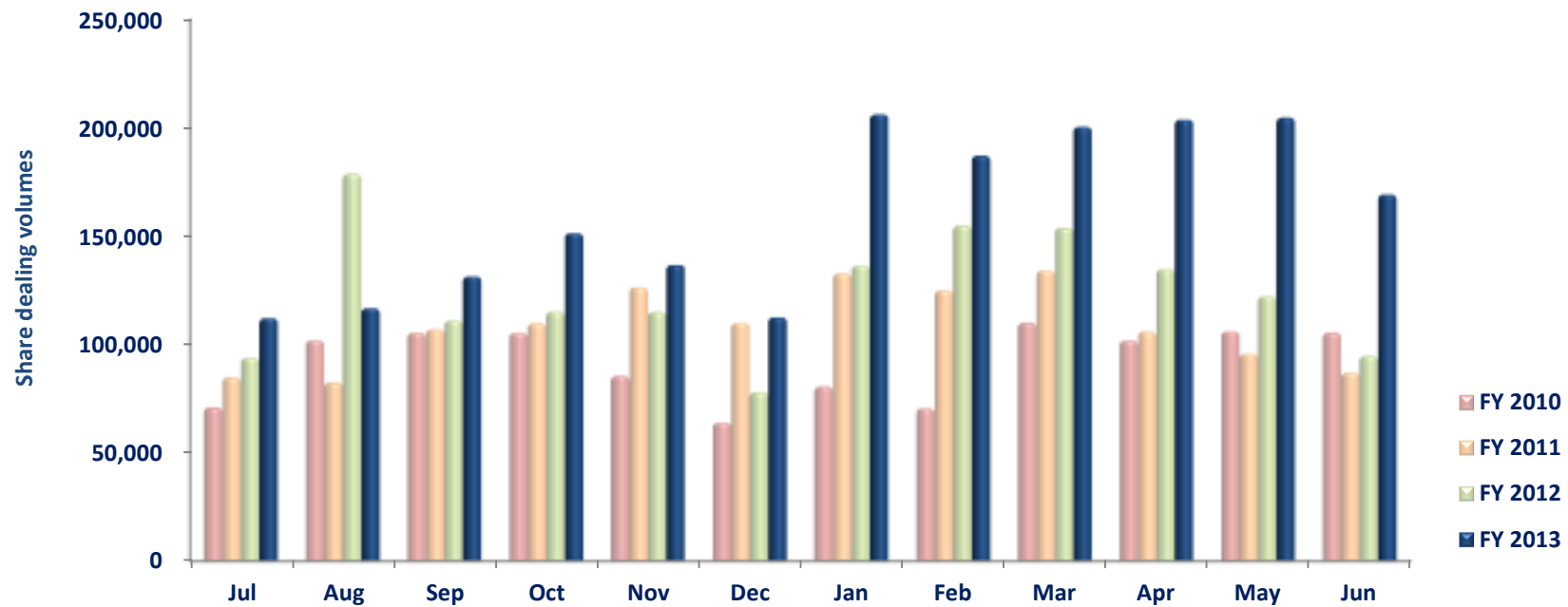
### November 2010 to June 2013



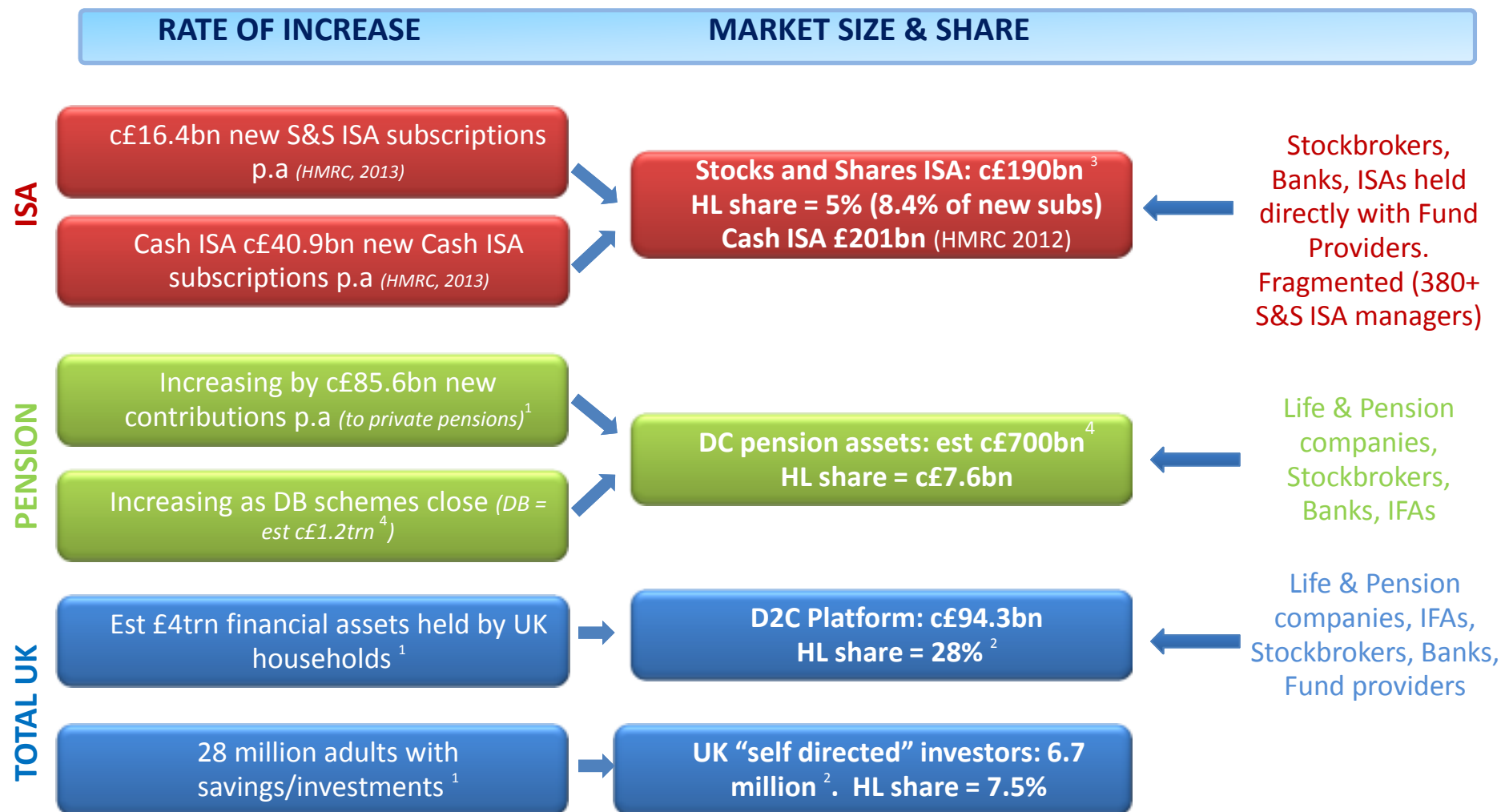


# Share dealing volumes

TOTAL SHARE DEALING VOLUMES +30% (1.93M vs 1.49M)



# Market opportunity



# Other initiatives

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## **POLICY INITIATIVES**

**Child Trust Fund transfers to Junior ISA**

**Challenging “discount tax”**

**Shopping around for annuities**

**Improving portability of investments**

## **SERVICE AND OPERATIONAL INITIATIVES**

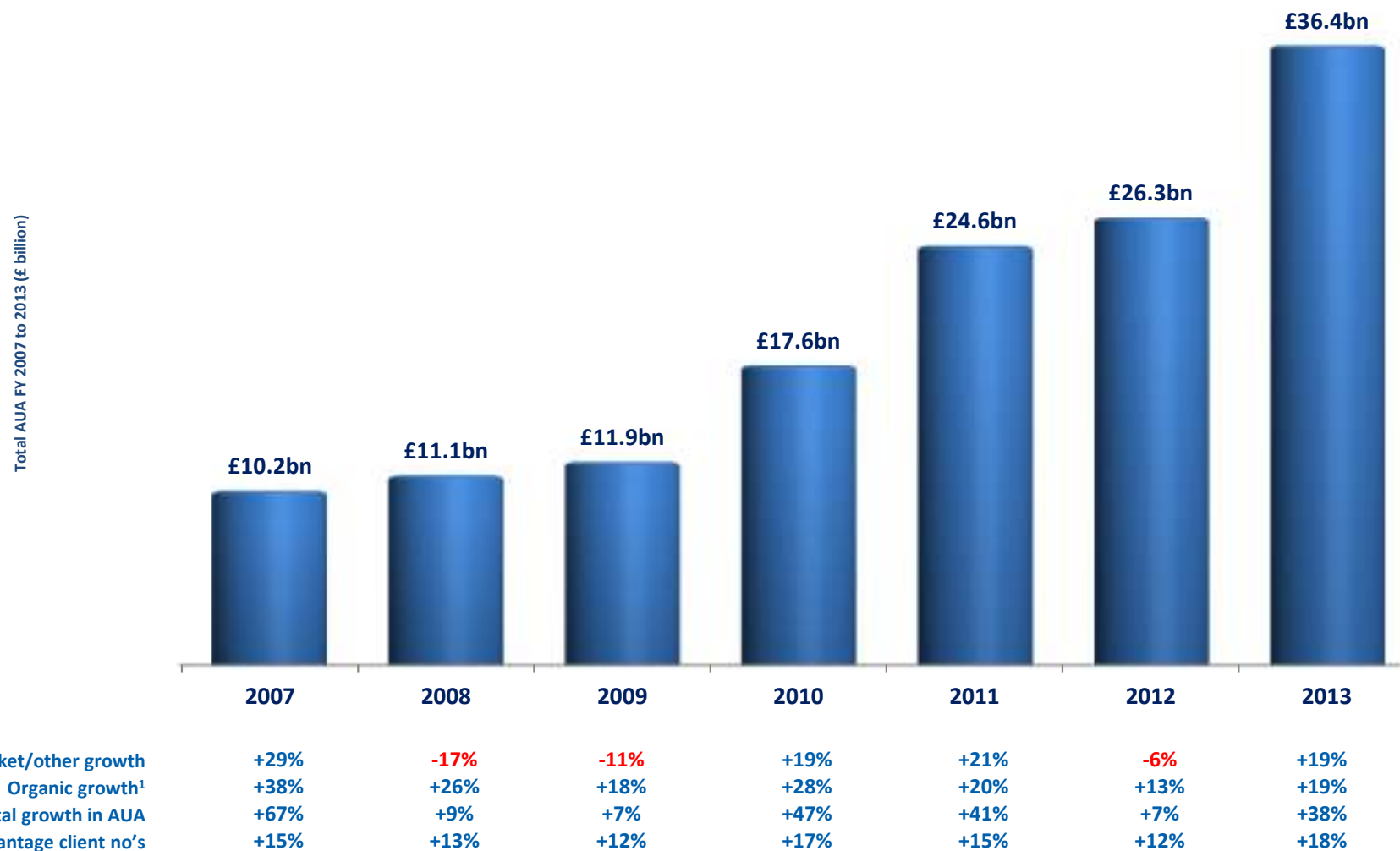
**Developing simple investing**

**Electronic Re-registration**

**Telephone advice**

**Apprentice programme for Financial Practitioners**

# Growth in total AUA



<sup>1</sup> Organic growth based on net inflows as a % of opening AUA

# Total assets under administration

	Vantage AUA £bn	Discr. AUM £bn	Less MM funds in Vantage £bn	<b>FY 2013</b> <b>£bn</b>	<b>FY 2012</b> £bn
AUA at start of period	24.6	2.4	(0.8)	<b>26.3</b>	24.6
Net new business inflows	4.8	0.5	0.2	<b>5.1</b>	3.2
Market movement	4.7	0.4	0.2	<b>4.9</b>	(1.55)
AUA at end of period	<b>34.2</b>	<b>3.3</b>	<b>(1.2)</b>	<b>36.4</b>	26.3
Net new business inflow %	<b>20%</b>	<b>21%</b>		<b>19%</b>	13%
Daily ave. FTSE All-Share			+11%	<b>3185</b>	2882

FTSE All-Share has increased by 13.8% since 30 June 2012

# Discretionary AUM

NET NEW BUSINESS INFLOWS £495M (FY 2012: £150M)

	FY 2013 £bn	FY 2012 £bn
AUM at start of period	2.41	2.33
Net new business inflows *	0.50	0.15
Market movement	0.44	(0.07)
AUM at end of period	3.35	2.41
Net new business %	+21%	+6%
Market movement %	+18%	-3%

\* Includes multi-manager funds new business inflows held in Vantage FY 2013: £0.22bn, FY 2012 £0.03bn

# Vantage AUA

70% OF VANTAGE AUA IN TAX WRAPPERS (JUN 12: 72%)

	SIPP** £bn	ISA £bn	F&S/Other £bn	Total £bn	FY 2012 £bn
<b>Total AUA at start of period</b>	<b>7.6</b>	<b>10.0</b>	<b>7.0</b>	<b>24.6</b>	23.1
Net new business inflows	1.9	1.8	1.1	<b>4.8</b>	3.1
Market movement *	1.0	1.8	2.0	<b>4.7</b>	(1.55)
<b>Total AUA at end of period</b>	<b>10.4</b>	<b>13.6</b>	<b>10.2</b>	<b>34.2</b>	24.6
Net new business %	25%	18%	16%	<b>20%</b>	13%
Market movement %	13%	18%	29%	<b>19%</b>	-6%
<b>Net business inflows FY 2012</b>	<b>1.4</b>	<b>1.1</b>	<b>0.6</b>		3.1

\* Market movements includes other growth factors, such as retained investment income, totalling £349m (FY 2012: £273m).

\*\* Vantage SIPP AUA includes £1,898m income drawdown assets at 30 June 2013 (June 2012 £1,323m)

Figures contain roundings.

# Vantage inflows – by quarter

	Q1	Q2	Q3	Q4	FY 2013	FY 2012
AUA at start of year					£24.6bn	£23.1bn
Market/other growth					£4.7bn	(£1.55bn)
<b>Market growth %</b>					<b>+19.1%</b>	<b>-6.5%</b>
Net new business inflows	£0.5bn	£1.0bn	£1.7bn	£1.6bn	£4.8bn	£3.1bn
<b>Organic growth %</b>					<b>+19.5%</b>	<b>+13.4%</b>
AUA at end of year					£34.2bn	£24.6bn
<b>Total growth in AUA</b>					<b>+39%</b>	<b>+6%</b>
FTSE All-Share					+13.8%	-7%

	Q1	Q2	Q3	Q4		
<b>Organic growth % FY13*</b> (annualised)	+9%	+15%	+24%	+19%	<b>+19.5%</b>	<b>+13.4%</b>
<b>Organic growth % FY12*</b> (annualised)	+11%	+9%	+18%	+16%		

\* Organic growth = net new business inflows / opening AUA at the start of the year or quarter. Quarterly figures have been annualised.



# Corporate Vantage

	LEGACY 2013	CORPORATE VANTAGE 2013	TOTAL 2013	LEGACY 2012	CORPORATE VANTAGE 2012	TOTAL 2012	TOTAL % CHANGE	CORPORATE VANTAGE % CHANGE
NEW BUSINESS £M			259.8			89.4	191%	
TOTAL AUA £M	263.0	355.5	618.5	211.5	94.8	306.3	102%	275%
CLIENTS	12,777	13,112*	25,889	9,356	4,734*	14,090	84%	177%
SCHEMES	89	78*	167	90	47*	137	22%	66%
ANNUAL PREMIUM £M	31.1	78.8*	109.9	28.7	29.6*	58.3	89%	166%
PIPELINE (NO. OF SCHEMES)		11	11		19	19	-42%	-42%

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

# Vantage AUA analysis

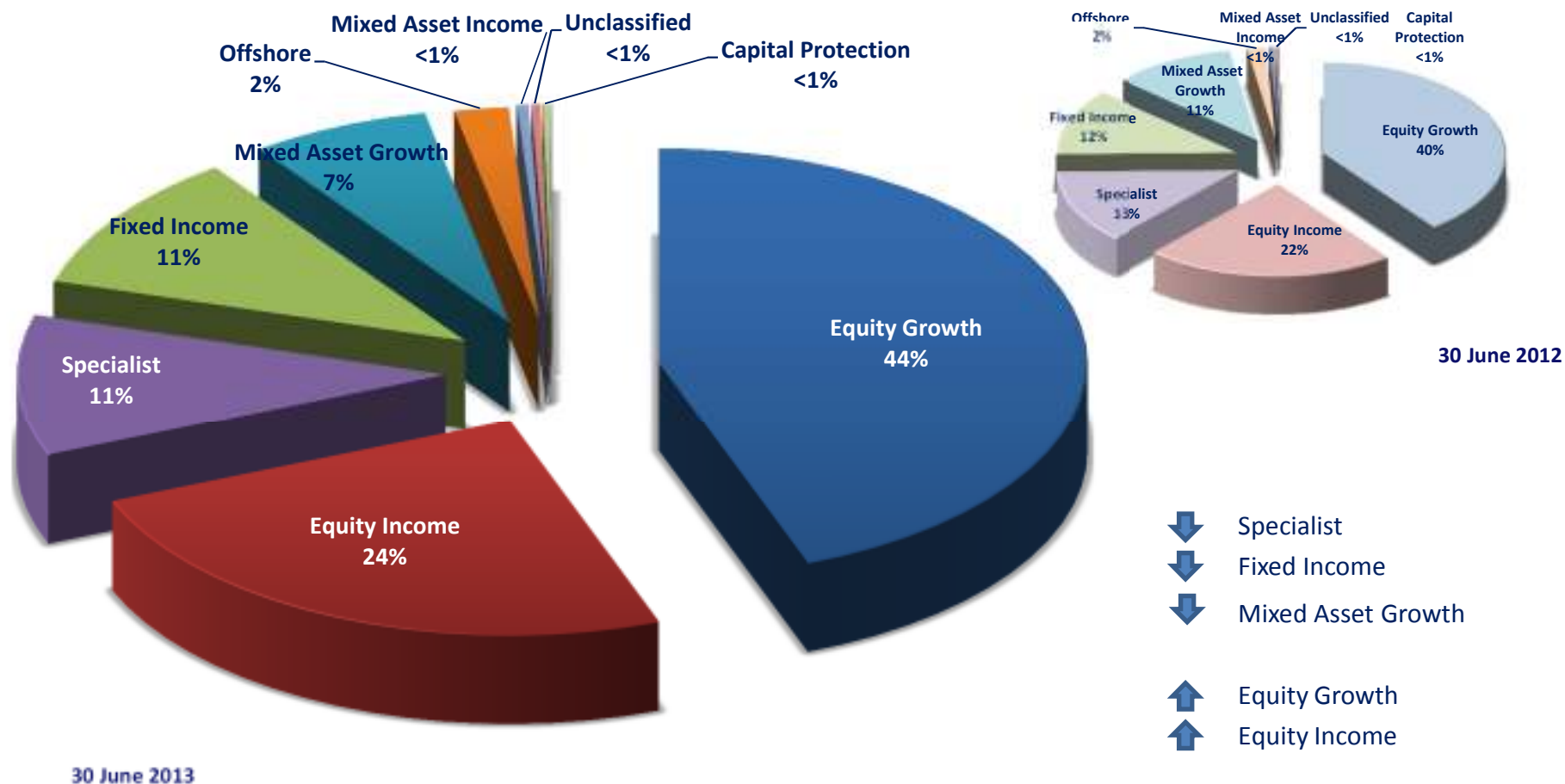
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	SIPP	ISA	F&S/Other	Total
<b>At 30 Jun 2013</b>				
Stocks and shares	26%	21%	60%	<b>34%</b>
Investment funds	56%	72%	35%	<b>56%</b>
Cash	19%	7%	5%	<b>10%</b>
% of Vantage	<b>31%</b>	<b>40%</b>	<b>30%</b>	<b>100%</b>

<b>At 30 Jun 2012</b>				
Stocks and shares	25%	19%	56%	<b>31%</b>
Investment funds	53%	73%	38%	<b>57%</b>
Cash	22%	8%	6%	<b>12%</b>
% of Vantage	<b>31%</b>	<b>41%</b>	<b>28%</b>	<b>100%</b>

# Vantage AUA analysis by sector

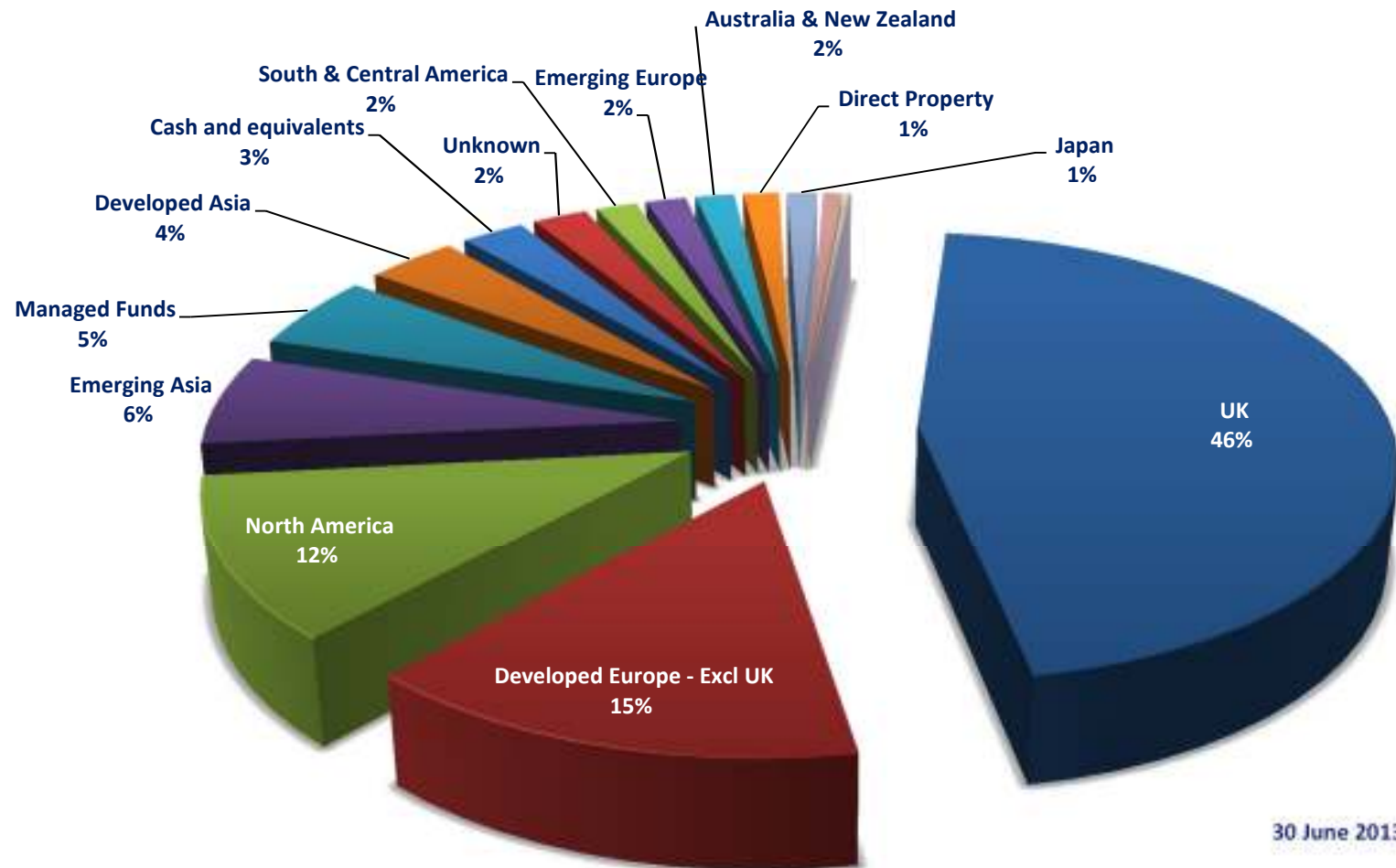
56% of Vantage AUA held as investment funds (Jun 2012: 57%) across the following sectors:



# Vantage AUA

## Investment funds geographical exposure

46% (June 2012: 46%) of underlying holdings within clients investment funds are located within the UK



# Vantage revenue and average AUA

	FY 2013		FY 2012	
	Revenue £m	Ave Assets £bn	Revenue £m	Ave Assets £bn
Renewal income	127.4		102.3	
Initial commission	0.9		0.9	
<b>Total revenue from qualifying funds</b>	<b>128.3</b>	<b>16.6</b>	<b>103.2</b>	<b>13.3</b>
Stockbroking commission	26.6		20.1	
Management fees	10.1		7.8	
<b>Total revenue from other stock</b>	<b>36.7</b>	<b>10.3</b>	<b>27.9</b>	<b>7.1</b>
<b>Total revenue from cash</b>	<b>58.7</b>	<b>3.2</b>	<b>51.2</b>	<b>2.5</b>
<b>Other income</b>	<b>3.4</b>		<b>3.4</b>	
<b>Total</b>	<b>227.2</b>	<b>30.1</b>	<b>185.7</b>	<b>23.0</b>
Average gross revenue margin	75.5bps		81bps	
Average net revenue margin	68bps		74bps	

# Vantage – other information

	SIPP	ISA	F&S/Other	FY 2013	FY 2012
No. of equity deals ('000)	647	629	641	1,917	1,470
% Internet	95%	85%	90%	90%	87%
No. of fund deals ('000)	2,411	2,109	540	5,060	4,077
Average active client value at period end (£'000)	69.2	40.3	56.1	68.4	58.0
Average age (years)	47.6	54.3	57.8	52.9	54.0
Net new active accounts <sup>1</sup> ('000)	30	45	21	96	41
No. of active accounts ('000)	154	386	182	722	626
Clients registered for online access				81%	78%
Clients registered for paperless service				48%	41%

1. In FY12 22,000 SIPP protected rights accounts were merged with SIPP VRA main accounts during the year, 24,000 SIPP accounts opened in the year