

Hargreaves Lansdown PLC

Unaudited preliminary results for the
year ended 30 June 2014



03 September 2014

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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Michael Evans, Chairman

Highlights and Financial Results

Tracey Taylor, CFO

Comment and Strategy

Ian Gorham, CEO

Appendices

Tracey Taylor

CFO

FY 2014 – continued growth

STRONG FINANCIAL RESULTS, GROWTH IN DIVIDEND

A CHALLENGING YEAR

2014 DOMINATED BY REGULATION

WE CONTINUED TO DELIVER GROWTH

WE GAINED SHARE OF MARKETS

Operational highlights

STRONG ORGANIC GROWTH IN AUA

Vantage: £6.1bn (2013: £4.8bn)

PMS: £0.3bn (2013: £0.3bn)

AUA +29%

£46.9bn

(2013: £36.4bn)

Net new business +25%

£6.4bn

(FY2013: £5.1bn)

RECORD LEVELS OF CLIENT RECRUITMENT

Net new clients

144,000

(FY2013: 76,000)

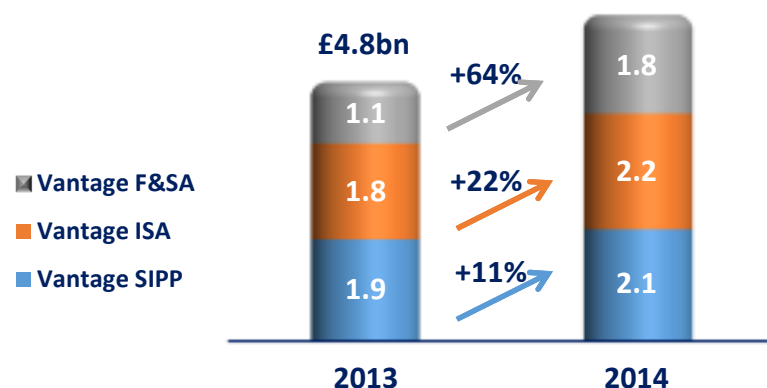
No. of clients

652,000

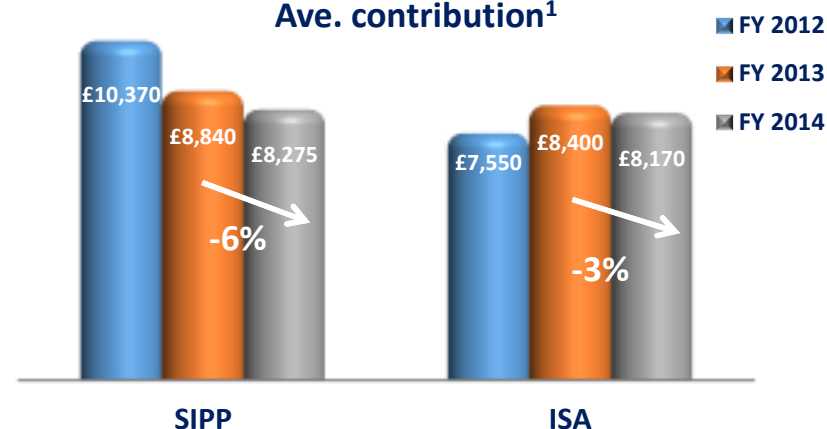
(FY2013: 507,500)

£6.1bn Vantage net new business (+27%)

Net new business (£bn)



Ave. contribution¹



Increase in the number of clients contributing **new monies** (SIPP +28%, ISA +47%)

29% increase in the number of Vantage clients (+144,000)

25% y-o-y increase to regular Vantage contributions.

Run rate of total regular premiums incl Corporate Vantage +63%
£486m (2013: £299m)

£3.6bn **transfers-in** to Vantage (gross, 2013: £3.4bn)



Flat market conditions in H2

Very high client + asset **retention** rates



Fall in investor confidence in H2

Higher level of money withdrawn from ISAs (+39% to £546m)

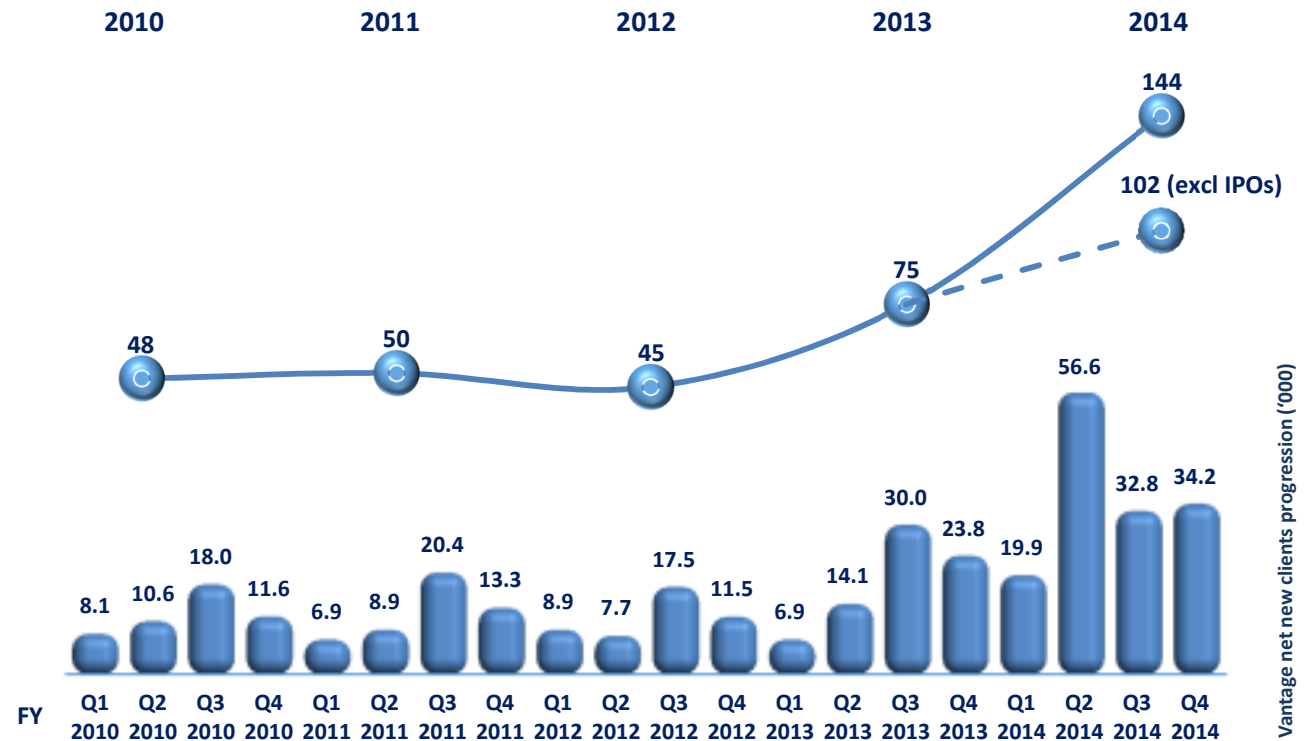
'Noise' from RDR changes in Q3

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

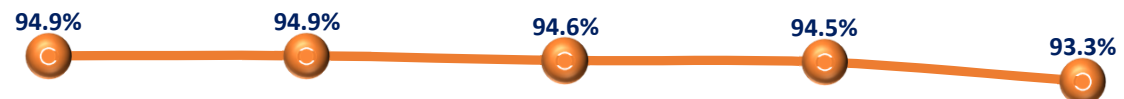
Strong client recruitment, boosted by IPOs

144,000 net new
Vantage clients ('000)

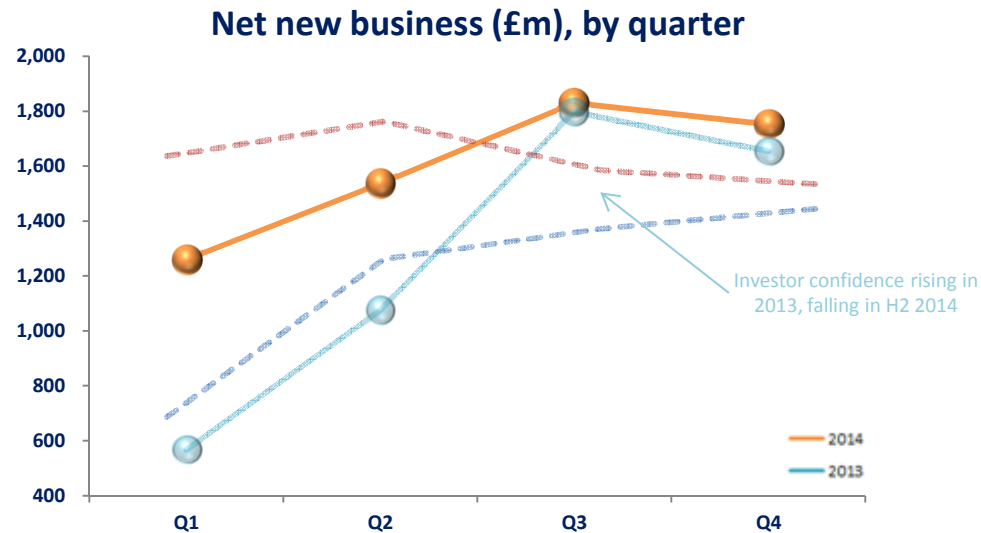
29% increase in
no. of clients



Client retention



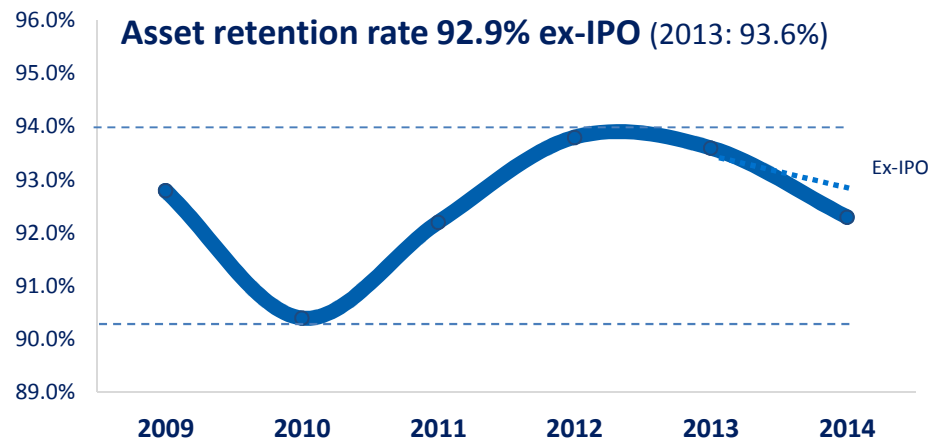
RDR effect: business volumes



RDR changes implemented in Q3 2014

Investor confidence fell in H2 2014

Client retention and asset retention rates remain very high in 2014



Financial highlights

STRONG FINANCIAL RESULTS, FURTHER GROWTH IN DIVIDEND

23% NET REVENUE GROWTH EX INTEREST HEADWIND

INCREASED SCALE AND OPERATIONAL LEVERAGE

EPS (diluted)

+9%

(34.2p vs 31.4p)

Dividend per share

+8%

(32.0p vs 29.59p)

Net revenue

+8%

(£291.9m vs. £269.2m)

Cost ratio

20bps

(2013: 24bps)

Strong financial results

		FY 2014	FY 2013	
Net revenue	↑ 8%	£291.9m	£269.2m	£25m revenue headwind from lower interest rates
Operating profit	↑ 8%	£208.0m	£192.5m	
Operating profit margin (on net revenue)	↓ 0.2pt	71.3%	71.5%	Effective tax rate has reduced in line with main CT rate
Operating profit is stated after - Total FSCS levy expense		£0.8m	(£0.5m)	
Profit before tax	↑ 7%	£209.8m	£195.2m	
Effective tax rate	↓ 1.3pt	22.4%	23.7%	8% dividend growth
Profit after tax	↑ 9%	£162.7m	£149.0m	
EPS (diluted)	↑ 9%	34.2p	31.4p	

Dividend growth

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 2014**

Pence per share

7.0p

25.0p

32.0p

65% 22.39p

28% 9.61p

93% 32.0p

% of PAT **FY 2013**

Pence per share

6.30p

23.29p

29.59p

65% 20.68p





28% 8.91p

93% 29.59p



Net revenue

23% GROWTH IN NET REVENUE EX-INTEREST INCOME

			FY 2014	FY 2013
Other income	- %		£6.0m	£6.0m
Transactional income – incl. dealing commission, advice fees	+22%		£65.1m	£53.4m
Net recurring revenue – fees, interest, renewal income	+5%		£220.8m	£209.8m
- Fees/net renewal income	+24%		£186.7m	£150.4m
- Interest	-43%		£34.1m	£59.4m
Total net revenue	+8%		£291.9m	£269.2m
Net revenue, excl. interest	+23%		£257.8m	£209.8m

£13m (43%) increase in transactional dealing income from growth in share dealing volumes (2.9m v 1.93m FY2013)

Ave. level of **funds AUA +31%**

£25m impact of **lower interest rates and reduced cash weighting**

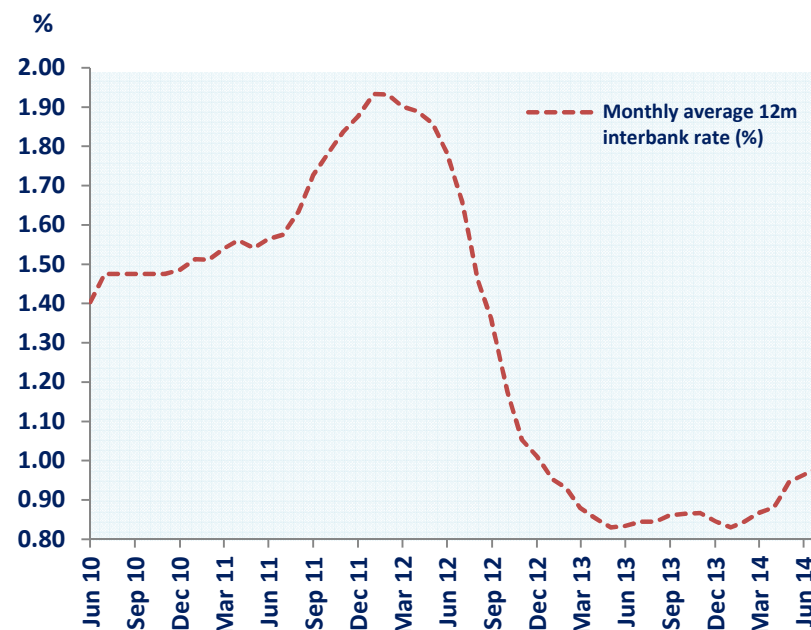
FY 2014 headwind from lower interest rates

Interest **revenue margin reduced**, as expected, to ave. 91bps (2013: 185bps)

2015 margin:

- Bank rates
- Bank regulatory changes (BASEL3/CRD4)
- FCA revised client money rules (PS14/09) restricts use of term deposits w.e.f 1 July 2014

Term deposits **can be used** for Trustee SIPP money



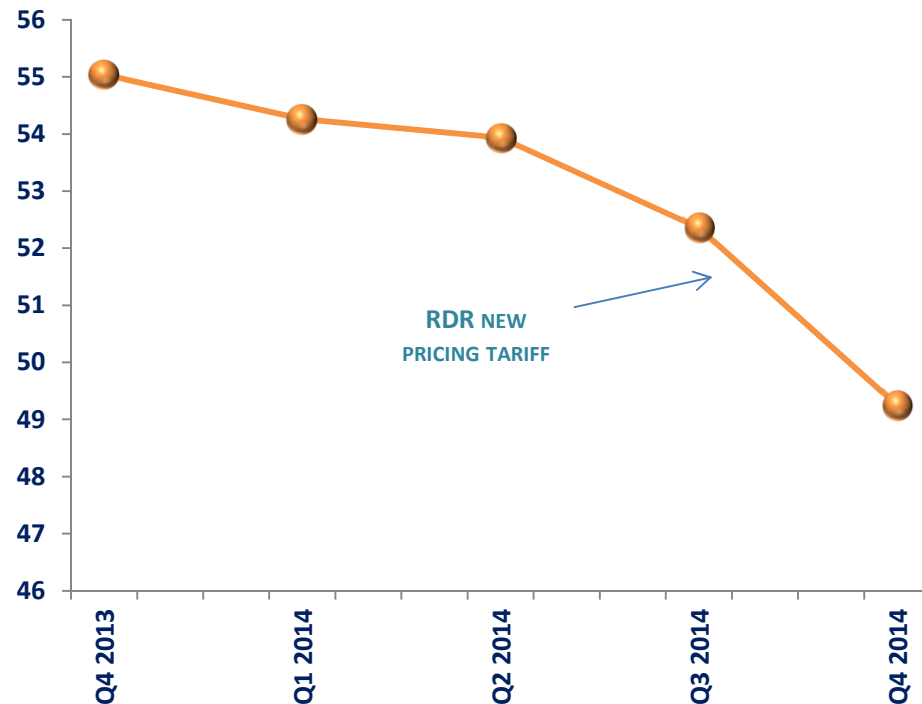
Cash = c.9% of Vantage AUA, £4bn (2013:10%)

SIPP = c.50% of client cash balances

S&S ISA = c.30% of client cash balances

RDR tariff changes: revenue margin

PLATFORM NET REVENUE MARGIN ON FUNDS (BPS)



Net revenue margin earned on funds in Q4 2014 (post RDR) is in line with expectations:

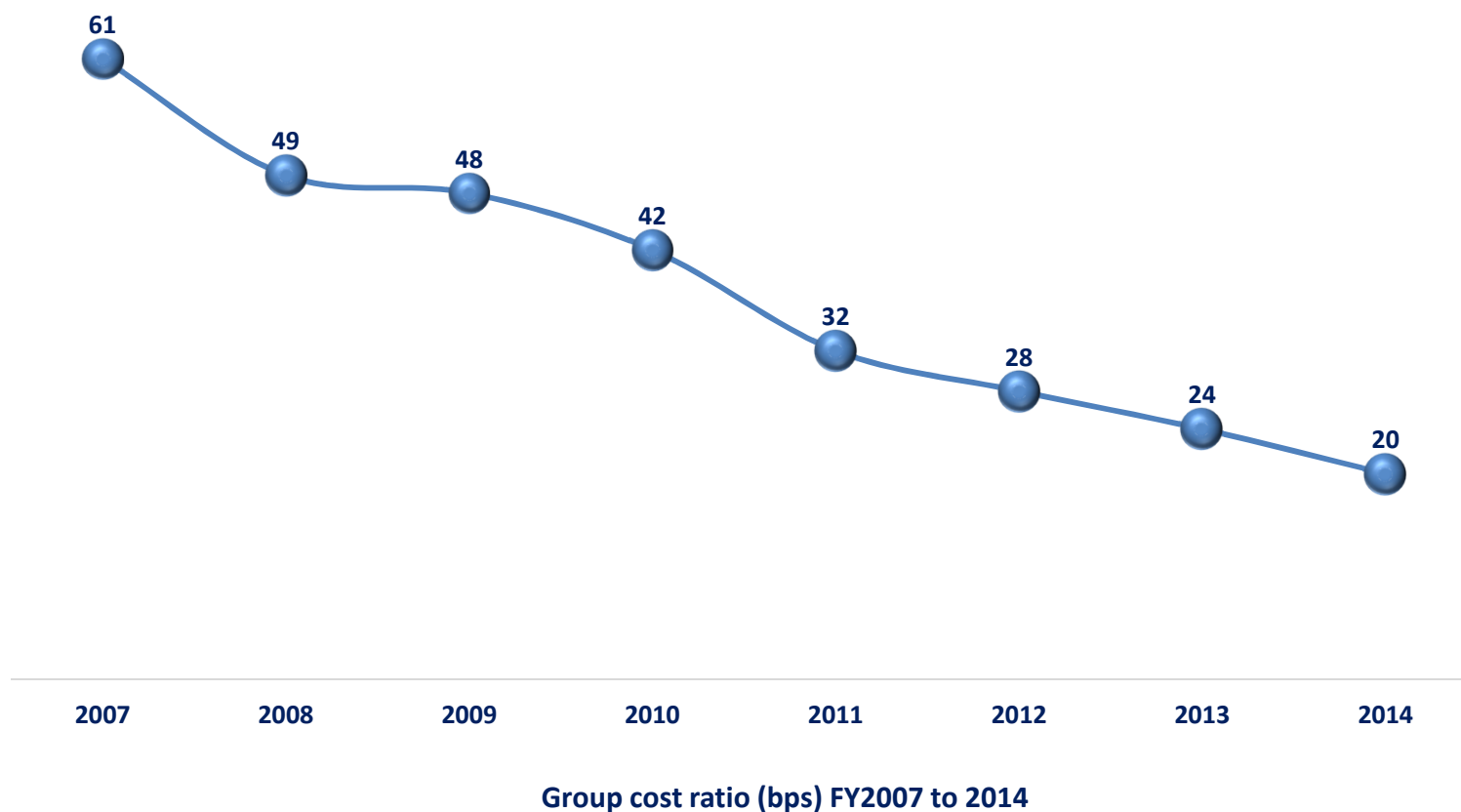
Q1 to Q3 2014: 54bps
*Base case: 51bps

Q4 2014: 49bps
***Flexed first 12m: 48bps**

*Sunset April 2016+: 44bps

Operating leverage

THE COST RATIO CONTINUES TO IMPROVE













Continued cost control

9% GROWTH IN COSTS (EXCLUDING LOYALTY BONUS) VS 29% INCREASE IN AUA AND CLIENTS

		FY 2014	FY 2013	
Operating costs (excl loyalty bonus)	+9%	£83.9m	£76.7m	Staff costs increased in line with average number of staff (794 vs 728)
- Total staff costs	+2%	£51.3m	£50.3m	
- Paid to directors	-17%	£10.7m	£12.9m	
- Paid to staff	+9%	£40.6m	£37.4m	FSCS levy refund 2013
- Marketing and distribution spend	+3%	£11.3m	£11.0m	Increase in depreciation charge following increased capex in 2013
- FSCS levy		£0.8m	(£0.5m)	
- Depreciation	+50%	£3.0m	£2.0m	
- Other costs	+26%	£17.5m	£13.9m	

Growth and scale

	Group net revenue margin	Total AUA	Group cost ratio improvement	Net revenue	Op. profit
2009	119 bps	£11.9bn	48 bps	£124.5m	£69.8m
					
2013	84 bps	£36.4bn	24 bps	£269.2m	£192.5m
					
2014	68 bps	£46.9bn	20 bps	£291.9m	£208.0m
Change 5 years 2009 to 2014	-43%	+294%	+58%	+134%	+198%
Change 2013 to 2014	-19%	+29%	+17%	+8%	+8%

THE **COMBINED** EFFECT OF **GROWTH IN AUA** AND BENEFITS OF **INCREASED SCALE** HAS MORE THAN OFFSET REVENUE MARGIN REDUCTIONS AND **DRIVEN GROWTH IN PROFIT**

Divisional results

	Net revenue	Operating profit
FY 2013	£269.2m	£192.5m
Vantage (platform)	+£16.7m	+£10.4m
Discretionary & Managed	+£10.9m	+£8.7m
Third party & Other services	-£4.9m	-£3.6m
FY 2014	£291.9m	£208.0m

Vantage

INTEREST RATE IMPACT ON REVENUE MARGIN

KPIs		FY 2014	FY 2013
Net revenue	+8%	£221.0m	£204.3m
Ave. net revenue margin (net of loyalty bonus)	-15bps	53bps	68bps
Operating profit margin on net revenue	-0.8pts	72.7%	73.5%
Average cost ratio (on AUA)	-3bps	15bps	18bps
No. of active Vantage clients ('000)	+29%	643	500
Vantage net new business inflows	+27%	£6.1bn	£4.8bn
Vantage AUA at end of year	+29%	£44.2bn	£34.2bn
% Vantage AUA held in tax wrappers		69%	70%
Total Platform AUA* at end of year	+29%	£46.9bn	£36.3bn

Discretionary and managed

INCREASED NUMBER OF ADVISERS

STRONG FLOWS INTO HL MULTI MANAGER FUNDS

KPIs		FY 2014	FY 2013
Net revenue	+32%	£44.9m	£34.0m
Recurring revenue	-	88%	88%
Operating profit margin on net revenue	+3.0pts	70.8%	67.8%
No. of PMS clients	+11%	14,860	13,400
No. of advisers at 30 June	+10%	101	92
Discretionary AUM at period end	+36%	£4.57bn	£3.35bn
Net new business inflows to Discretionary	+80%	£889m	£495m

Third Party/Other Services

REDUCTION IN VOLUME OF ANNUITY CASES FOLLOWING MARCH 2014 BUDGET

REDUCTION IN COMMISSION ON GROUP PENSION SCHEMES

EXPECT TO SEE CONTINUED GROWTH IN DEVELOPING BUSINESSES - FUNDS LIBRARY AND HL MARKETS

KPIs		FY 2014	FY 2013
Net revenue	-16%	£26.0m	£30.9m
Operating profit margin on net revenue	-1.9pts	59.5%	61.4%
Individual annuities net revenue	-43%	£4.1m	£7.2m
Corporate pensions net revenue	-28%	£5.3m	£7.4m
HL Markets* net revenue	+15%	£3.1m	£2.7m
Funds Library net revenue	-	£6.0m	£6.0m

* Relates to Currency, CFDs and Spreadbetting

Summary and outlook

FY14 TARIFF CHANGES, IMPACT AS PLANNED SO FAR

CONTINUED DELIVERY OF GROWTH

CONTINUE TO SEE SCALE BENEFITS, FURTHER IMPROVEMENTS TO COST RATIO

WE STILL EXPECT TO SEE PRESSURE FROM INTEREST RATES IN 2015

CASH INITIATIVES

MARKET CONDITIONS AND INVESTOR CONFIDENCE ARE KEY TO ASSET GATHERING

Ian Gorham

CEO

Agenda

- COMMENT ON RESULTS
- THE RETAIL DISTRIBUTION REVIEW 2 & CLIENT SATISFACTION
- MARKET SHARE DATA
- STRATEGY
- CONCLUSION

RESULTS COMMENTARY

Commentary on results

- Strong client & AUA growth
- Asset growth YoY +25%
- Client growth YoY +89%
- Limited competitive impact
- Increased market share
- Headwind from interest rates

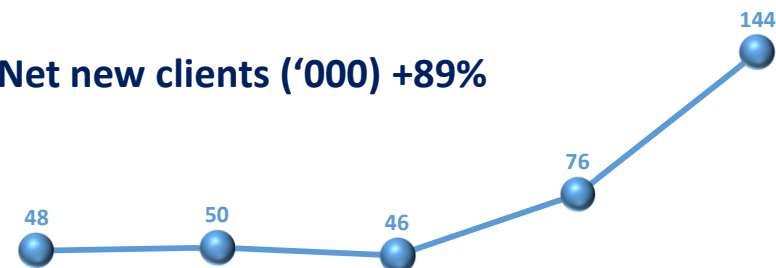
Why these results?

- Distribution strength
- Excellent client retention (93.3%)
- Strong market positioning
- 42k new clients from IPOs (Royal Mail, Woodford and TSB)

Net new business (£bn) +25%



Net new clients ('000) +89%



RDR2 update

.... Commission to fees delivered

Key dates:

Pricing announced

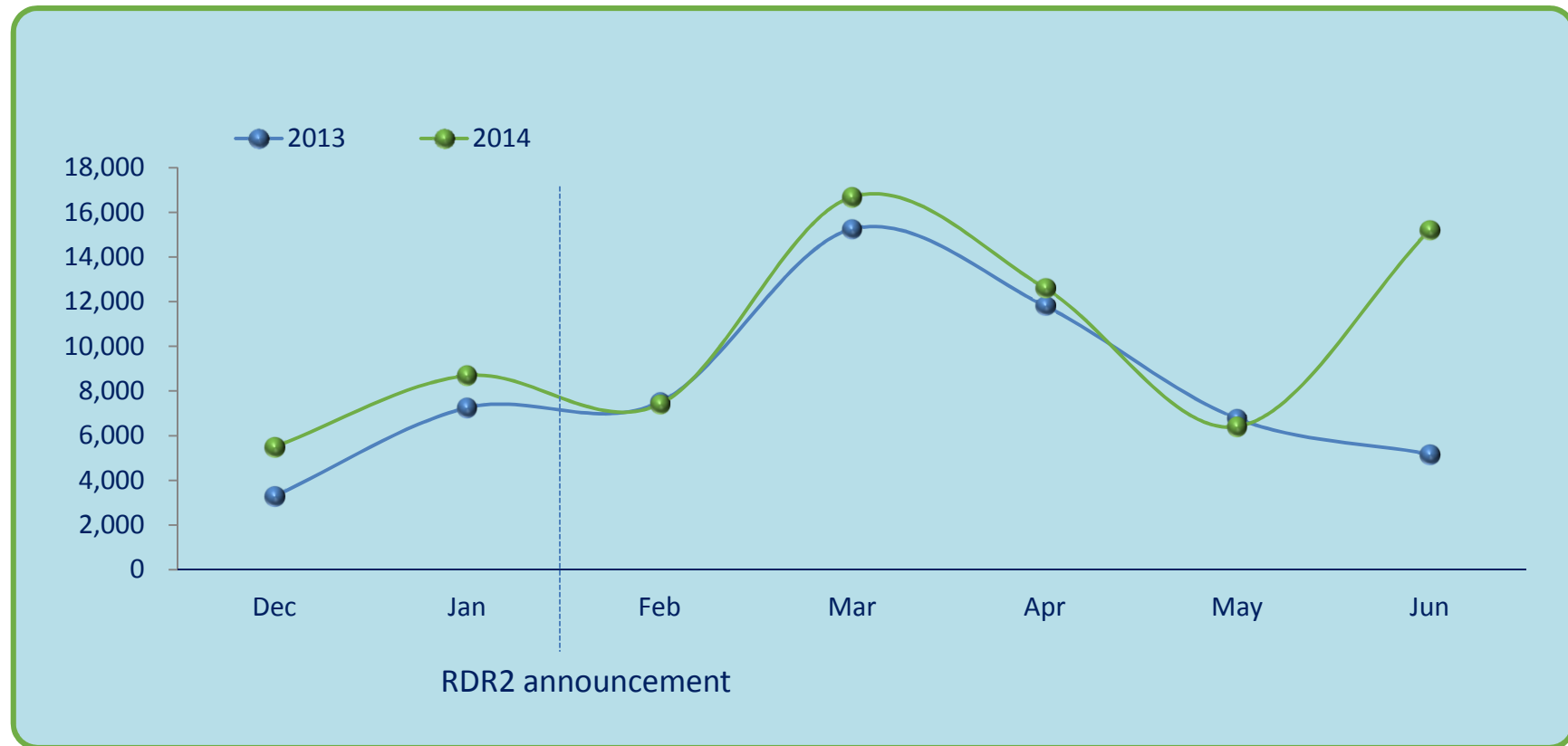
15 January 2014

Fees charged

discounted funds available

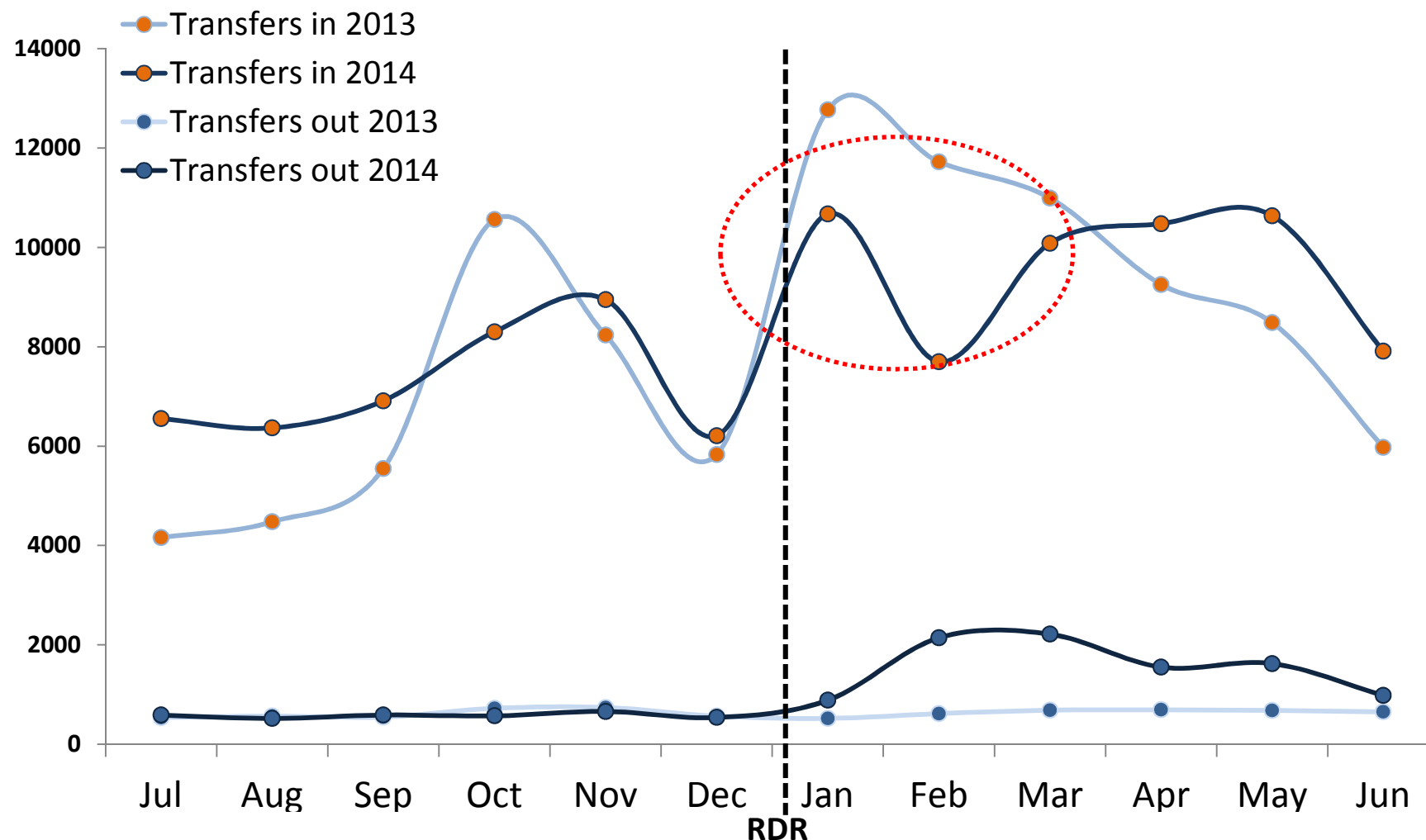
From 1 March 2014

Net new client growth strong Post-RDR2



- Net new clients by month
- Growth has continued strongly during and after RDR

Net transfers-in remain high

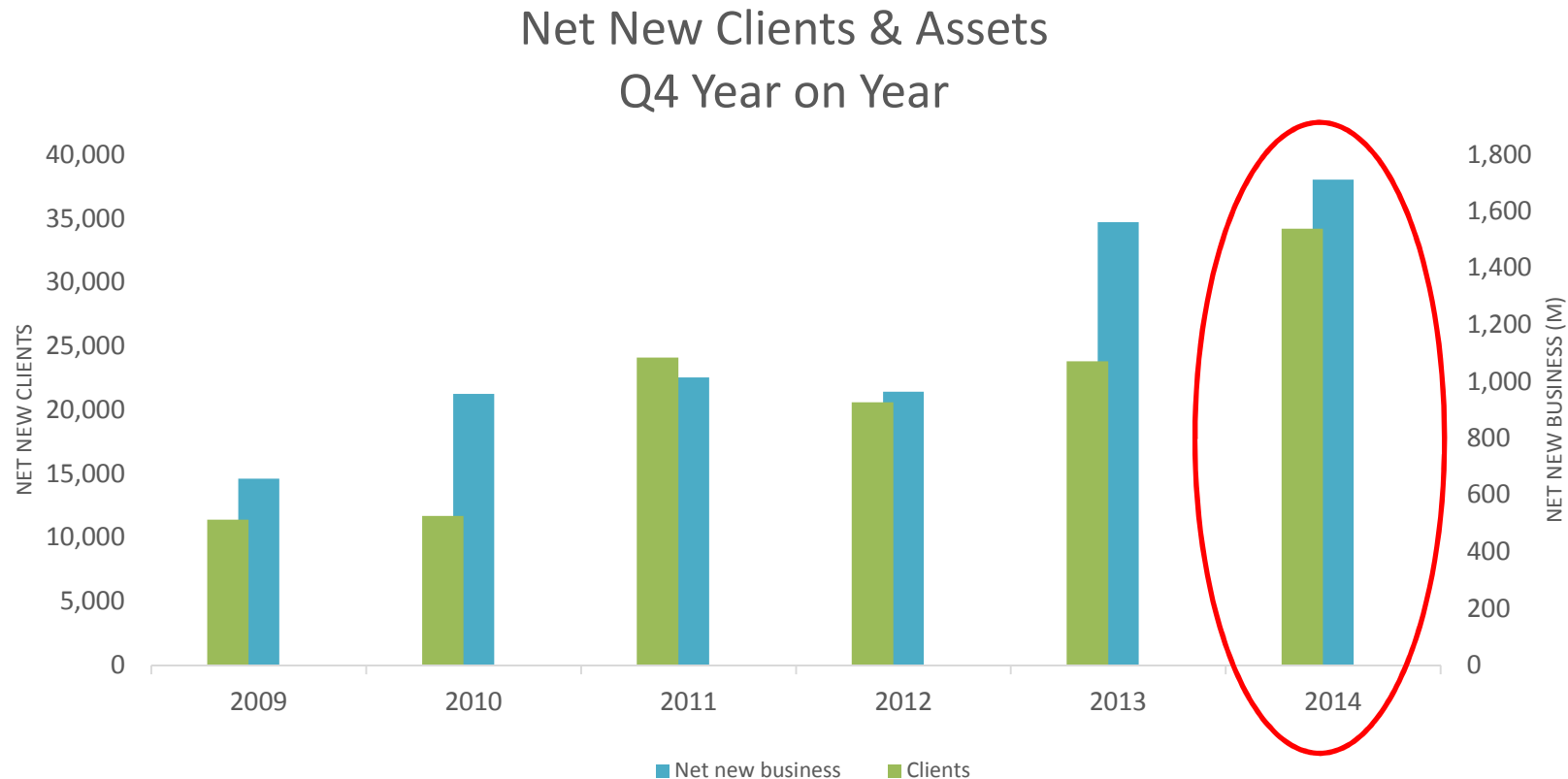


----- January – March 2013 was boosted by ability to transfer in stock for first time

Net transfers-in remain high

- Transfers in continue at higher levels than 2013
- Transfers out remain at low levels
- Inflows continue to far exceed out

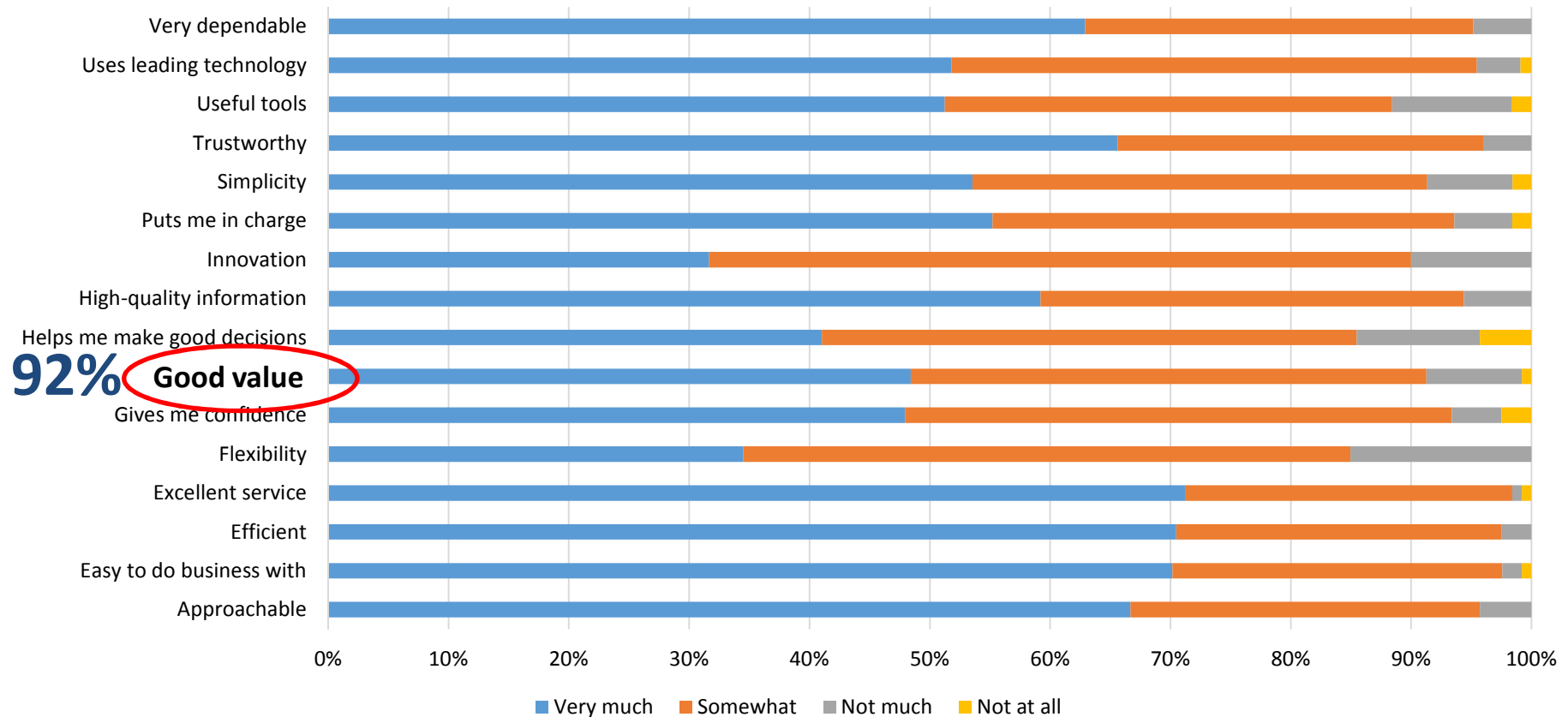
Quarter 4: record growth



- Q 4 (post RDR2) new clients and assets beat any other Q4 on record

Clients: Hargreaves Lansdown Good Value

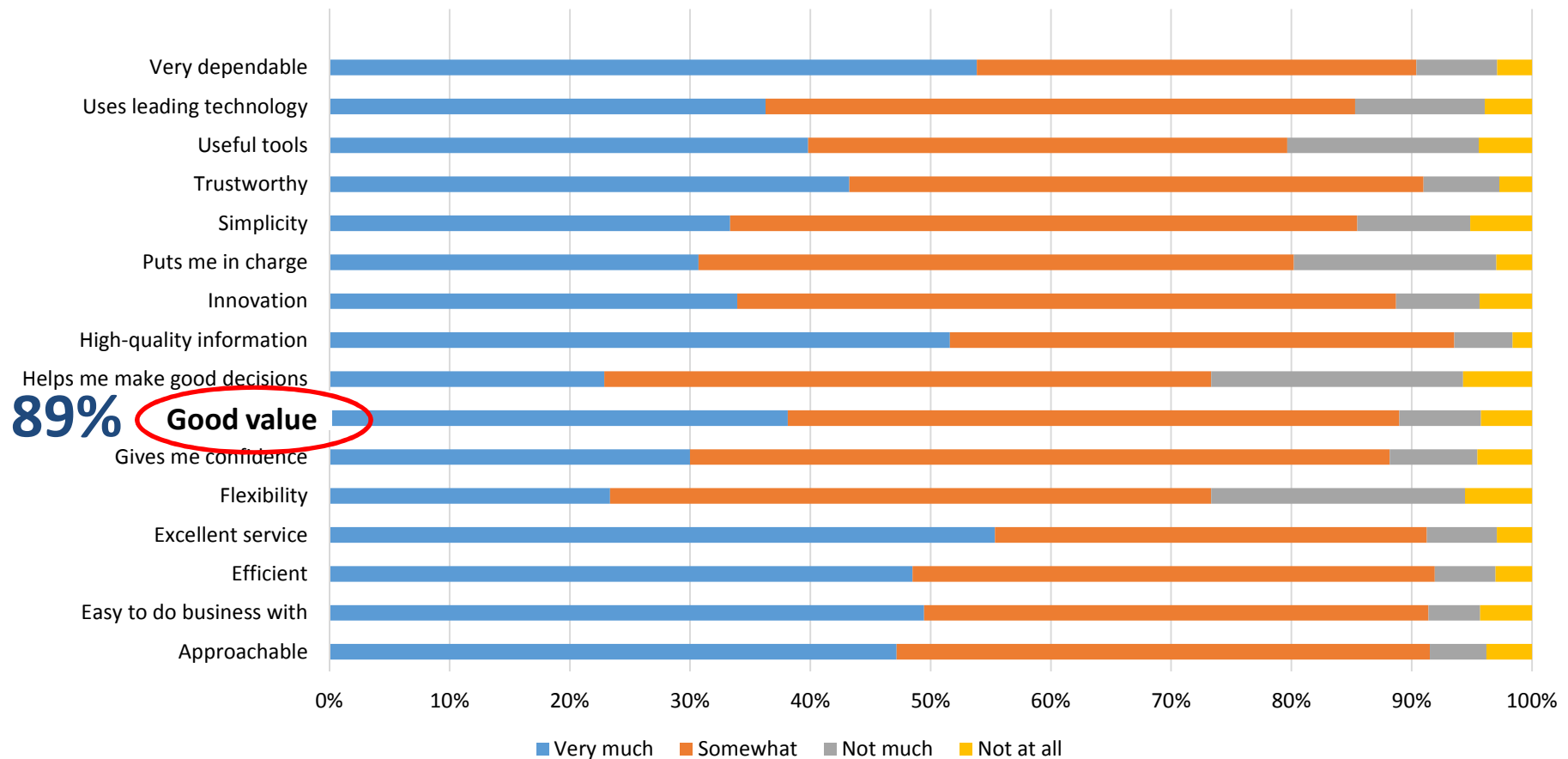
To what extent do you associate with Hargreaves Lansdown?



Source: survey of 127 random current Hargreaves Lansdown clients by independent consultants, July 2014

Potential clients: HL Good Value

To what extent do you associate with Hargreaves Lansdown?



Source: survey of 130 potential investors not currently HL clients by independent consultants, July 2014

Client Satisfaction

% of clients rating Hargreaves Lansdown as good, very good or excellent*:

2014 2013 2012 2011 2010

94.4% 96.0% 95.3% 96.1% 93.3%

- Satisfaction remains strong

*Sources: HL survey of clients August 2014 (9,371 respondents) vs May 2013 (13,833 respondents)

Continue to win awards...



2014: 15+ different awards

- Best Direct SIPP Provider - Your Money
- Best Junior Stocks & Shares ISA Provider - Your Money
- Best Personal Finance iPad app (HL Live for iPad) - The Tabbys
- Best Mobile Trading Platform - 2014 UK Mobile & App Design Awards
- Recommended Provider, Fund Supermarkets - Which?
- Best Financial Services Mobile Strategy/Campaign - MOMA Awards
- Best Direct Platform - The Platform
- Best Service - The Platform
- Gold Trusted Merchant (based on client feedback) - Feefo
- Best for beginners - The Lang Cat
- Estate Planning Adviser of the Year, Danny Cox, Hargreaves Lansdown - Unbiased.co.uk Media Awards 2014
- Pension Adviser of the Year - Corporate Adviser Awards 2014
- Best Use of Technology by a Corporate Adviser Highly Commended - Corporate Adviser Awards 2014
- Technology Innovation of the Year, Professional Pensions - UK Pension Awards 2014
- Britain's Most Admired – Speciality & Other Finance

UK's only Which? Recommended

INVESTMENT SUPERMARKETS RATED BY WHICH? MEMBERS

The table shows the best and worst investment supermarkets rated for customer satisfaction, and how they score for six different aspects of their service. Our survey took place in March 2014.

		Customer service	Administration	Information on investment opportunities	Online account functionality	Online tools and guidance	Value for money	Customer score
1	HARGREAVES LANSDOWN (540)	RECOMMENDED PROVIDER	★★★★★	★★★★★	★★★★★	★★★★★	★★★★	76%
2			★★★★	★★★★	★★★★	★★★★	★★★★	69%
3			★★★★	★★★★	★★★★	★★★★	★★★★	68%
4			★★★★★	★★★★	★★★★	n/a	★★★★	66%
5			★★★★★	★★★★	★★★★	★★★★	★★★★	66%
6			★★★★	★★★★	★	★★★★	★★★★	64%
7			★★★★	★★★★	★★★★	★★★★	★★★★	60%
8			★★★★	★★★★	★	★★★★	★★★★	59%
9			★★★★	★★★★	★★★★	★★★★	★★★★	56%
10			n/a	★★★★	n/a	★★★★	★★★★	55%
11			★★★★	★★★★	★★★★	n/a	★★★★	54%
12			★★★★	★★★★	★★★★	n/a	★★★★	49%
13			★★★★	★★★★	★★★★	★★★★	★★★★	47%
14			★★★★	★★★★	★★★★	★★★★	★★★★	45%

For more on investing your money, visit which.co.uk/investments



Hargreaves Lansdown voted Best fund supermarket...**Post RDR2**

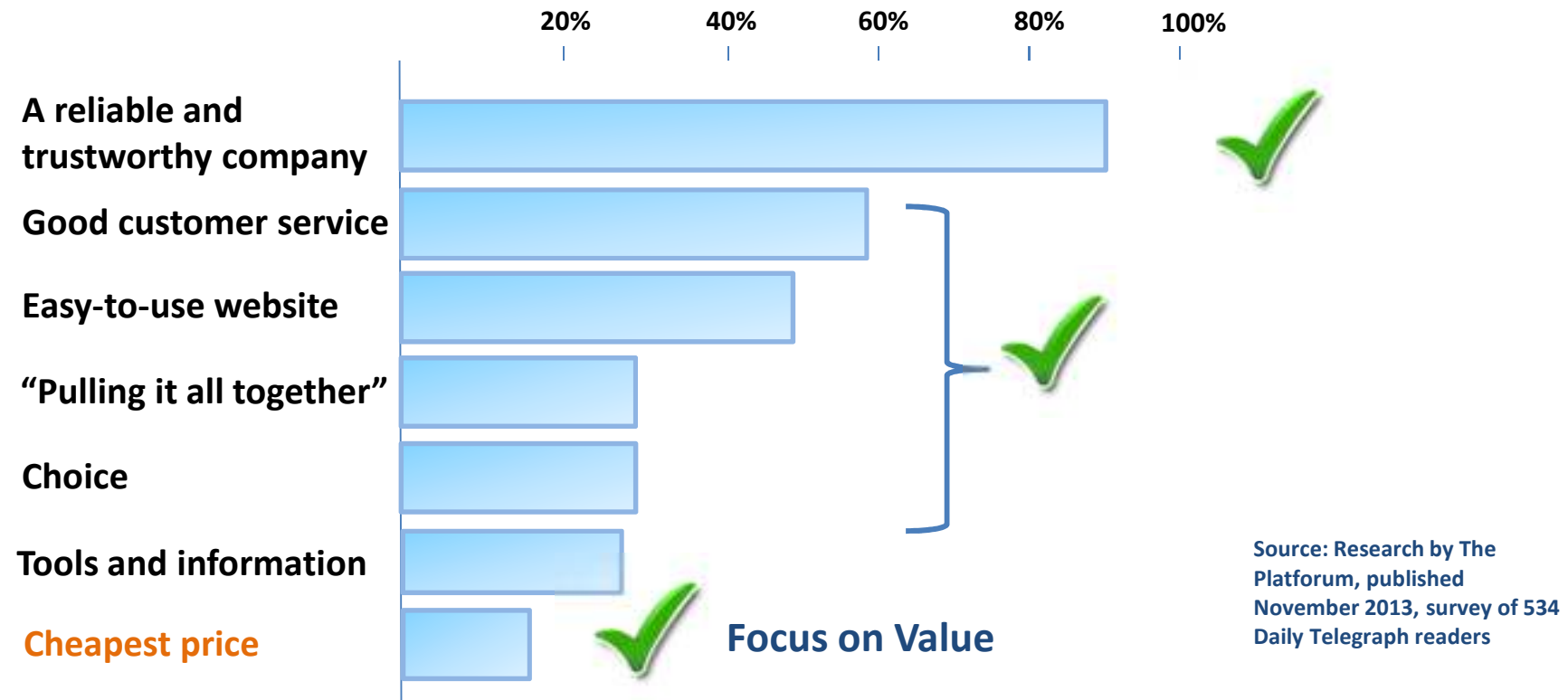
UK's only Which? recommended fund supermarket

RDR2 summary

- ✓ **Positioning landed where we wanted**
- ✓ **Best Value. Best Discounts. Best Service.**
- ✓ **Low cost – clients pay less than before.**
- ✓ **W150+ a success– client discounts & flows strong**
- ✓ **RDR Discounts and service very well received**
- ✓ **RDR digested and normal service resumed.**
- ✓ **Things to tidy up, but HL very much alive and well.**

Deciding where to invest

Question: “Why did you choose to invest [with this platform]?”



COMPETITIVE LANDSCAPE

Why the interest in Direct?

- 1) Perceived growth potential in Direct market
- 2) (For some) perceived need to have better “internet” presence for existing book
- 3) Concern over potential decline of traditional distribution (IFAs)
- 4) Can they “do a Hargreaves Lansdown?”

Don't forget..... competition isn't new

There has been competition for years.

HL has between 8.9% (SIPPs) and 34% (Direct) of its relevant markets. Other companies also available.

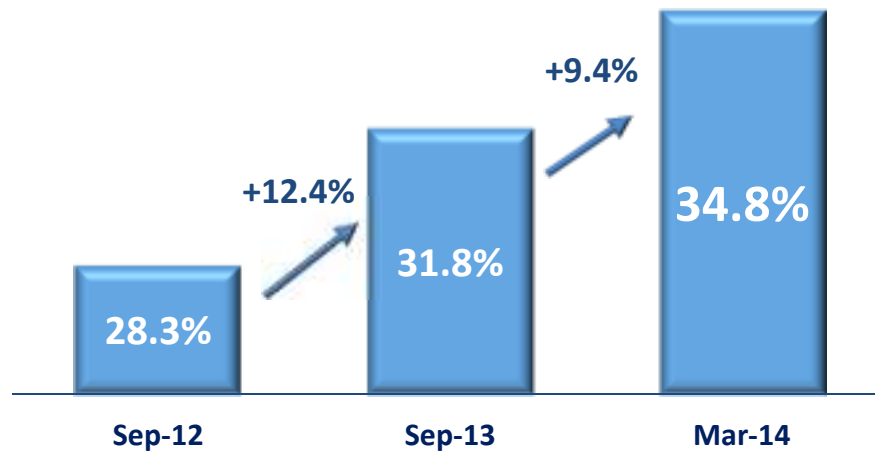
In 2013 we transferred assets with **781 other companies....**

Why do barriers to entry remain?

- 1) Massive scale required:**
 - HL unusual being profitable: size & efficiency.**
 - Competitors often long-term loss making.**
 - Some competitors departed in 2014**
- 2) Hargreaves Lansdown offers an excellent service.**
- 3) The need for distribution.**
- 4) Expertise.**

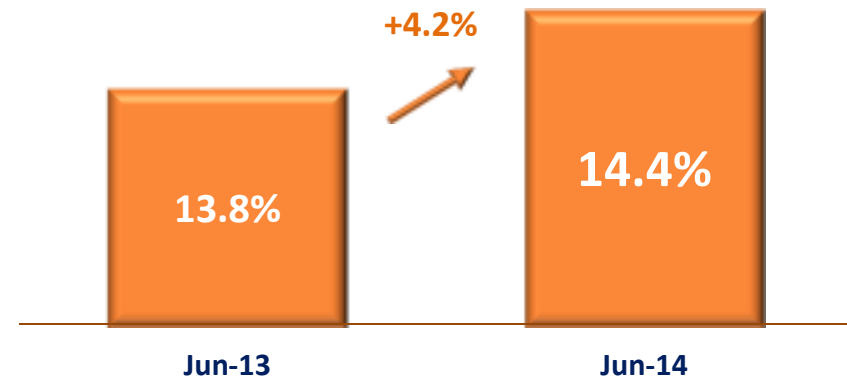
HL market share of platform assets grows

HL Direct to client market share of AuA now **34.8%***



Source: Platform D2C platform market share analysis.

HL market share of all platform fund assets now **14.4%***

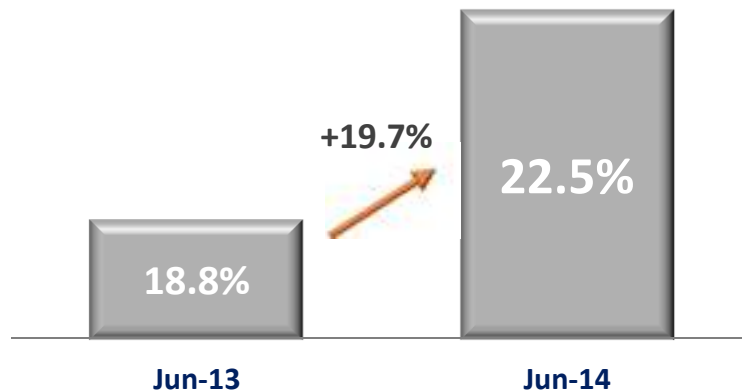


Source: Fundscape platform market share analysis.

*Note: Platform data covers just D2C platforms. Fundscape data covers both D2C and advised platforms

HL market share of EO stockbroking grows

HL UK execution only
stockbroking market
share now **22.5%***



* Source: Compeer, EO dealing volume

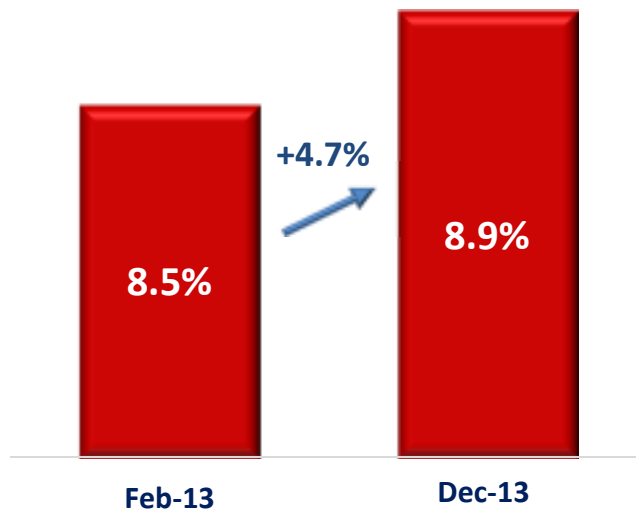
2014 HL volumes include 272k automated share deals (89k in 2013) and 3.6m automated fund deals (3.0m in 2013)

Hargreaves Lansdown dealing volumes

- 3.0m share deals, +58% vs. 2013
- 6.3m fund deals, +24% vs. 2013

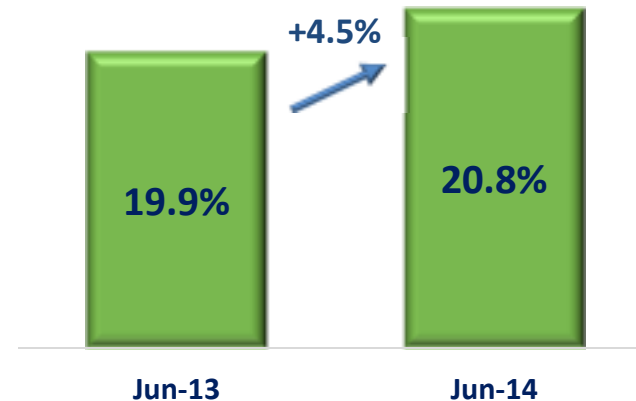
HL market share of SIPP's grows

**HL SIPP Assets
share now 8.9%***



Source: Money Management

**HL SIPP Platform
fund asset share
20.8%***

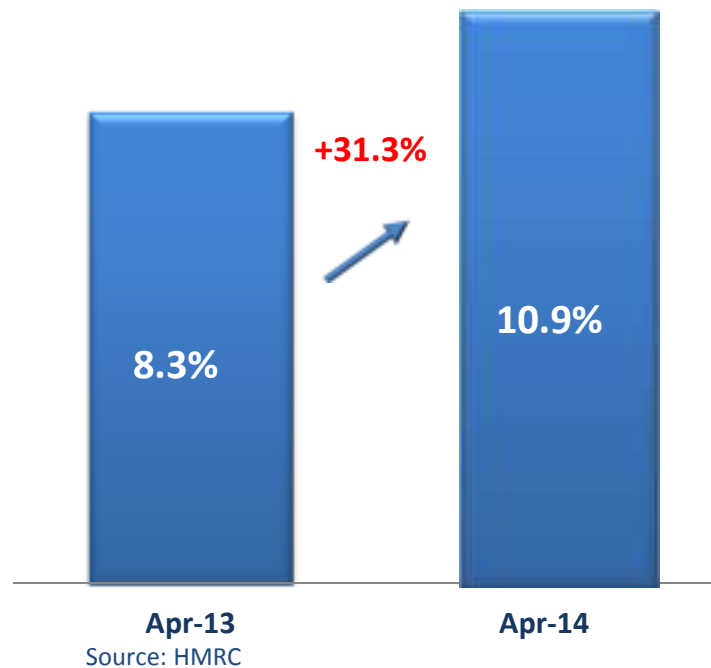


Source: Fundscape

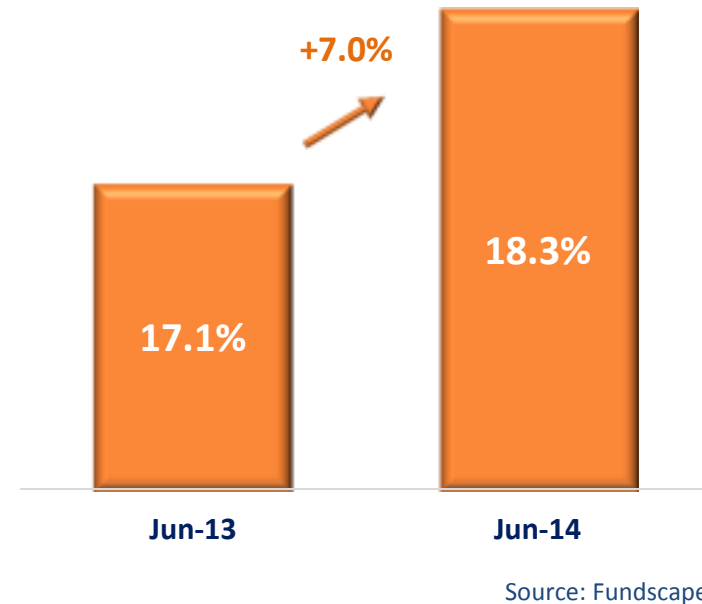
*Money Management covers the entire SIPP market. Fundscape covers the D2C and advised platform SIPP market

HL market share of S&S ISAs grows

UK Stocks & Shares ISA new flows **10.9%**



HL ISA Fund Assets on Platforms now **18.3%**



*HMRC data covers the entire Stocks & Shares ISA market. Fundscape data covers the D2C and advised platform Stocks & Shares ISA market

The scale of Hargreaves Lansdown

During 2014:

- The UK's largest Execution Only Stockbroker
- The UK's largest Independent Annuity Broker
- The UK's largest Direct-to-client investment broker
- One of UK's largest independent advisers
- Over £1 billion in workplace saving assets
- 652,000 clients

Distribution scale

- **40%** of all new money in CF Woodford fund launch was HL client money
- HL clients placed over **18%** of all UK retail investment in Royal Mail
- **27.5%** of all UK visits to competitor set websites are to **hl.co.uk**
- The best discounts

We have increased market share, but...
...we assume competition will get better...
...so we must get better too

STRATEGY UPDATE

Strategy update

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

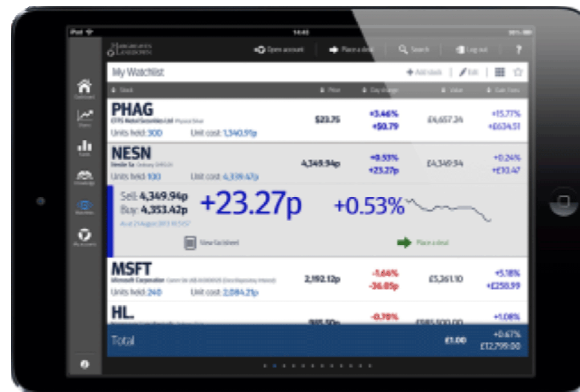
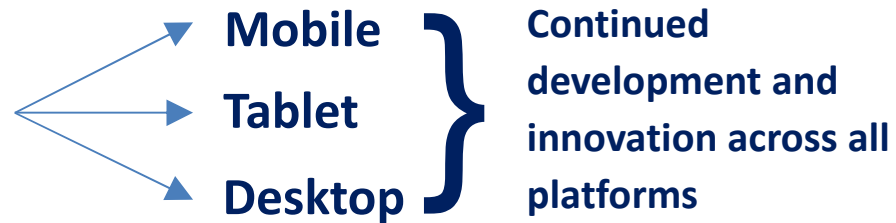
DELIVERED:

- Factsheets for Investment Trusts, ETFs
- Wider research coverage
- Online Bond shop
- Core trackers
- Live prices

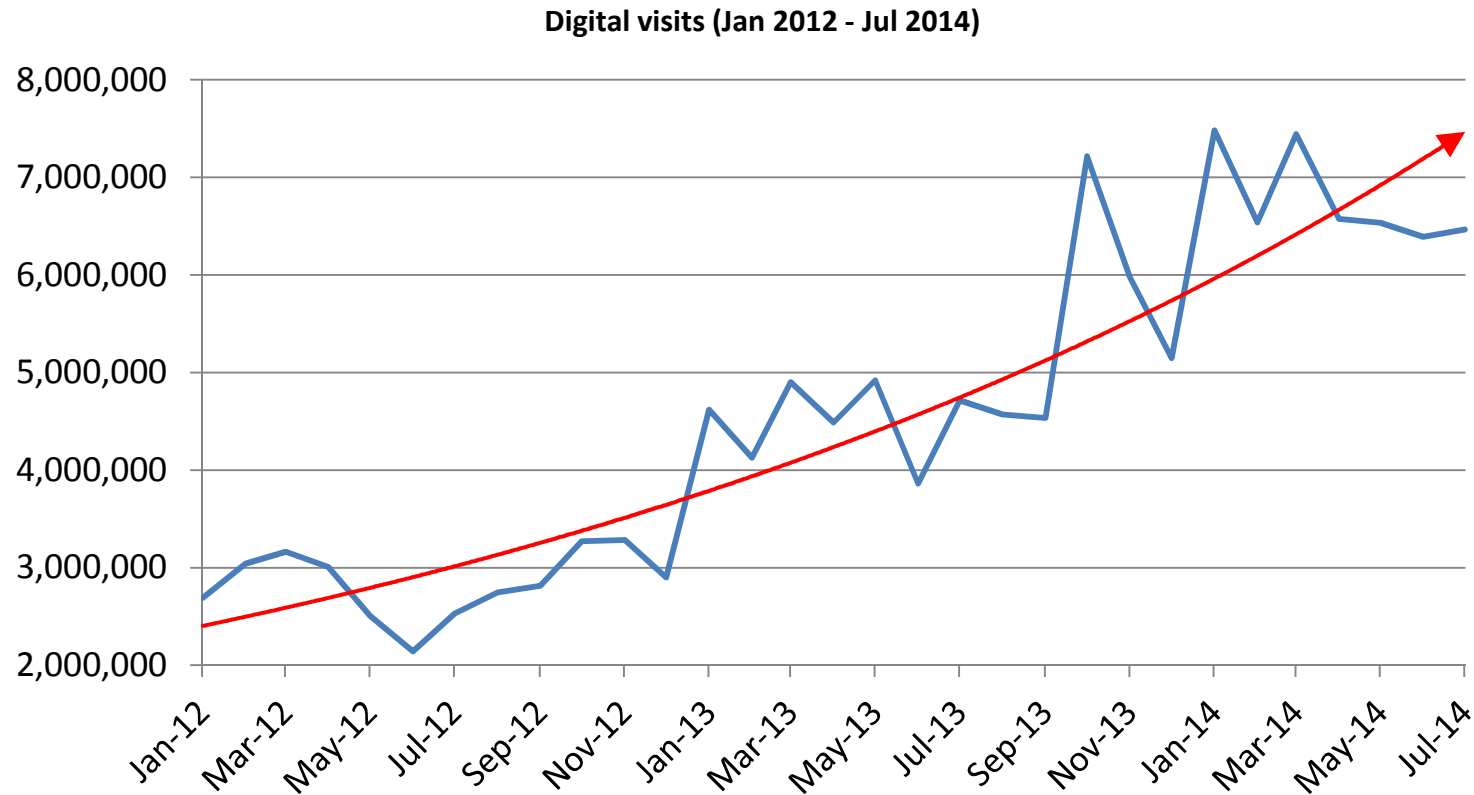
MORE COMING



Multi-platform digital strategy



HL.co.uk traffic continues to grow



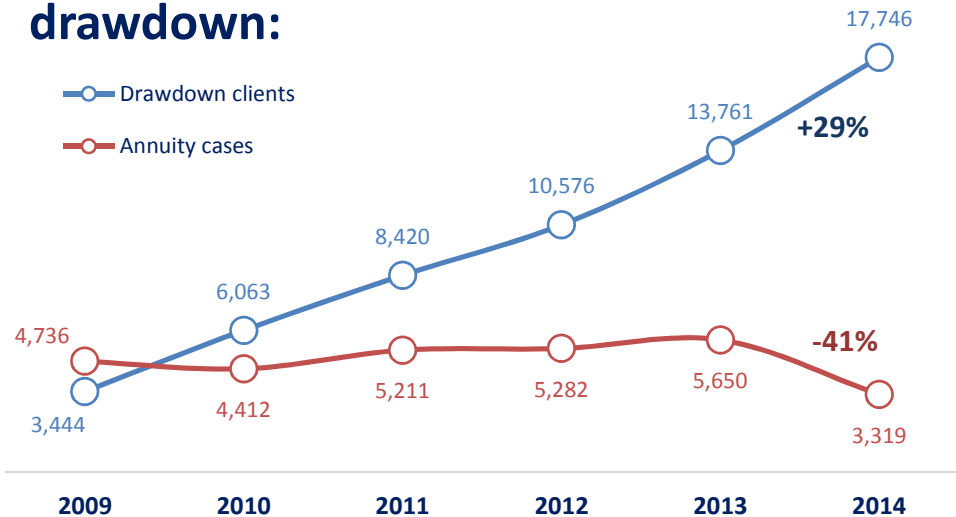
- **Mobile apps: 190,000+ downloads**
- **iPad app: 65,000+ downloads**
- **Total in-app share trades up 159%**
- **Total in-app fund trades up 200%**
- **Vast (and largely unseen) network of affiliate, PPC, PPA arrangements**

Summary of digital progress

- Total app and website visits **up 65%** year-on-year
- **The fastest growing website** within competitor set over the last 12 months
- Tracked with cutting edge digital technology
- All digital marketing channels showing strong year-on-year growth
- **Free live share prices for clients** launched in May
- More features and tools launching before end of 2014
- Proportion of business transacted online by new and existing clients **continues to increase**

Pensions: better flexibility

There has been a sharp move away from individual annuities to drawdown:



Better for client:

- Retains capital
- Gains flexibility
- Potential for growth

£70,000 drawdown a/c



c. £4,700 lifetime revenue

£70,000 annuity



c. £1,400 lifetime revenue





Assumes 5% investment growth (based in 'mid' FCA growth assumptions), income of £4,190 (based on best annuity) and lives to 90 (based on life expectancy tables).

New pensions legislation

- Welcome additional flexibility for clients
- Suits our product set and expertise
- We will launch “HL retirement plan” in response
- Flexible retirement plan with multiple income options. Telephone and online service support.
- Risk: Pensions become a less sticky wrapper....
- but now accepted need for them. Flexibility may make them more attractive

Corporate Vantage passed £1bn in July

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

	<u>As at 30 June</u> <u>2014</u>	<u>As at 30 June</u> <u>2013</u>	% change
 Members*	42,184	25,889	+63%
 Schemes *	211	167	+26%
 Annual Premiums *	£158.9m	£109.9m	+45%
 AUA (Legacy GSIPP now merged)	£984.0m	£618.5m	+59%

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

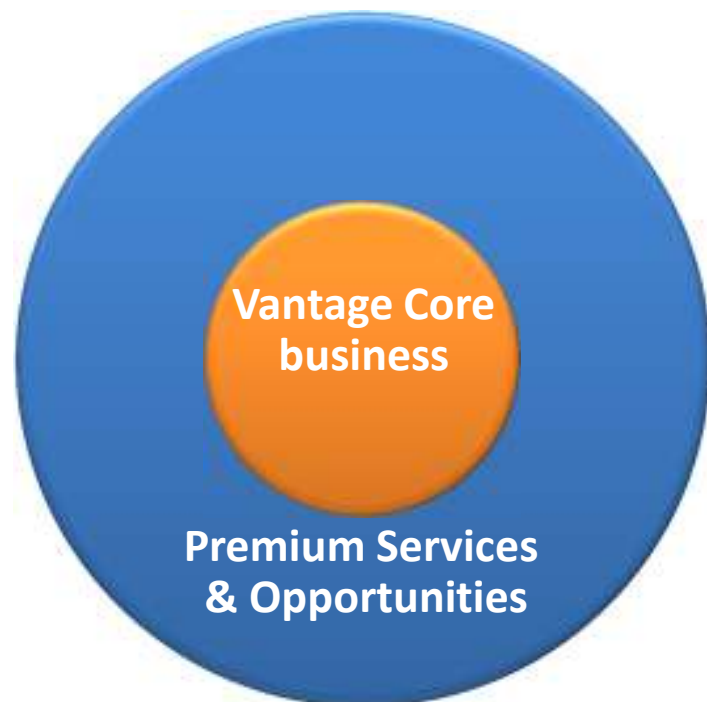
Corporate Vantage

- Post year end assets passed **£1 billion**
- Regular premiums in HL Vantage + PMS are £347m pa
- Regular premiums in Corporate Vantage now **£159m** pa
- £159m compounded for 20 years is **£5.5bn***
- Target of £1bn regular premiums, 20 year compound of **£34bn**

Assumes 5% investment growth (based in 'mid' FCA growth assumptions).

LOOKING FORWARD

The Future



- Fantastic position
- Continue to enhance & grow
- Differentiating features: live prices, bond shop



- More premium services:
- Offer revenue diversification and enhancement
- Complementary to what we do

The Future – HL

- Digital
- Investment Supermarket
- Pensions
- The best investment service in the UK
 - Online bondshop
 - Free live prices
 - Tools and calculators
 - Speed and flexibility
 - Security
- Brand review : make sure brand stands out. Mass market readiness
- **Success: Protect (ideally grow) market share in a growing market**

Examples of HL+

- **Cash**
 - Opportunity to enhance service to biggest asset class
- **Multi-manager funds**
 - Opportunity to expand service
- **Other opportunities: eg. advice, discretionary direct**
 - 24.3% increase in advisory revenue Year on Year
 - 46% increase in overseas share deals YoY
- **Success: Enhance service, revenue and profitability over time**

Cash: Clients would put cash with HL

- Our survey says....
 - 45% of HL clients hold more than £75k in cash.
 - **More than 70%** would put cash with Hargreaves Lansdown if interest rate competitive with bank
 - A good rate is more important than HL being a bank
 - Certain other success requirements apply

Cash survey by HL, March 2014, 2720 clients

Cash Options: where to land....?

Lower stakes and shorter
implementation time

Higher stakes and longer
implementation time

Today

Existing Treasury arrangements

Revenue: 50-60bps

Capital: Low

Flexibility: Decreasing

Regulation: Increasing

Tactical: eg reclassification

Revenue: c.70bps

Capital: Low

Easily flexed: Yes

Regulation: Eased

New & evolving Cash Services

Revenue: £high?

Capital: Low

Easily flexed: Yes

Regulation: Evolving

Banking

Revenue:

c.100bps+**

Capital: High**

Easily Flexed: No

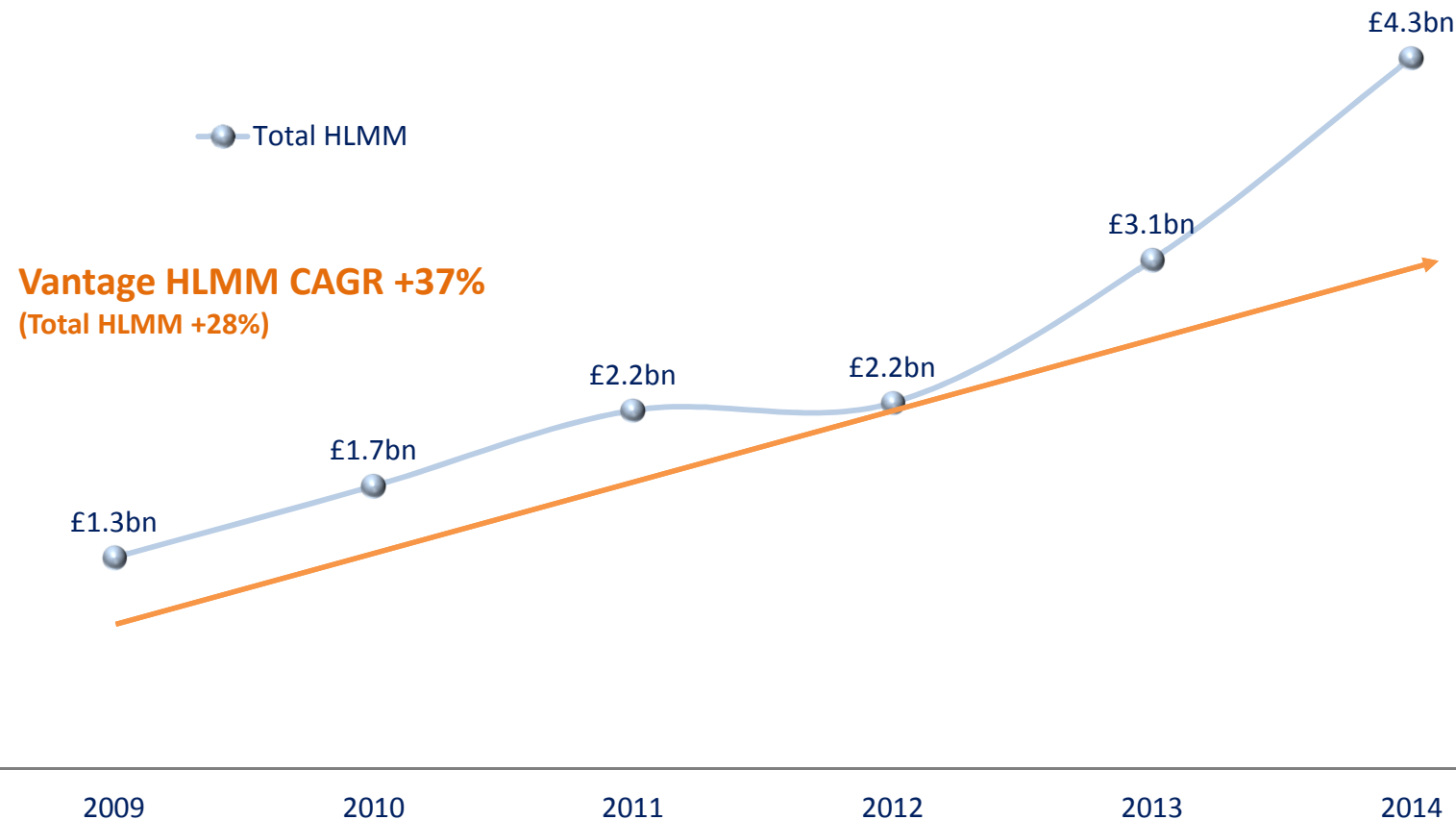
Regulation: High

Based on current interest rates

** Review by external professional services firm for HL Feb 2014 estimated additional £200m capital requirement for £40m+ potential revenue.

Multi-manager funds: a popular choice

HL MM Funds growing faster than Vantage assets generally....
.... and performing well



Multi Manager Funds are 18% of sectors...

£24.4bn of funds held in Vantage:
£10.4bn **43%** of Vantage Funds in 5 IMA sectors:

£1.9bn (18%) of £10.4bn is in
HL Multi-manager funds



UK Equity Income £5.3bn (22%)

Global £2.0bn (8%)

GBP Strategic Bond £1.3bn
(5%)

Mixed Investment 20-60%
Shares £0.6bn (3%)

Mixed Investment 40-85%
Shares £1.2bn (5%)

HL MM Income & Growth £1.1bn

HL MM Special Situations £0.4bn

HL MM Strategic Bond Trust £0.1bn

HL MM Equity & Bond £0.1bn

HL MM Balanced Managed £0.2bn

At 30 June 2014

Intend to launch new Multi-manager funds

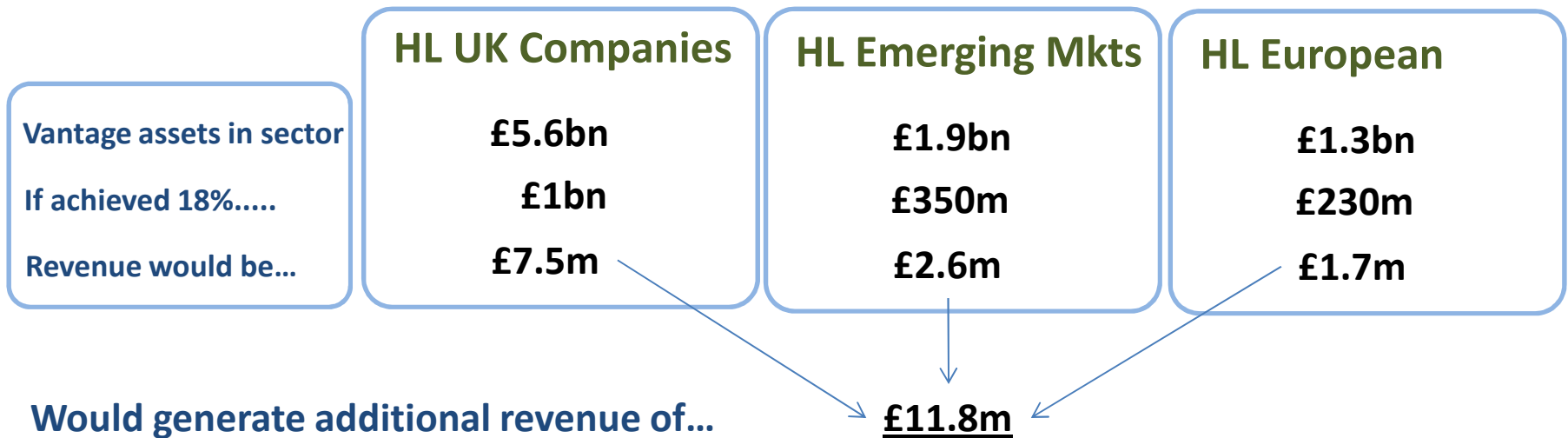
Q1 2015: HL would like to launch 3 new MM funds*



Potential to cover
79% of Vantage
sector AUA



More HL multi
manager sector
coverage for clients



* Subject to FCA approval

Summary

- **Successful year. Grew market share and all key indicators**
- **Record growth in assets** and new clients
- **Margin pressure on interest income.** Mitigating action available but continued headwind on revenue
- **RDR completed. HL alive & well.** Opportunity to now focus on business: HL and HL+
- **Not complacent.** Need to work hard & stand out
- **Continue to improve core business and pursue new opportunities.** Exciting times.
- **Well placed** in a market predicted to grow

Appendices

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Market consensus

To exclude the effect of outdated forecasts, HL maintains a 'consensus tracker' to which analysts are invited to contribute their latest forecasts. The table below represents the position as at 20 August 2014 based on the consensus tracker as at 13/8/14 updated for 2 subsequent revisions received.

12 analysts have contributed to the tracker.

	Average	Range Min	Range Max	Reported
Net revenue (£m)	285.8	262.9	292.1	292.9
Profit before tax (£m)	209.4	198.0	220.6	209.8
Diluted EPS (pence)	34.2	32.5	36.0	34.2
DPS (pence)	31.2	26.0	32.69	32.0
Vantage Net New Business (£bn)	6,172	5,000	6,900	6,100
Vantage net new active clients	124,500	100,000	139,000	144,000

Cash and regulatory capital

	June 2014 £m	June 2013 £m
Regulatory capital		
Capital resources	225	196
Pillar 2 regulatory capital requirement *	(29)	(25)
Declared final dividend	(118)	(109)
Total surplus capital after dividend	78	62
Cash flow (excl EBT)		
Operating cash flow % **	103%	
Cash as at 30 June 2014	£201m	

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 = £11m

**Operating cash flows as a % of operating profit

Divisional net revenue

	FY 2014	FY 2013
Vantage	£221.0m	£204.3m
Discretionary	£44.9m	£34.0m
Third Party and Other Services	£26.0m	£30.9m
Total	£291.9m	£269.2m

Vantage net revenue		FY 2014	FY 2013
Net renewal income	-14%	£86.1m	£99.6m
Share of HL Multi Manager AMC (pre RDR)	-2%	£4.8m	£4.9m
Platform fee	+100%	£36.8m	-
Management fees	+27%	£12.8m	£10.1m
Interest receivable	-43%	£33.7m	£58.7m
Initial income	-56%	£0.4m	£0.9m
Stockbroking income	+47%	£39.0m	£26.6m
Advice and other charges	+111%	£7.4m	£3.5m
Total	+8%	£221.0m	£204.3m
% of Group net revenue		76%	76%

Divisional net revenue

Discretionary and Managed net revenue

		FY 2014	FY 2013
Renewal income	+15%	£1.5m	£1.3m
Ongoing advice fee	+29%	£8.9m	£6.9m
HL Multi Manager fund AMC	+35%	£28.9m	£21.4m
Advice charges	+22%	£4.5m	£3.7m
Interest receivable	-50%	£0.1m	£0.2m
Other	+100%	£1.0m	£0.5m
Total	+32%	£44.9m	£34.0m
% of Group net revenue		15%	13%

Third Party + Other Services net revenue

Corporate pensions	-28%	£5.3m	£7.4m
Investments	-2%	£4.9m	£5.0m
Personal life & pensions	-39%	£4.8m	£7.9m
Other services	+4%	£11.0m	£10.6m
Total (further breakdown on next page)	-16%	£26.0m	£30.9m
% of Group net revenue		9%	11%

Third Party & Other Services net revenue

3P Corporate Pensions net revenue

		FY 2014	FY 2013
Renewal income	+17%	£1.4m	£1.2m
Initial income	- corporate annuities +20%	£0.6m	£0.5m
	- corporate pensions -49%	£2.5m	£4.9m
Advisory fees	-	£0.8m	£0.8m
Total	-28%	£5.3m	£7.4m

3P Investments net revenue

Renewal income	+2%	£4.8m	£4.7m
Initial income	-67%	£0.1m	£0.3m
Total	-2%	£4.9m	£5.0m

3P Personal Pensions net revenue

Renewal income	-	£0.6m	£0.6m
Initial income	- annuities -43%	£4.1m	£7.2m
	- pensions/other -	£0.1m	£0.1m
Total	-39%	£4.8m	£7.9m

Other Services net revenue

Stockbroking income	+15%	£3.9m	£3.4m
- <i>Certificated</i>	+14%	£0.8m	£0.7m
- <i>Currency services</i>	+11%	£2.0m	£1.8m
- <i>CFD & Spreadbetting</i>	+22%	£1.1m	£0.9m
Interest receivable	-60%	£0.2m	£0.5m
Funds Library income	-	£6.0m	£6.0m
Other/advice fees	+29%	£0.9m	£0.7m
Total	+4%	£11.0m	£10.6m

Total Third Party & Other Services net revenue

-16%	£26.0m	£30.9m
------	--------	--------

Platform net revenue and average AUA

	FY 2014			Pre RDR Margin %	*Post RDR Margin %	FY 2013 Margin %
	Revenue £m	Ave Assets £bn	Margin %			
Renewal income (net of loyalty bonus)	90.9					
Platform fee	36.8					
Initial commission	0.4					
Total net revenue from funds	128.1	22.9	0.56%	0.60%	0.49%	0.62%
Stockbroking commission	39.0					
Management fees	12.8					
Total revenue from other stock	51.8	14.8	0.35%	0.36%	0.33%	0.37%
Total revenue from cash	33.7	3.7	0.91%	0.95%	0.84%	1.85%
Other income	7.4					
Total Investment Platform margin	221.0	41.5	0.53%	0.55%	0.50%	0.68%

'Post RDR' income and AUA includes PMS

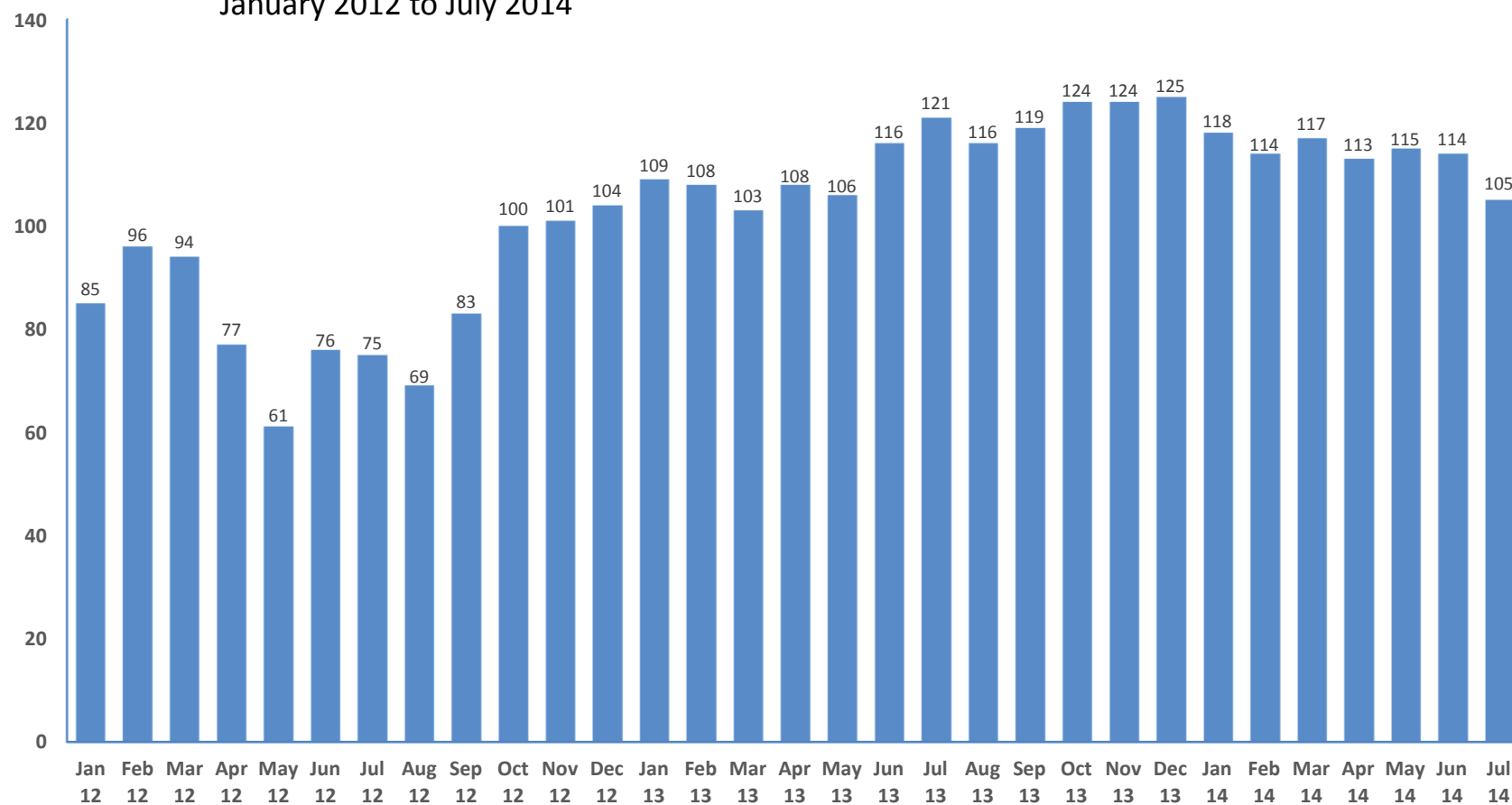
Post RDR = March to June 2014

Costs

		FY 2014	FY 2013
Commission payable (loyalty bonus)	+187%	£66.5m	£23.2m
Staff costs	+2%	£51.3m	£50.3m
Marketing and distribution spend	+3%	£11.3m	£11.0m
Depreciation, financial costs	+50%	£3.0m	£2.0m
Office running costs	+11%	£4.2m	£3.8m
Other costs	+32%	£13.3m	£10.1m
Other operating costs	+8%	£83.1m	£77.2m
Total FSCS levy costs	+160%	£0.8m	(£0.5m)
Total operating costs	+51%	£150.4m	£99.9m
No of staff at 30th June	+14%	844	741
Ave. no of staff (FTE)	+9%	794	728

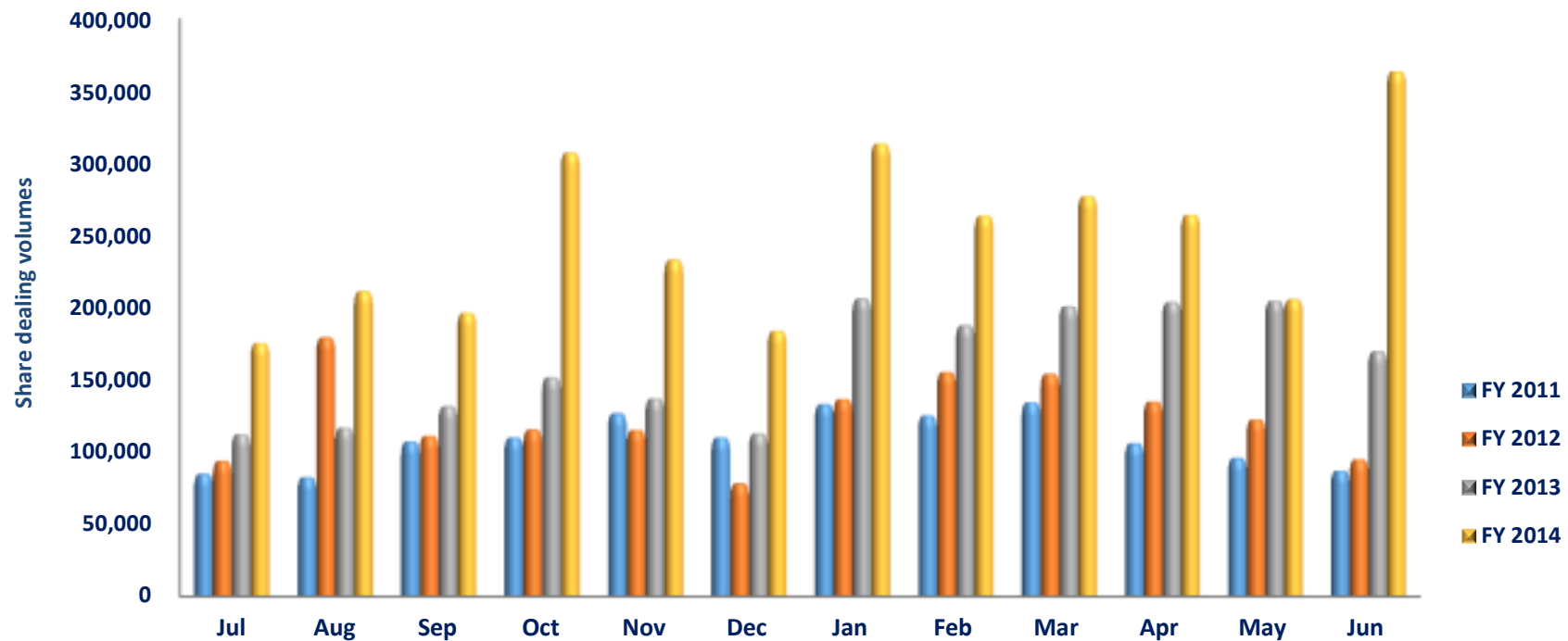
Investor confidence

Investor Confidence Index
January 2012 to July 2014

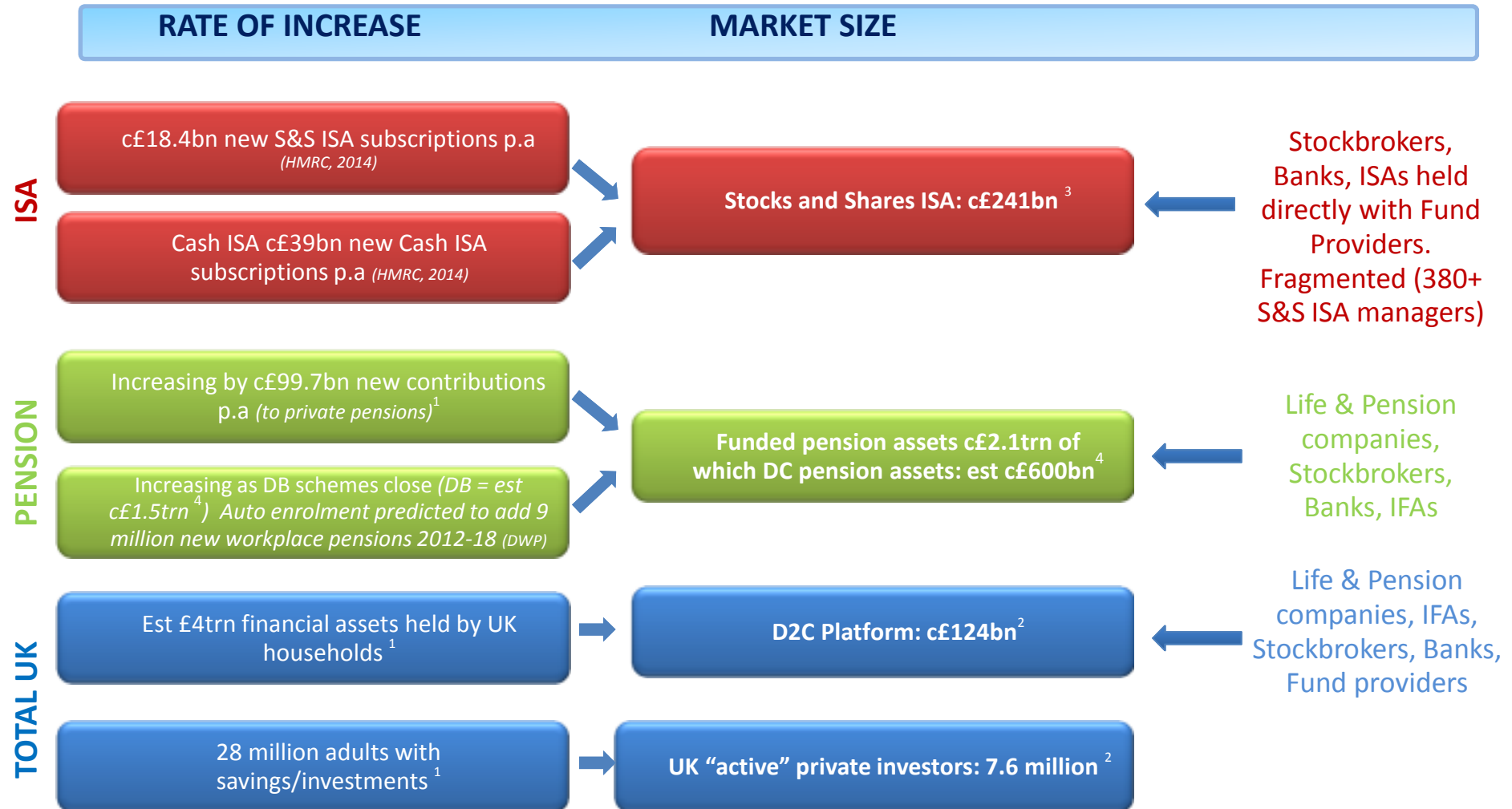


Share dealing volumes

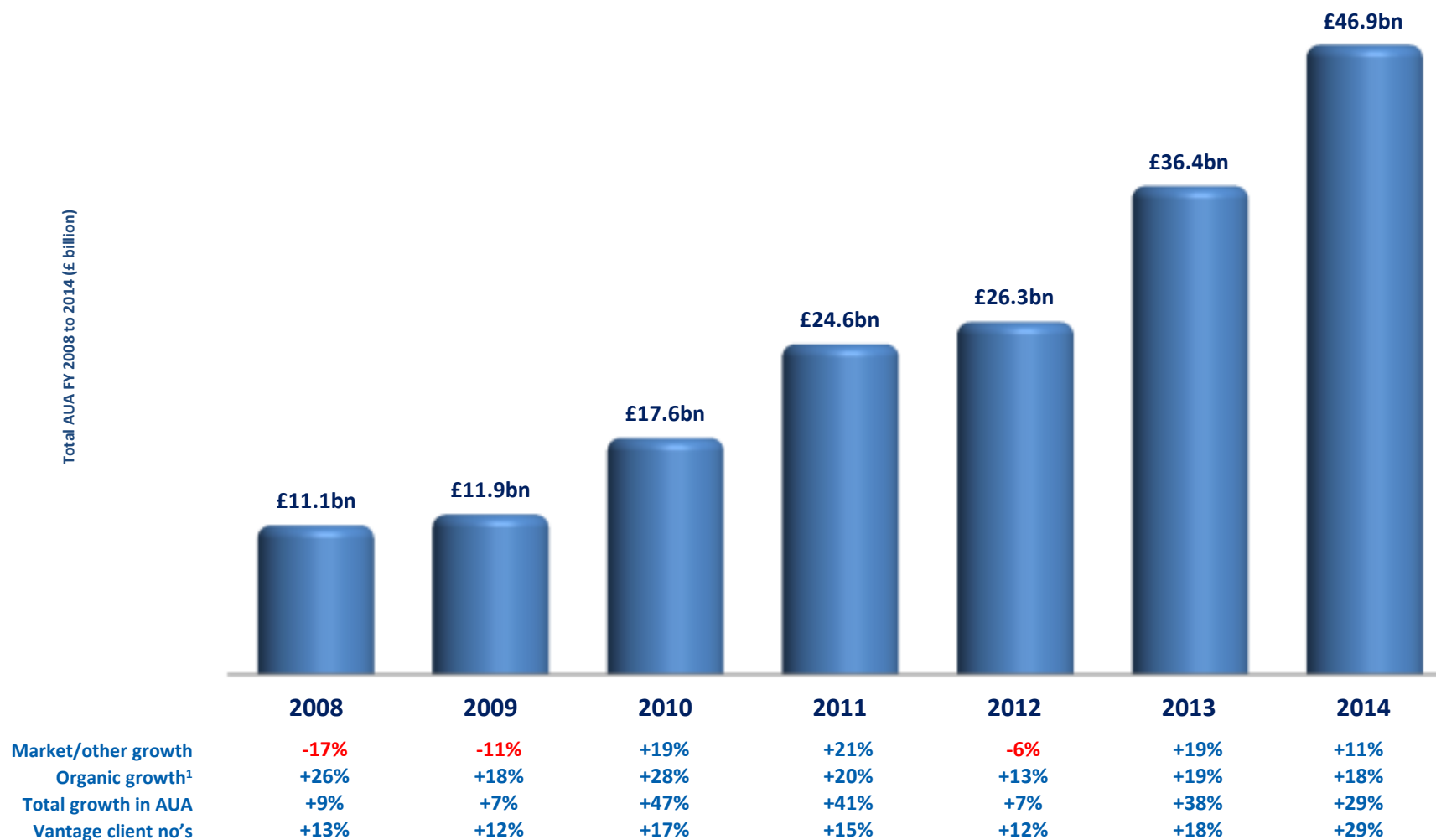
TOTAL SHARE DEALING VOLUMES +55% (3.0M vs. 1.93M)



Market opportunity



Growth in total AUA



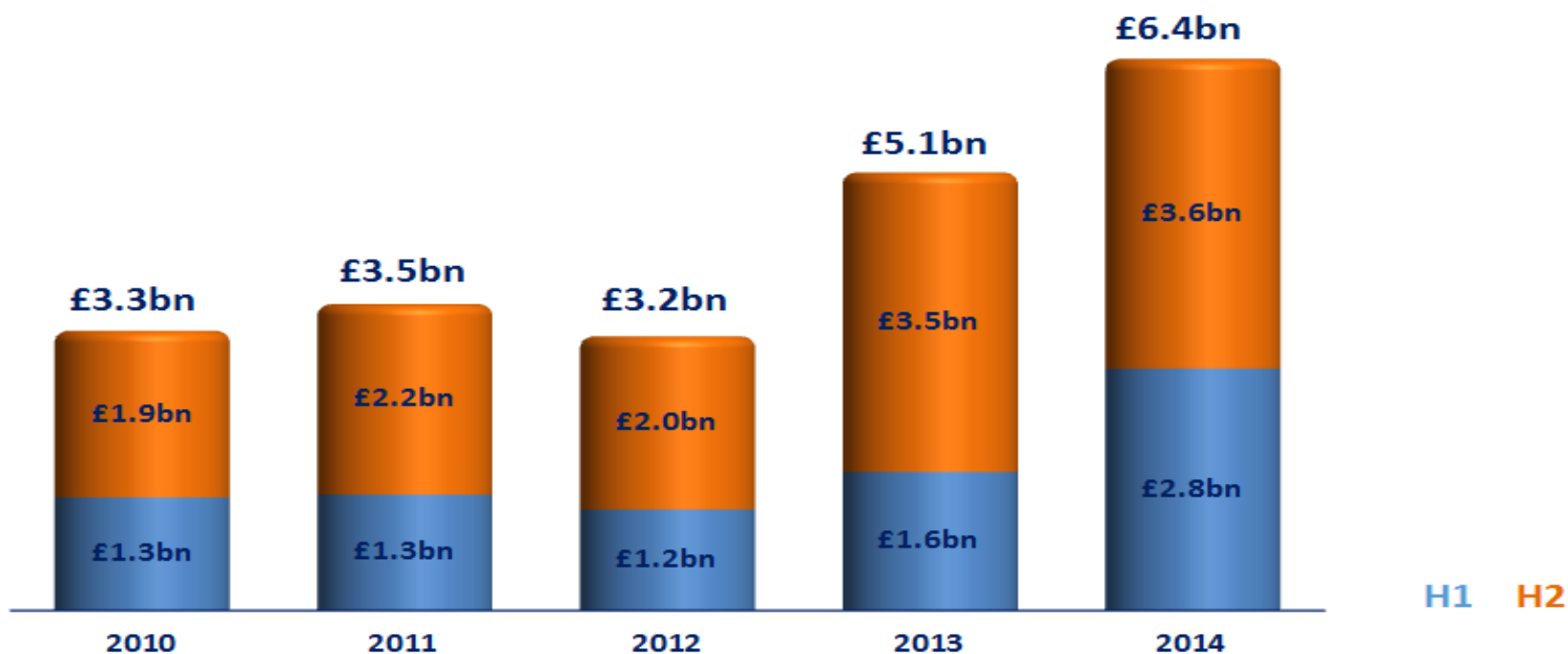
¹ Organic growth based on net inflows as a % of opening AUA

Total assets under administration

	Vantage AUA £bn	Discr. AUM £bn	Less MM funds in Vantage £bn	FY 2014 £bn	FY 2013 £bn
AUA at start of period	34.2	3.3	(1.2)	36.4	26.3
Net new business inflows	6.1	0.9	(0.6)	6.4	5.1
Market movement	4.0	0.3	(0.2)	4.1	4.9
AUA at end of period	44.2	4.6	1.9	46.9	36.4
Net new business inflow %	18%	27%		18%	19%
Daily ave. FTSE All-Share			+11%	3546	3185

FTSE All-Share has increased by 9% since 30 June 2013

Total net new business



Net new business inflows FY 2010 to FY 2014 (£ billion), first vs. second half

Vantage AUA

69% OF VANTAGE AUA IN TAX WRAPPERS (JUN 13: 70%)

	SIPP** £bn	ISA £bn	F&S/Other £bn	Total £bn	FY 2013 £bn
Total AUA at start of period	10.4	13.6	10.2	34.2	24.6
Net new business inflows	2.1	2.2	1.8	6.1	4.8
Market movement *	0.9	1.3	1.8	4.0	4.7
Total AUA at end of period	13.4	17.1	13.8	44.2	34.2
Net new business %	20%	16%	18%	18%	20%
Market movement %	9%	10%	18%	11%	19%
Net business inflows FY 2013	1.9	1.8	1.1		4.8

* Market movements includes other growth factors, such as retained investment income, totalling £421m (FY 2013: £349m).

** Vantage SIPP AUA includes £2,612m income drawdown assets at 30 June 2014 (June 2013 £1,898m)

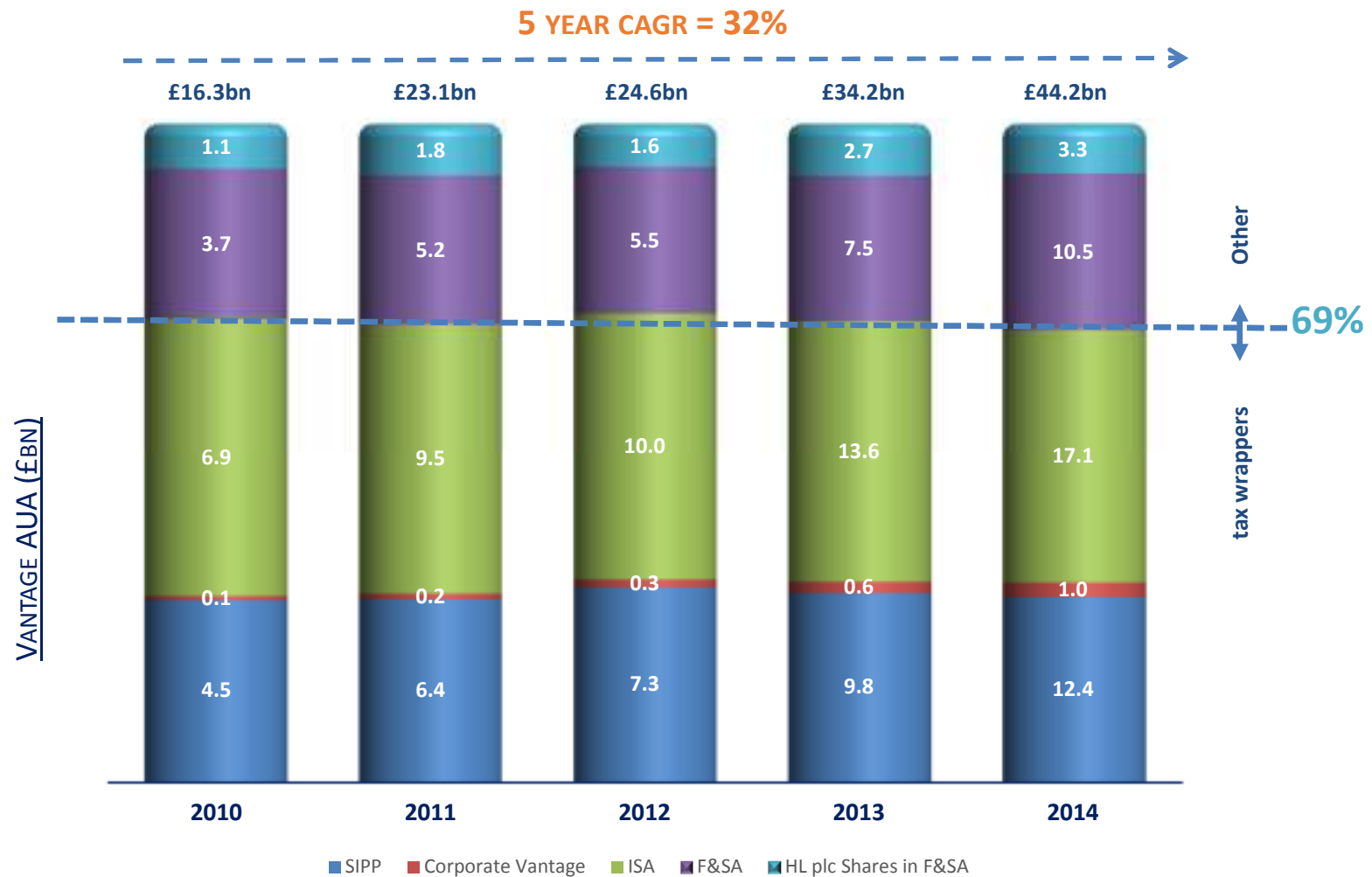
Figures contain roundings.

Vantage inflows – by quarter

	Q1	Q2	Q3	Q4	FY 2014	FY 2013
AUA at start of year					£34.2bn	£24.6bn
Market/other growth					£4.0bn	£4.7bn
Market growth %					+11.7%	+19.1%
Net new business inflows	£1.2bn	£1.4bn	£1.8bn	£1.7bn	£6.1bn	£4.8bn
Organic growth %					+17.8%	+19.5%
AUA at end of year					£44.2bn	£34.2bn
Total growth in AUA					+29%	+39%
FTSE All-Share					+9%	+13.8%
	Q1	Q2	Q3	Q4		
Organic growth % FY14* (annualised)	+14%	+16%	+18%	+17%	+18%	+19.5%
Organic growth % FY13* (annualised)	+9%	+15%	+24%	+19%		

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

Vantage AUA, by wrapper



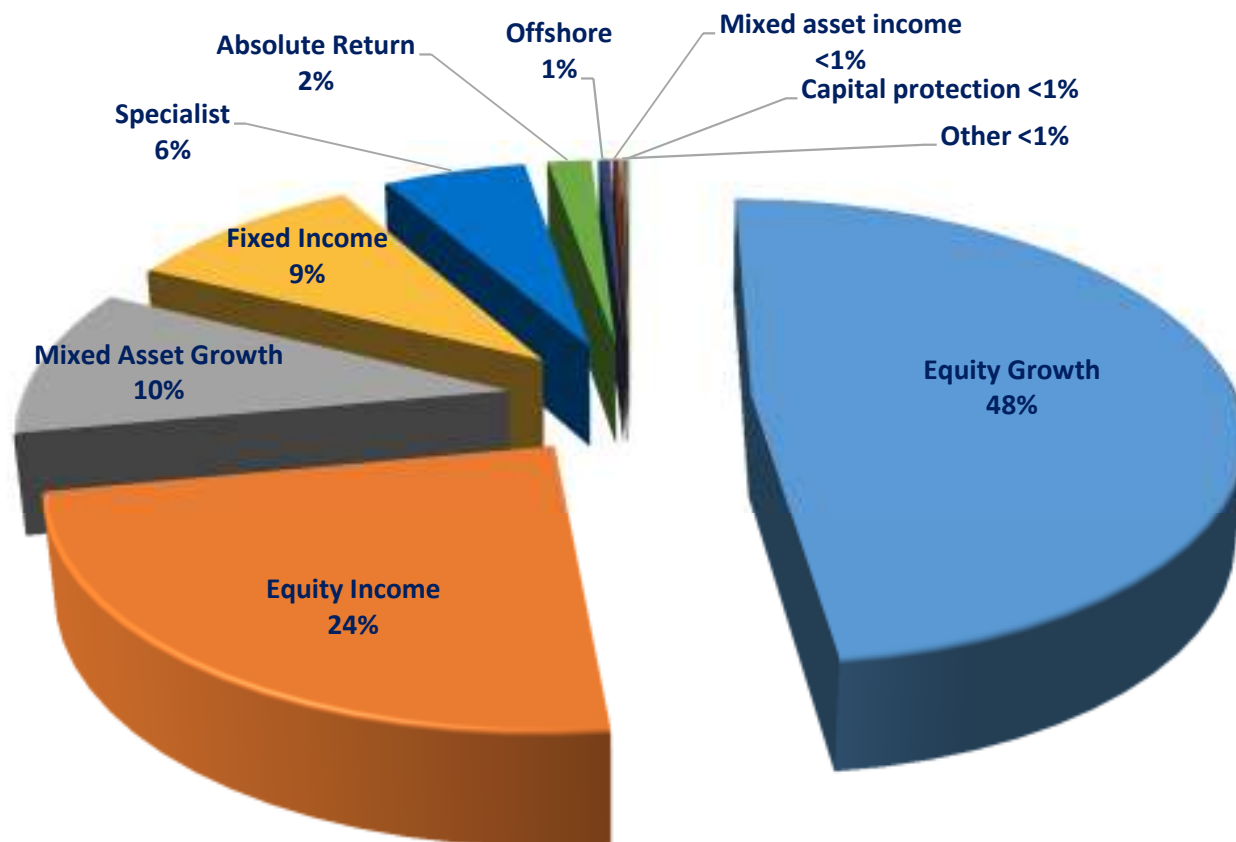
Corporate Vantage AUA includes legacy. £680m excluding legacy (2013: £356m). See Appendix for further details.

Vantage AUA analysis

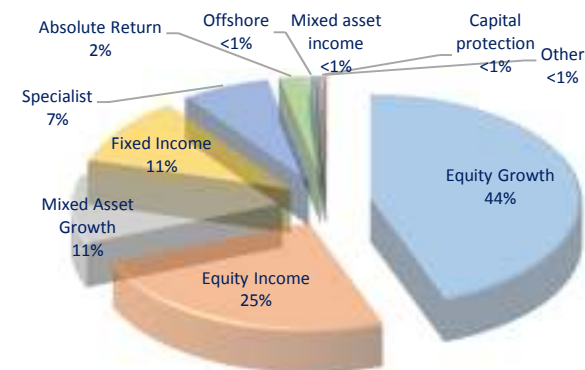
	SIPP	ISA	F&S/Other	Vantage
At 30 Jun 2014				
Stocks and shares	27%	23%	60%	36%
Investment funds	58%	70%	34%	55%
Cash	15%	7%	6%	9%
% of Vantage	30%	39%	31%	100%
At 30 Jun 2013				
Stocks and shares	26%	21%	60%	34%
Investment funds	56%	72%	35%	56%
Cash	19%	7%	5%	10%
% of Vantage	31%	40%	30%	100%

Vantage AUA analysis by sector

55% of Vantage AUA held as investment funds (Jun 2013: 56%) across the following sectors:



30 June 2014



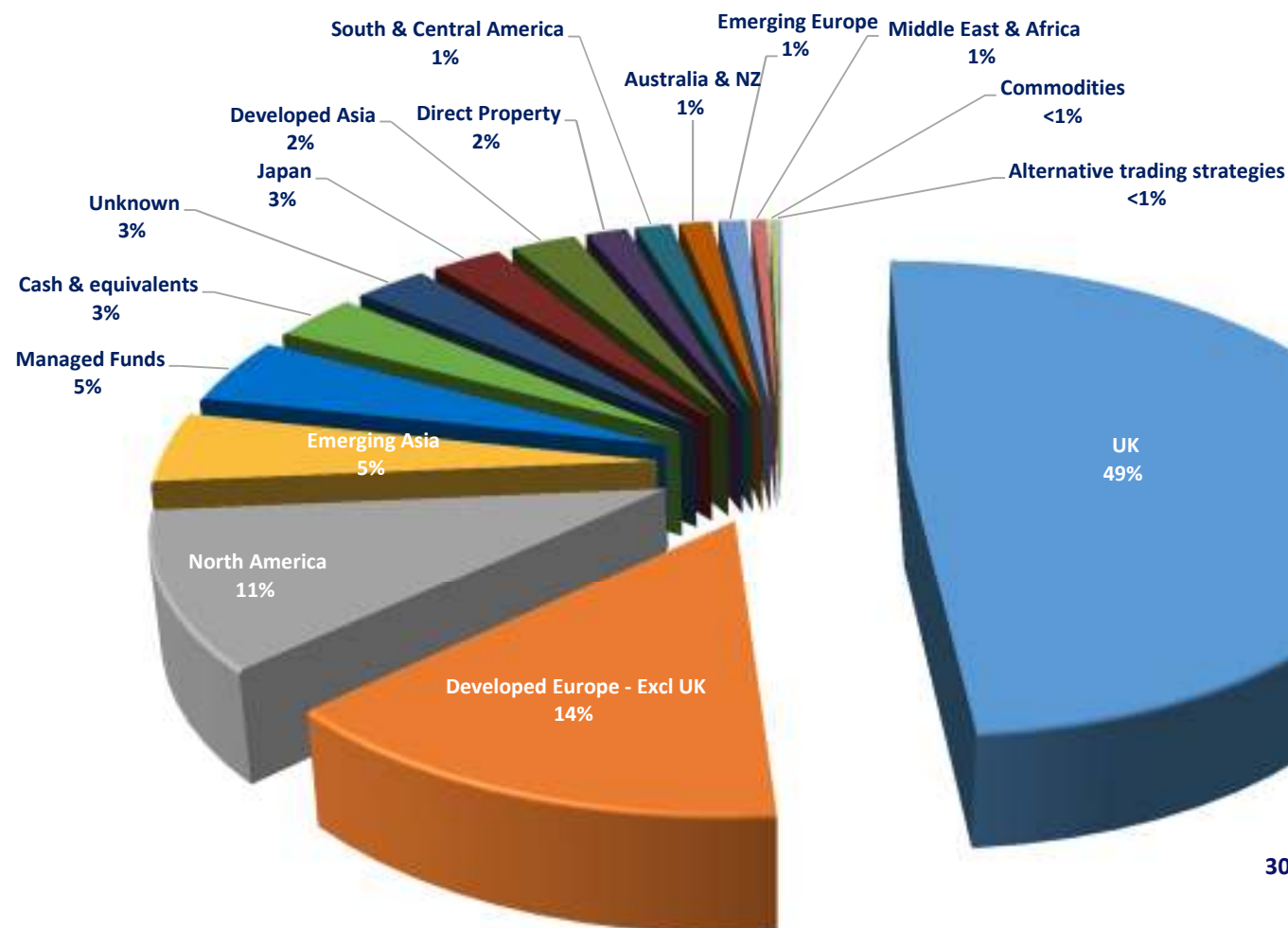
30 June 2013

- ↓ Equity Income
- ↓ Mixed Asset Growth
- ↓ Fixed Income
- ↑ Equity Growth

Vantage AUA

Investment funds geographical exposure

49% (June 2013: 46%) of underlying holdings within clients investment funds are located within the UK



30 June 2014

Vantage – other information

	SIPP	ISA	F&S/Other	FY 2014	FY 2013
No. of equity deals ('000)	832	1,152	994	2,978	1,917
% Internet	95%	89%	92%	92%	90%
No. of fund deals ('000)	2,899	2,717	689	6,304	5,060
Average active client value at period end (£'000)	71.2	40.7	56.7	68.8	68.4
Average age (years)	47.4	52.9	57.3	51.9	52.9
Net new active accounts ('000)	38	77	61	176	96
No. of active accounts ('000)	193	462	243	898	722
Clients registered for online access				85%	81%
Clients registered for paperless service				65%	48%

Discretionary AUM

NET NEW BUSINESS INFLOWS £889M (FY 2013: £495M)

	FY 2014 £bn	FY 2013 £bn
AUM at start of period	3.35	2.41
Net new business inflows *	0.89	0.50
Market movement	0.33	0.44
AUM at end of period	4.57	3.35
Net new business %	+27%	+21%
Market movement %	+10%	+18%

* Includes multi-manager funds new business inflows held in Vantage FY 2014: £0.58bn, FY 2013 £0.22bn