Delivering our strategy for growth

Our vision is to become the UK's leading provider of personalised wealth and investment management services, delivering a compelling client proposition, rewarding careers and sustainable shareholder returns.

Objective 1

Revenue growth

Grow the business in both absolute and market share terms, by increasing the number of clients and the proportion of their wealth that we manage.

What we said we would do

- Further new services targeting a range of discrete segments, based on client and intermediary research.
- Continued investment in client-facing new hires.
- Actively develop our already strong intermediary relationships.
- Further training in business development capabilities for our people.
- Continued investment in technology to improve accessibility for clients.

2017 progress

- Net new discretionary funds flow of 8%, with approximately 90% from intermediaries.
- Achieved £3.4 billion gross fund inflows into our core business taking our total funds to more than £40 billion.
- Continued to hire the best available advisory and financial planning professionals.
- Invested further in training to help advisers get to the root of our clients' needs.
- Approved the development of an advice-led proposition designed around the needs of clients with sophisticated and complex needs.
- Launched pioneering Financial Planning Academy apprenticeship scheme.
- Broadened dialogue with intermediaries, and introduced services based on their stated requirements.
- Continued investment in technology to improve client communications and service delivery.

Future focus

- Develop an advice-led proposition for clients with sophisticated and complex needs.
- Continued development of intermediary relationships.
- Further segmentation of clients to increase relevance and increase funds flow.
- Continued evolution of focused marketing strategy.
- Continued investment in our Financial Planning Academy.
- Rollout of WealthPilot, our low-cost advice platform.

Performance against strategy is a factor in remuneration decision making, see page 59

For measurement of progress see our KPIs on page 24

For discussion on priorities and progress see the Chief Executive's Review on page 16 and for an evaluation of our principal risks see page 26

Objective 2

Improved efficiency

Maintain an efficient and scalable operating model enabling investment, developing greater productivity and sustaining competitive pricing.

What we said we would do

– Invest in technology and process improvement to increase efficiency and reduce costs.

2017 progress

– Embedded new order management system, maximising the time advisers can spend with clients.
– Continued to improve collaboration and knowledge-sharing across offices.
– Embedded and further enhanced internal management systems for HR and financial reporting and analysis.
– Used our scale to enhance our unit purchasing power when negotiating with institutional funds.

Future focus

– Increase efficiency and reduce costs through continued investment in technology.

Objective 3

Capital sufficiency

Maintain sufficient capital to maximise opportunities and cover risks.

What we said we would do

– Continue to maintain capital at a level that enables investment in emerging opportunities from a position of strength.

2017 progress

– Maintained sufficient capital to enable investment opportunities, reduce risk and provide comfort during periods of uncertainty.
– Acquired DLAM, gaining experienced wealth and investment managers and strong client relationships, while maintaining capital sufficiency.

Future focus

– From a position of strength, continue to maintain capital at a level that enables investment in emerging opportunities.

Objective 4

Dividend growth

Grow our dividend in line with earnings.

What we said we would do

– Continue policy of target payment of 60% to 80% of adjusted diluted EPS to ensure we grow our dividend in line with earnings.

2017 progress

– Dividend payout ratio of 77% of adjusted diluted EPS.

Future focus

– Maintain policy of target payment of 60% to 80% of adjusted diluted EPS to ensure our dividend grows in line with earnings.

Measuring progress

We use key performance indicators ('KPIs') to measure the progress and the success of our strategy implementation.

We set out the KPIs for each strategic and financial objective below, with a measure of our performance to date and an indication where applicable of potential challenges to success.

Changes to KPIs

We have removed the following KPI after assessing the ongoing suitability of the KPIs for measuring the success of our strategy implementation:

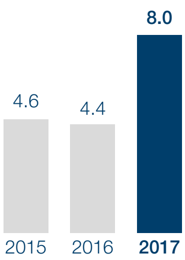
– % of managed funds in our discretionary service – this measure is no longer required, as the focus on discretionary funds is fully embedded and the target of 90% has been met.

A detailed explanation of the calculations used for the KPIs is contained in the Appendix on page 134

KPIs marked with an asterisk are included in remuneration decision making see page 59

1 Revenue growth

Discretionary funds inflows* (%): Target 5%

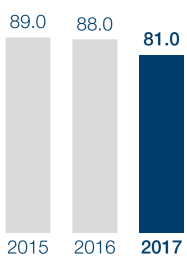


Definition The value of annual net inflows as a percentage of opening funds for our discretionary service.

Performance during the year Net inflows were £2.3 billion, more than double the prior year; higher inflows were combined with lower net outflows (see page 32 for more detail).

Potential challenges Failure to successfully execute on the strategy for attracting direct inflows.

Discretionary service yield (bps)

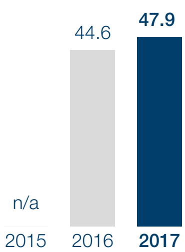


Definition Total discretionary income over the average discretionary funds for the period measured as a percentage.

Performance during the year The yield has reduced in line with the change in mix of new fund flows, with higher inflows from intermediaries and model portfolios which have lower charges than direct advised services – see page 32 for detail.

Potential challenges Market volatility reducing transactional volumes.

Net promoter score (%): Benchmark 41.8%

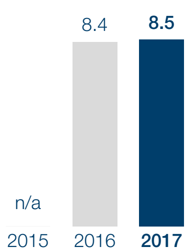


Definition An indication of how likely clients are to recommend us. Scored from -100% to +100%, measured by a client survey conducted by an independent third party.

Performance during the year This year saw a score of 47.9%, significantly above an industry benchmark measured of 41.8%.

Potential challenges Failure to maintain reputation may adversely impact client loyalty.

Overall client satisfaction: Benchmark 7.8



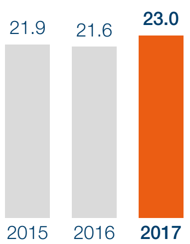
Definition An indication of overall client satisfaction as a score out of 10, measured by a client satisfaction survey conducted by an independent third party.

Performance during the year This year saw a score of 8.5/10, 9% above the 2017 industry benchmark of 7.8.

Potential challenges Failure to deliver a good client experience.

2 Improved efficiency

Adjusted[1] PBT[2] margin* (%): Target 25%

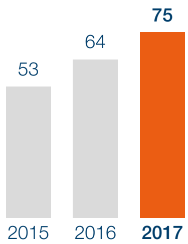


Definition Reported total annual adjusted profit before tax as a percentage of Group total income.

Performance during the year The adjusted PBT margin is 1.4 percentage points higher than 2016, as a result of efficient capacity utilisation supporting growth in fund revenue.

Potential challenges Failure to achieve further growth combined with changes in investment market and economic conditions.

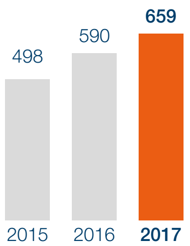
Discretionary funds per CF30 (£m): Target £75m



Definition The total value of client funds in our discretionary service divided by the period end number of client-facing professional investment managers and financial planners ('CF30s').

Performance during the year The increase in the period reflects the net funds inflow and investment performance.

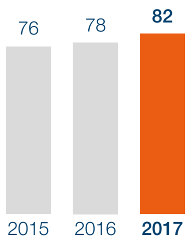
Average client portfolio (£000): Target 500



Definition The average value of funds per client for our managed/advised services. This is calculated based on total reported managed/advised funds at period end, divided by period-end number of client relationships.

Performance during the year The change in size was primarily due to market growth in the year and the continued exit of sub £150k clients.

Employee engagement (%): Benchmark 76%



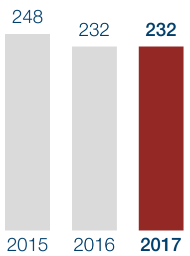
Definition A survey that measures overall employee engagement on matters that affect them. Measured by a specialist external company. The survey is benchmarked against other financial services firms.

Performance during the year The employee engagement survey undertaken in 2017 resulted in a 4 percentage points increase in employee satisfaction over the 2016 result with increased employee engagement – see page 38 for more detail.

Potential challenges Failure to engage our employees effectively could impact productivity and could result in loss of key staff.

3 Capital sufficiency

Capital adequacy ratio (%): Minimum 150%

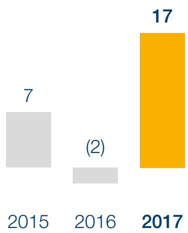


Definition The ratio, as a percentage, of the Group's period end total regulatory capital resources to the period end total regulatory capital requirement.

Performance during the year Our capital adequacy ratio remains well above the target of 150%.

4 Dividend growth

Adjusted[1,3] EPS growth – diluted (%)

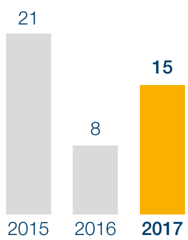


Definition The annual percentage change in reported adjusted diluted earnings per share.

Performance during the year Driven by a 15% increase in adjusted PBT.

Potential challenges In the longer term, failure to effectively execute our growth strategy. In the short term, investment market conditions are the biggest driver of our income and therefore earnings.

Dividend growth (%)



Definition The percentage change in total annual dividend per share (interim and final).

Performance during the year Dividend growth driven by adjusted diluted EPS growth in line with dividend policy see page 15.

Potential challenges Failure to maintain capital strength and profitability.

1. Excluding redundancy costs, FSCS levy, onerous contracts, amortisation of client relationships, one-off migration costs, acquisition costs, incentivisation awards and disposal of available-for-sale investments.
2. See page 6 for statutory PBT.
3. See note 13 to the Financial Statements.