

## Key Performance Indicators

# 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.

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

#### Changes to KPIs

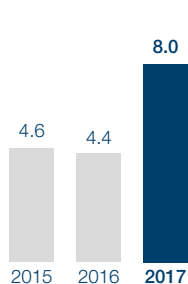
We have removed the following KPI after assessing the ongoing suitability of the KPIs for measuring the success of our strategy implementation:

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

- % 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.

## 1 Revenue growth

### Discretionary funds inflows\* (%): Target 5%

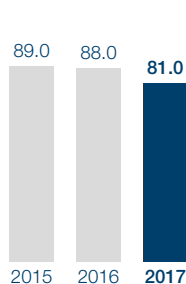


**Definition** The value of annual net inflows as a percentage of opening funds for our discretionary service.

**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)

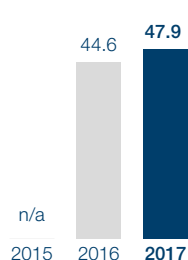


**Definition** Total discretionary income over the average discretionary funds for the period measured as a percentage.

**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%

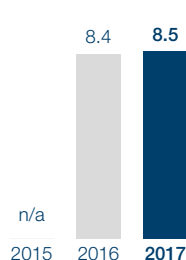


**Definition** An indication of how likely clients are to recommend us. Scored from -100% to +100%, measured by a client survey conducted by an independent third party.

**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



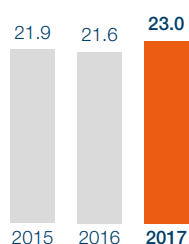
**Definition** An indication of overall client satisfaction as a score out of 10, measured by a client satisfaction survey conducted by an independent third party.

**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<sup>1</sup> PBT<sup>2</sup> margin\* (%): Target 25%

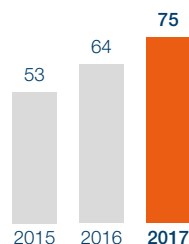


**Definition** Reported total annual adjusted profit before tax as a percentage of Group total income.

**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.

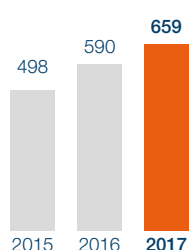
### Discretionary funds per CF30 (£m): Target £75m



**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.

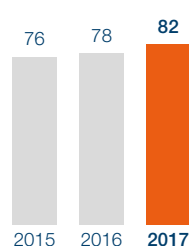
### Average client portfolio (£000): Target 500



**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%



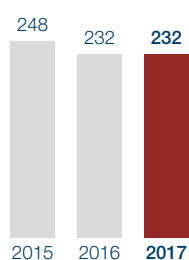
**Definition** A survey that measures overall employee engagement on matters that affect them. Measured by a specialist external company. The survey is benchmarked against other financial services firms.

**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%

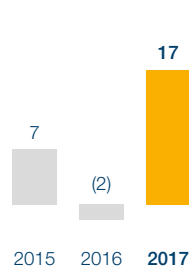


**Definition** The ratio, as a percentage, of the Group's period end total regulatory capital resources to the period end total regulatory capital requirement.

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

## 4 Dividend growth

### Adjusted<sup>1,3</sup> EPS growth – diluted (%)

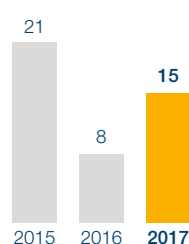


**Definition** The annual percentage change in reported adjusted diluted earnings per share.

**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.