

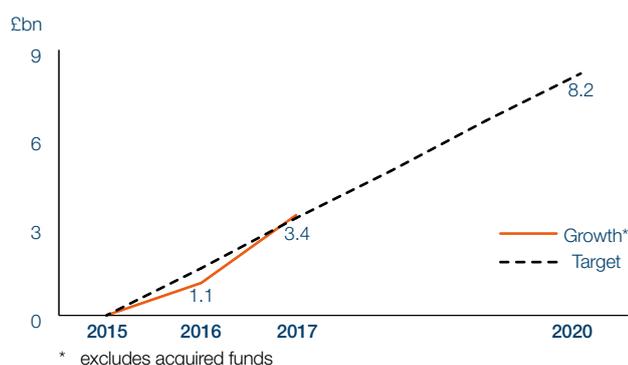
Invested for the future to deliver long-term growth



2017 was a successful year for the business, during which we continued to look after our clients' investment and advice needs in increasingly uncertain and complex times. As well as generating further investment returns for clients in line with their objectives, we also continued to attract net new client funds.

Total funds grew by 13.3% during the year to a record £40.1 billion, helping to drive our strong financial performance for 2017. Adjusted profit before tax from continuing operations grew by 14.8% to a record £70.0 million. Statutory profit before tax from continuing operations was 15.0% higher at £57.6 million.

Net new funds growth rate in discretionary funds was 8% for the year, well in excess of the 5% per annum target we set (see our KPIs on page 24). As a result, we are on target to meet the plan we announced two years ago to increase discretionary funds by one third from net new funds alone within five years (see graph below).



Delivering against our strategy

Our focus on delivering a number of strategic initiatives is helping us to sustain the net new funds growth rate of the business.

Particularly strong growth in discretionary funds from the intermediaries channel continues to be the principal driver of our overall increase in funds. Our success in meeting the growing demand in this market segment resulted from deliberate initiatives, supported by a dedicated sales team, which focused on developing our investment services and meeting the needs of intermediaries and their clients.

During the year we have continued to increase the proportion of new direct discretionary private client funds we attract. This is a result of offering as broad as possible a range of financial advice to meet client needs, including our integrated investment management and financial planning services. This demonstrates our 'advice-led' strategy working in practice.

As well as delivering on initiatives to generate current growth, we continued to make good progress on a range of programmes aimed at supporting future growth. These are centred around a number of priorities:

- expanding the range of services we can offer clients and further enhancing our services to keep pace with their changing needs;
- improving the operational efficiency of our organisation;
- sharpening the focus of our marketing and promotional activities; and
- improving support for our employees, via increased investment in training, skills and professional development.

We have a business with a proud heritage, of evident quality and strength, founded on a strong culture of personalised client service, professionalism and expertise in investments and financial advice.

I believe these foundations, further strengthened under the current strategy over the last five years, were a key ingredient in us being the successful bidder in a competitive process for the high-quality wealth management business of DLAM. Financed from our internal reserves, this purchase added a further £0.7 billion in funds when it completed in May 2017. It has also allowed us to welcome 18 new investment professionals and their clients to Brewin Dolphin.

To prosper and remain competitive, successful businesses must constantly seek to innovate, change and improve. At the core of our current strategy is an appetite for innovation and constructive change. While I consider our record in this regard to be good, I also believe the rate of change in our market environment is accelerating (see page 12), driven by changing client needs and the continued evolution of financial regulation and government policy towards savings and financial advice.

Our strategy aims to position our business so that we can capitalise on the opportunities these market changes will bring and in so doing, achieve a higher future market share.

We therefore continue to develop new products and services while also improving how we deliver all our services to clients. We aim to ensure we can continue to offer attractive services that meet the needs of future clients in the changing market environment in a way that is valuable to them and to all our stakeholders.

Coupled with a measured approach to risk (see page 26), our willingness today to innovate for the future by capitalising on our scale and strength to re-invest some of our growing financial returns is critical to the long-term prospects of our business.

Key components of this approach are understanding client needs and how they are changing, then exploring new ways of meeting those needs with investment and financial planning solutions. Equally important is an appetite for innovation, together with a commitment to meeting associated costs, not only in pure financial terms but also in management time and key resources.

Therefore, during the year we focused innovation in two new areas:

- We began the design and test implementation of a new needs-based wealth planning and investment advice service ('WealthPilot') for clients with simpler needs. This is aimed at a much wider market segment than our traditional services, at lower cost with simpler investment solutions. For further details, see the following section.
- Secondly, we have approved the development of an advice-led proposition designed around the requirements of clients with more sophisticated and complex needs.

These initiatives are still at an early stage. To date, they entail modest additional investment in the form of initial staffing and training costs, as well as some separate office space in central London to provide an appropriate environment for testing our new complex advice service.

Both are currently standalone, which we believe will provide the right environment in which to innovate. However, both these new initiatives will form the basis of services that we intend to make available throughout our network of regional offices where local demand exists.

Our actions during 2017

Improving the direct client offering

It is an ongoing priority for us to free our client advisers from administrative tasks, enabling them to spend as much time as possible with clients. These efforts have a direct benefit for our business development capabilities, as they allow deeper conversations that lead to better understanding of our clients' needs, goals and aspirations.

During the year, we made further material progress in developing and engaging teams and individuals with areas of specialist expertise, to help clients implement their bespoke financial plans once they have engaged with an adviser. These experts tend to operate across groups of offices, enhancing our collaborative culture, freeing up adviser time to focus on identifying client needs, enhancing the quality of advice for our clients and ensuring the most efficient use of our resources.

As I mentioned earlier, we introduced our WealthPilot initiative during 2017. Initially based in the London office, this is a needs-based wealth-planning and investment advice service delivered by qualified advisers. The service is delivered over the phone, by Skype or face-to-face in our office, whichever the client prefers.

Critically, this is a simplified version of our core service which enables us to offer advice to a much wider audience, at lower cost with simpler investment solutions. While allowing us to serve this broader new client opportunity, it is also opening up a multi-generational service, introducing the children and even grandchildren of existing clients. We will be expanding WealthPilot across our network during 2018.

 See page 22 for a summary of progress and future focus

Chief Executive's Review continued

We have also taken early steps to develop a new service catering for clients with more complex needs. This will allow us to provide additional solutions to sophisticated clients as part of a fully advice-led proposition. The new service will be based and delivered in an entrepreneurial, standalone environment, where direct input from our clients will inform development of the proposition. This will ensure that we continue both to meet clients' evolving needs and to deliver the tangible value that they require.

We continue to implement and extend the professional services offering we launched to solicitors and accountants in 2016. To ensure our wealth managers acquire the correct specialist knowledge, we have engaged the internal training services of several law and accountancy firms to work with more than 100 wealth managers from over 20 offices. We ran an extensive programme of external seminars, workshops and other events to encourage further uptake and build deeper relationships in this specialist market.

During the year, we used the benefit of our scale on behalf of our clients in negotiating our unit purchasing power with institutional funds. This has reduced the cost of investments within our client portfolios, with £1.8 billion of funds being converted to lowest-cost units.

We have enhanced our BPS non-advised solution, launching a digital on-boarding process which means that it now takes less time to subscribe to the service. BPS clients now have a fully transactional portal allowing them to top up, move and withdraw money online and create direct debits for regular contributions at any time. We have also looked to take advantage of the flexible ISA rules and have made the BPS ISA flexible. The service has proved popular with around 1,000 accounts opened over the last 12 months. MyBrewin, our new digital portal for clients, is in the process of being rolled out. Plans for the portal in the near future include providing access to documents online and continuing to deliver a brand enhancing experience via our digital front door.

For intermediaries

Intermediaries drove around 90% of our net new fund growth in the year. In this channel, the advice role lies with the intermediary, while Brewin Dolphin undertakes the investment management role.

We launched our intermediaries growth strategy in 2012, three years before that of the organisation as a whole. This reflects the importance of maturity when it comes to strategic success, demonstrating the long-term value of our approach.

Much of our success in this area during 2017 was driven by the efforts of our 17-strong regionally based team of specialist business development managers. These individuals help to feed the sentiment and opinions of intermediaries back to our corporate centre, ensuring we have an excellent understanding of the current state of the market. Our intention is to continue to develop long-term working relationships via our branch network to mitigate some of the risks posed by sector contraction and consolidation.

We also responded positively in various ways to the most important objectives and requirements of intermediaries, revealed through continuous dialogue. For example, we continued our strategy of expanding our proposition to meet a broader range of client needs. This included the launch of a 'passive' version of our Managed Portfolio Service (MPS Passive Plus), targeting those clients for whom a more complex or bespoke service may not be necessary or cost-effective.

This service harnesses the benefits of passive investing, which intermediaries increasingly see as an attractive and streamlined way to meet their clients' investment needs. Now intermediaries have a good breadth of choice in how they work with Brewin Dolphin, from MPS Passive Plus to the full bespoke discretionary service.

“Intermediaries drove around 90% of our net new fund growth in the year.”

“The expertise, attitudes and behaviours of our people are our most important determinants of success.”

We currently provide the intermediary bespoke discretionary service to over 1,400 firms, with over 100 new firms signed up in the last year. Our MPS offering has more than 600 firms invested.

The MPS Passive Plus launch provided further evidence of how we listen and respond to intermediaries' needs. During 2017, use of our overall MPS offering by intermediaries and their clients increased, MPS represents 22% of our intermediaries business. This demonstrates the value of working with our intermediary clients to help us understand changes in market demand and develop the right solutions.

We invested in a widespread programme of events and communication to help intermediaries deepen their technical knowledge and understanding, with a particular focus on MiFID II. This aims to help them strengthen their own client relationships and increasingly value their partnership with Brewin Dolphin.

We are currently working with intermediaries to tailor MyBrewin, our new digital portal to ensure that the digital offering meets their needs.

For charities

2017 saw us increase our range of trustee training and other educational events. We also commissioned an extensive research project, launched in Autumn 2017, on the subject of 'Charity Investment: What matters most?'.

We were successful in a number of major client pitches, particularly in the South East and North West of England. This has helped us to balance the span of our charities business across the country. This has historically been weighted in favour of Scotland, where we continue to have a strong presence. As at 30 September 2017, we hold over £3.3 billion on behalf of charities and are currently the sixth largest UK charity investment manager.

The year was also notable for a significant strengthening of co-operation and collaboration between teams, regions and offices, sharing expertise to benefit our charity operations as a whole. This is an indication of the ongoing cultural shift underway in our organisation.

Brand growth

Advice-led documentation on subjects of particular client interest – see page 21 for more information.



Chief Executive's Review continued

For our people

In an increasingly advice-led organisation, the expertise, attitudes and behaviours of our people are our most important determinants of success.

Our 2017 survey of employees shows that people are positively embracing the changes that are underway. In fact, the rise of four percentage points to 82% in the engagement score of our employees, from last year's already exceptional result, places us 6% ahead of the financial services industry benchmark of 76%. (See page 38 for further details.)

Our primary focus during 2017 has been on developing and improving the skillsets of our core teams and providing the culture and working environment that best sustains service standards of the highest quality. Our focus on skills extends beyond technical matters alone – courses on the 'psychology of money', for example, are helping advisers better understand client needs and ambitions.

We have been active in searching for new talent to join our business during the year. Continuing our pursuit of the best people to give advice to clients, we bolstered our financial planning capabilities with 26 new hires ranging from apprentices to highly qualified paraplanners and financial planners. Combined with manageable levels of attrition, these hires contributed to a small increase in client-facing headcount.

Key senior hires elsewhere in the organisation included our new Chief Operating Officer and Company Secretary, while investments in our technology team increased headcount in that area by 10. Our total headcount saw a marginal rise of 2% to 1,614 employees.

We also made an important investment in developing our client-facing expertise for the future, with the launch of our Financial Planning Academy. With an initial cohort of 16 aspiring individuals, this is a key investment in our ability to provide long-term value for our clients and so enhance Group performance. See page 39 for further details on this and further development initiatives, including our graduate and emerging talent programmes, executive leadership development, performance management and learning opportunities.

In the same section, you can read about our Diversity & Inclusion policy, through which we aim to gain diversity from employing the most talented people from different backgrounds.

All these factors add up to high levels of staff engagement. I have already mentioned the exceptional results of our 2017 Engagement Survey, which highlights the tangible positive impact of such activities.

For our operational efficiency

Our strategy includes freeing up time for key staff, wherever possible and appropriate, by both increasing the automation of manual business processes and enhancing the client proposition through the use of technology solutions such as client portals.

During the year, technology investments played an ongoing role in our journey to improve and increase standardisation and collaboration across the organisation.

Technology is an important enabler in improving collaboration between teams and individuals.

As well as the benefits highlighted earlier, it allows geographically separate teams to work together and improves efficiency through shared resources.

This is just one element of our ongoing commitment to introducing cost-effective new solutions to support our people in every area of the business, from further developing our new HR system to moving to a new trade execution system.

Our new Order Management System (trade execution system) has standardised processes across the Group, improving operating efficiency and controls while providing a strong basis for compliance with regulatory changes such as MiFID II. The new client portal, 'MyBrewin', will improve our clients' digital experience and enable operational efficiencies through features such as Documents Online. Within our digital programme, we have continued to adopt cloud technologies and have successfully moved and tested our disaster recovery capability in the Microsoft Cloud.

We are also rolling out a new suite of workspace tools to provide an improved and consistent experience, enhanced client-engagement capabilities, greater collaboration and flexible working opportunities. The new tools are also enhancing device and system security, supporting our ongoing commitment and investment in maintaining a robust cybersecurity control environment to protect clients, employees and Group information.



“The world we face contains many geopolitical uncertainties but we will continue to address and mitigate these by planning for the long-term, as we have for more than 250 years.”

Our regulators have issued a significant quantity of regulatory guidance and change over the last 12-18 months, resulting in some key regulatory projects for Brewin Dolphin. MiFID II is a key piece of regulation that will substantially change European financial markets. We have had a project in place for the last two years to meet the 3 January 2018 implementation date. The Group continues to make substantial investment in systems and processes to achieve compliance. Additionally, the FCA requires investment firms to comply with the Senior Manager and Certification Regime ('SMCR') during 2018. The Group has an established project in place and continues to make good progress towards compliance before the effective date.

For communities

The ways in which we work to support communities, on a national and local basis, fully reflect how we behave in our client and employee relationships. This in turn reflects our inherent cultural imperative of always doing what is right for our stakeholders.

The Board and I believe that 2017 was a highly significant year for Corporate Responsibility ('CR') at Brewin Dolphin. Our national approach of supporting education and employability initiatives resonates with clients and shows them what kind of organisation we are. This runs alongside the CR activities of our offices, which select and manage charitable and other initiatives with a local and regional focus. See page 40 for details.

We believe we lead the wealth management sector in CR, and I am confident that we are moving in the right direction to meet our goals. There is still progress to be made, however, and we will maintain focused discipline within this important area.

For brand growth

This was another year of high-quality marketing activities aiming to attract awareness, interest and contact from potential clients. They included the continuation of our carefully targeted Gardening Club, which in 2017 included gardens at the new RHS show at Chatsworth as well as Chelsea itself. We harnessed the burgeoning interest in cycling, with the launch of the Brewin Dolphin Velo series of four road events in England and Scotland.

Other initiatives included the continuation of placing advice-led articles in media on subjects of particular client interest. We also piloted a digital marketing exercise designed to drive down cost per contact. We will be building on this in the coming year.

Looking ahead: 2018 and beyond

The world we face contains many geopolitical uncertainties but we will continue to address and mitigate these by planning for the long-term, as we have for more than 250 years.

Some challenges are imminent, of course, such as the introduction of MiFID II and the General Data Protection Regulations ('GDPR'). However, we believe that organisations of scale, such as Brewin Dolphin, should regard these developments as an opportunity to differentiate. For us transparency is an important element of a high-quality client service.

When it comes to Brexit, our view is somewhat clearer than it was in 2016. As a UK-based entity, we will maintain close oversight on Brexit's likely effects on our wider operating environment, to ensure that we are prepared and positioned to take appropriate measures to address any eventualities that emerge.

Meanwhile, we believe that momentum remains with us as we pursue our ambitious growth strategy. We are confident that our advice-led approach for direct clients is fit for the future, as the advice gap coincides with a growing market need for advice. We believe there remains an important window of opportunity before banks and other major financial institutions re-enter the financial advice market.

Our continuous ambition to succeed means that we are preparing for an increasingly competitive future environment while making the most of current growth opportunities. In any event, we firmly believe in the long-term value of skilled and engaged people giving high-quality advice as part of a close client relationship.

So, by continuing to invest in the capabilities of our people today, we are also invested for the future.

David Nicol

Chief Executive

28 November 2017