Standard Life Aberdeen Full year results 2020

Tuesday, 9 March 2021

Welcome, Results Overview and Strategy Update

Stephen Bird

Chief Executive Officer, Standard Life Aberdeen

Well, good morning. And welcome, everyone. I hope for those of you who had been with M&G you've had time for a short break. This is the first time that I'm speaking with you all together. Of course, I'm sure you would rather be here in person as I would. And as restrictions ease, I'm sure that will happen. For now, we're here in a COVID secure environment. And I'm here with Stephanie, our CFO.

I'm going to take you through my SWOT analysis of the business and our new strategy for growth. I'm then going to invite Stephanie to cover our 2020 results under financial outlook, before coming back to address the topic of capital, and why I view this business as a compelling opportunity from a shareholder perspective. We'll then have a five-minute break after our presentations, and we'll open up the lines and have a discussion.

Agenda – Pathway to growth

Over the next few slides, I'm going to take you through my initial assessment of the business. And based upon that, the actions that we have already taken to create momentum in 2021. I'll then outline our strategic priorities for growth and how we've structured a team across three vectors, investments, adviser, and personal. I'll then show you what you can expect the journey to look like from a financial standpoint as we grow revenues and become more efficient over the next few years.

Initial assessment

My priority when I joined the business was to get under the skin of it quickly. To understand it inside out, I met a lot of people. I listened to a lot of people, clients and colleagues and shareholders, so that I could understand the business and what expectations you had of us. I wanted a realistic picture of our strengths and our weaknesses and our opportunities and threats. You can see this on this slide.

What I learned was that we've got a great company with a breadth of global capabilities, a full suite of asset classes and strategies, strong client relationships, and a network of partners across the world. Importantly, our investment performance has been steadily improving, and this is feeding through quite strongly now into asset retention and flows. Supporting this, we have a strong balance sheet and deep capital resources.

On the other side, of course, there had been an overreliance on a small number of what I call "hero funds," GARs, Global Emerging Markets and we also had undervalued a couple of our businesses. For example, our adviser platform in the U.K. and our U.K. savings and wealth business. The net effect of all of this was that we've had declining revenues and costs that were too high. And hence, an uncompetitive cost/income ratio.

But with significant opportunities, client led growth is the most sustainable form of

growth. We were not configured as well as we could be to execute well against our growth opportunities. And we were not properly recognising and addressing the different types of buying behaviour in our client base. Our business needed to be simplified, and we had to do fewer things to a higher standard.

I also saw, and you know this very well, that the industry itself remains under pressure. There is continued pressure in margin due to the shift to passive investment and the commoditization of traditional asset management. Consolidation of players in the industry continues as competitors seek to find scale, to compensate for the decline of traditional asset management and the decline of fees. And, of course, there is disruption, the emergence of new data-driven digital competition who use new technology to deliver their services.

Creating momentum through action

Turning to slide five, I really want to emphasise how quickly we have moved. We've taken a series of actions to create momentum and configure ourselves for growth. Our investments team remain very focused on driving improved performance, and we are being successful. Today, a full two-thirds of our funds are ahead of their three-year benchmarks. That's up from 60 percent last year and up from 50 percent the year before. We know that we must deliver performance. We also know that that directly correlates to improving asset retention and flows, and Stephanie is going to detail that for you shortly. We were also agile in choosing to sell portions of our stakes in HDFC Asset Management and Life. This strengthened our balance sheet as we did that. When I arrived in the business, one of the first things I did was to review our programme of transformation. The clean execution of these programmes was and remains essential to deliver the savings that we promised you but also to build a base from which we can grow efficiently. Stephanie is going to show you these programmes. And she'll show you that they remain on track and our team is doing a great job in delivery.

I have focused intently on clients. I've listened to clients in Asia, Europe, U.K., the U.S. and I've invested appropriately large amounts of time in reconfiguring our relationship with Phoenix, our largest client. This culminated in the simplification and strengthening of our relationship with Andy Briggs and his team. We announced that just two weeks ago, I'm delighted to say that this partnership will continue until at least 2031. Phoenix reported a strong set of earnings yesterday. And as we build solutions for them, the solutions we create for Phoenix not only help them grow, and when they grow, we grow, but they also help us develop solutions for the broader insurance market.

Simplification and focus is a big part of the revised relationship with Phoenix. Across the business more generally, it was clear that we also had to simplify and focus, so that we could be clear on where we would grow, and that we would have clear accountability for who was delivering that growth. That's why we reorganised last October into the three vectors of growth. And I'm going to explain that shortly. Our structure is flatter today. It's more focused. And then more importantly, it's aligned to the buying behaviour of our clients. When simplifying the business, a key part of the process is

deciding what we're not going to do. This led us to the proposed divestment of Parmenion, which is happening as I speak. And the reason for doing that was we already had a leading position in our adviser business in Wrap and Elevate, and they run on common technology. So, Parmenion was a solid business, but it was not additive to our growth ambitions.

Likewise, when we studied our private markets and real estate business, we wanted to get out of old school real estate. And that's why we divested of our Nordics business and got into 21st century real estate, our Amazon warehouses, and that's why we acquired Tritax. Similarly, when we studied Asia, we could see that we were not fully participating in the tremendous growth of that region. And I'm going to detail that later. We re-evaluated our approach. And among other decisions there, we decided to exit Indonesia. Why? Because we were too small, and the prospect of relevance and scale was simply too far away.

Last two things on this slide. It was clear that in an industry beset by challenge, and in a business that has underperformed for the last few years, we had to be explicit about strengthening our culture. We must have a performance culture where we think and act as owners. We have great people here. What we have to do is have a culture that gets the very, very best out of them. We must be known as a place where the very best talent know that the only limit on their progress is their creative contribution, irrespective of whether they're sitting here in Edinburgh, Singapore, Hong Kong, London, or Philadelphia.

Last topic in this slide is an important one. Everyone told me that having five brands was confusing. They found that the Phoenix-Standard Life licensing arrangement confusing, as is our hybrid corporate name, we need differentiation to cut through in a crowded marketplace. For that reason, you will see it announced in just a few weeks a new and refreshed brand identity that unifies us, brings us together, and is going to result in much more efficient and effective marketing.

Strategic priorities and execution enablers

On this next slide, we show our six clear strategic priorities. Let me spend some time taking you through each of them. And after that, I'm going to bring them to life in the vectors for growth, where you'll see the specific actions that relate to these priorities in each of our vectors.

First of all, growth in Asia. The economic centre of the world is moving east. The centre of gravity is moving east. Already more than half of the world's population live in Asia, and it will become home to half of the world's middle class. Asian economic growth over the next five years is forecasted with about 4 percent per annum, easily outpacing the U.S. and the E.U. China will likely become the largest economy in the world in U.S. dollar terms within this decade. Investment assets are predicted to grow at a 12 percent per annum rate resulting in a fifth of the world's assets. Being in Asia by 2025, it's a region that represents a massive opportunity for us as a region, where I

spent the last two decades. Building on our legacy in this region is and must be a major focus. We are well known already in Asia, and we have a good footprint there. We expect demand for global capabilities to grow as individual investors in Asia and saving institutions expand their investment horizons beyond their own markets. Through our regional presence and through a stronger emphasis on distribution partnerships, we're aiming to grow this region.

Let me turn to solutions. Our institutional wholesale and insurance clients are facing an increasingly complex array of challenges. These are well known to you, increasing longevity and increasing pension burdens. Companies and countries are in transition to net zero. All of this is happening against the backdrop of sustained low interest rates. That means that we are more focused than ever on delivering specific outcomes for our clients to meet these complex needs. We will get better at utilising our existing capabilities in research and in modelling our clients' multi-year obligations. That in turn will allow us to get better at designing solutions on a whole of portfolio basis, on an asset agnostic basis. Overall, that will leave us better able to meet the needs of our clients today and tomorrow.

Private markets. Let me talk about that. We live in a world of low expected returns from liquid assets. There are fewer public companies, and with the traditional approaches, portfolio diversification is less efficient. In that environment, private market opportunities are playing an increasingly important role in making our clients better investors. Private markets are forecast to grow at double digit rates for the next five years, and that strongest growth will take place in Asia, Europe, and the U.S. We are focused on the growth themes that have better access through private markets, whether it be real estate, infra, equity, or credit, and in strengthening our team in this area.

Client ecosystems. What do we mean by this? We mean an ecosystem of technology amongst our trusted partners that acts as an extension of what of our own capabilities are today. This allows us to bring the right solution to the right client at the right time. You don't have to own everything today. Think of the digital journey from personal to adviser to any ASI product. This is all about how we access new and growing customer segments through a digitally-connected world, accessing them through our partners and through our partners to their clients.

Technology. We are nearing the full integration of the ASI investment platforms and the operational and the cost benefits that come from a single technology infrastructure. But that's not the end of it. We know that agile technology, advanced data analytics, machine learning, and cloud computing are all essential capabilities for a client led investor. These capabilities deployed well will allow our investment teams to better serve our clients today and tomorrow.

Let's talk about the U.K. Individual investors will be a major growth engine for U.K. assets. Increased longevity, pension freedoms, increased demand for advice driven by this complexity, and choice and the looming great intergenerational wealth transfer, all of these factors are playing out in the U.K. Our adviser and personal businesses face

into these opportunities directly. We can access the U.K. retail advice, savings, and investments market through these businesses. And our plans are for these businesses to make a significant contribution to our growth ambitions through time.

Some of the stats here are quite compelling. Twenty-seven percent of over 55 in the U.K. see COVID impact on their pensions as their biggest financial worry. The World Economic Forum predicts that people in the U.K. will outlive their pensions by an average of 10 years. That's a scary prospect.

An FCA study recently highlighted that the impact of advice on U.K. adults meant that they would benefit from advice and planning their financial future. But how many of them are getting that advice? Today, only 8 percent. Over 20 million adults in the U.K. could benefit from this advice. They're not currently aware of it or not being served by the marketplace. A clear opportunity for us, and we've got the capabilities and the technologies to build into that marketplace.

So, those six priorities are very, very clear strategic priorities, but they're supported by enablers. It's critical that we finish transformation, that we simplify the business, that we have brand clarity, and that we start to generate positive operating leverage. And the last point, we have very strong capital resources, a strong balance sheet, and we are careful stewards of that capital. And as we develop this strategy, I'll explain later more deeply how we think about our capital resources.

Our three vectors

Turning to the next slide, these are our three vectors. As I mentioned, one of my first actions was to structure a leadership team in a clear way along these three vectors. First, investments, our global asset management business and the clients in 80 countries with £457 billion of AUM. This is our core and our largest business serving governments, pension funds, insurers, banks, and charities, as well as individual investors. Second, our adviser business. This is a market leading business here in the U.K., and it's being undervalued. Already, we have half of the IFAs in the U.K. accessing our platforms. The personal business, £13 billion. This is a more nascent opportunity for us. It's a smaller business, £13 billion of AUM that faces into the U.K. retail advice, savings, and wealth market. And I'm going to show you how we're going to configure this business.

Client led growth - Investments

Now, I'd like to walk through the individual strategies and the actions that we're taking in each of the vectors of growth. First of all, talking about investments. Here, we are looking at the growth in Asia. Let me explain what we've been doing in the Asia platform. We're reconfiguring Asia for growth. We're focusing on the two-way opportunities that exist in Asia, the two-way flow of Asian assets to the world and from the world into Asia. And we're partnering to maximise our wholesale opportunity. We recently announced the partnership with Citibank. We also announced the partnership

with China Construction Bank International in Hong Kong. And we also have a partnership in Asia and with HUB24 in Australia.

On the right hand side of this slide is private markets. Here, we're enhancing our capabilities in infrastructure, private credit, and direct private equity. We're leveraging our logistics expertise with Tritax. Indeed, Tritax will become the heart of our logistics capability in private markets. We are accessing in these two areas the high exogenous growth of markets.

Client led growth - Investments

Let me turn to the next slide, page nine. So, let me talk about solutions here. What does this actually mean? On this slide, I'm going to show you how we're addressing the changing nature of investor behaviour. As I stated earlier, by developing whole of portfolio solutions, outcome-oriented solutions on an asset agnostic basis, we will be better able to access client opportunities that are not available through traditional asset management. We already have a business of considerable scale and solutions, £124 billion of AUM, and these assets are profitable, and have good persistency. The target clients for the solutions business are global pension and insurance companies. Global wealth solutions are essential for our adviser and our personal vectors as well as we build those businesses out. We have formed a global product and client solutions team to address this specific opportunity, and we're continuing to invest in agile technology, advanced data analytics, and next generation computing to enhance our outcomes and investment efficiencies.

Let me talk about responsible investing. 2020 has been the year where our long-term responsible investment approach has really started to pay off as demand for ESG has grown. We have a well-established ESG integration across all of our public and private markets. And we've generated institutional and wholesale flows in 2020 through sustainable fixed income. And we expect that to continue this year. We have done significant work on our product offering in 2020. We have a pipeline of ESG-related products coming through this year and that will underpin and demonstrate a deep competence across equity, fixed income, and multi-asset. We're also developing solutions, particularly a net zero directed investing, and we've created these for Phoenix. The solutions that we've created for Phoenix are increasingly relevant, as I mentioned earlier, to our other clients too. We have recognised the importance of demonstrating our ESG integration to our clients. And to that end, we have built stronger data foundations. These investments will deliver insightful client reporting in 2021 itself. And we have already begun to roll out carbon footprint and climate scenario analytics, as well as a proprietary ESG House Score. We also have an engagement tracker that helps us demonstrate more clearly to our clients the benefits of active ownership and the outcomes that we drive as stewards of our clients' assets.

Client led growth - Investments

Let me turn to how we are using ETFs and technology on this slide in page 10. The

huge growth of ETFs as an asset class is very well recognised. That is the reason that we view this as a critical component to our active capabilities. We have a small, successful ETF business in the U.S. In fact, we doubled our AUMs there last year. For us, ETFs are about an efficient delivery mechanism for active content. And it's clear that our clients value the transparency in the lower cost that come with that delivery mechanism. We are looking to expand the offerings beyond the U.S. and combining this capability of combining active and passive into what we call "thematic strategies."

Technology. We're continuing to invest in agile technology and in advanced data analytics and next generation computing. These are critical capabilities for us not only to become better investors and develop better outcomes, but to be able to make a business future and forward compatible.

Client led growth - Adviser

Slide 11. Let me turn to the U.K. and the exciting opportunities that exist here. Our adviser business is a real hidden gem. We have an opportunity to capitalise on what is a leading position in this U.K. market. Our vision is to bring institutional grade research and investments in technology to the U.K. wealth management market.

Our goal is to be the platform of choice that makes it easiest to serve your clients and grow your business as an IFA. We're starting from a very strong position. We have a full 50 percent of the 27,000 IFAs in the U.K. already using one of our platforms. In the summer, as we integrate Wrap and Elevate, we will enhance our services and strengthen this position that we already have and position our business to access the consolidation in the U.K. advice market. We have an active programme of development in this area. And we're improving our capabilities, for example, improvements in retirement, intergenerational wealth transfer and investments, and especially in bringing ESG solutions.

Client led growth - Adviser

As shown on page 12, our focus is to compete on the basis of content and experience. We know that this will help us be the primary partner to our advisers. Many IFAs use more than one platform. But when you're the primary partner for those IFAs, you enjoy superior returns. And that is our focus. Our goal is to become completely indispensable for both the adviser and the end client by making the experience best in class. Our strategic partnership in this space with FNZ has helped us reduce our costs, and it will allow us to scale the business efficiently. The announced purchase of Wrap SIPP and the onshore bond from Phoenix as part of our transaction there also provides a simplification and an improvement of the profitability of the adviser vector, as well as giving us direct control of the client experience.

Client led growth - Personal

Let me turn to the personal vector here. We see the same strong prospects for growth

that I've described in the U.K. It's driven by the same factors I've described earlier, pension freedoms, transfer of responsibility from state and institutions to individuals. And every published report that we read confirms that the wealth gap in the U.K. is actually expanding. As I highlighted earlier, there are now 20 million adults for whom advice would prove beneficial but who are not being served. COVID and the economic downturn, has exacerbated the same issue in the U.K. More people than ever have a need to be given advice and are being underserved by the U.K. industry. But as this slide shows, it's not one market. It is a whole series of segments. And it's crucial to take a segmented approach to the market in order to deliver the right services. We will provide a spectrum of support based on life stage, personal preferences, and financial goals, from very simple self-service capabilities at the base of the pyramid all the way through trust and estate planning for the higher net worth further up.

Client led growth – Personal

Here in slide 14, you can see the model that we are building out. It's based upon individual business units that we already have on our platform. But the individual units we have are somewhat disjointed. And there's confusion at the brand and the proposition level. Our 1825 business, for example, provides holistic financial planning to clients typically with more than £250,000 in savings. Within that, we have a range of propositions that are tailored to different needs, including more specialist advice for the higher net worth clients. Through acquisitions, and we've established the national footprint for 1825, that we've completed, we have created a compelling and recognised offer. The FT has ranked us as number six in the Advisers list, a testament to the quality of the offering and to the professionalism of our advisers.

Aberdeen Standard Capital provides discretionary fund management. Our 1825 clients use and benefit from this investment solution as part of their proposition. ASC also provides a range of solutions for advisers, charities, and institutions. The recent launch of our digital retirement advice service has tested incredibly well in the U.K. In fact, Boring Money told us that it was by far the best that they had seen. That will help us provide simple and appropriate advice at scale. This is part of our approach to closing the advice gap that I described down there, and it will help U.K. investors plan for their futures. Our overall strategy in the personal vector is to reorient around client needs rather than around the historic business units. We're building the personal vector in modules allowing client choice at all stages. We will offer the full range of support for our clients, whether they want to deal directly, receive advice, or indeed receive bespoke client management. We'll also make it easy to move between the various support levels recognising that client needs change all the time throughout the life cycle. In execution only, our Choices app which will launch later this week will provide a key open banking tool that allows our customers to review their personal budgets and assess how much they want to save and invest for the future. Choices has a product roadmap already, including the soon-to-launched Choice Makers and pensions. Where clients use savings offerings, for example, we will connect to the underlying savings platform in our adviser business. The reuse of shared capabilities will drive economies of scale and allow us to constantly upgrade and improve efficiently. The full range of

investment offerings across the group can then be leveraged depending on client needs. We can offer a rich set of research, advice, and investments to our clients in the U.K. based upon the strength of these capabilities.

Growth ambitions

So, now, let me turn to what this will look like over the next three years from a financial standpoint. I described our growth ambitions here on slide 15. This is an important slide. Our clear goal is to return the company to revenue and earnings growth. Since the merger, we have suffered revenue declines and narrowing margins and have not been able to reduce our costs quickly enough to compensate for that. Our strategy now is to grow and open up positive operating leverage. We believe that we can grow revenues in the high single digits over the next three years. This will yield the benefits of improving fund performance and the higher flows that come with it. We believe that we can stabilise our yield and make a higher proportion of higher yielding business. That's through the focus that I just described on wholesale, private markets, and in the U.K. adviser and personal vectors. We're seeking to reduce the proportion of our cost base that's fixed, introducing much needed flexibility such that we can adapt to different market environments. There is clear synergy between each of our vectors where the personal client provides a benefit to the adviser vector by using the right platform, and the benefit to the investments vector by using their funds. This is how the whole can become greater than the sum of our parts over the next three years.

Stephanie will now take you through our 2020 results. After which, I'll come back up to talk about our capital position and outline the opportunities that I've described and give a clear view of how this fit in our business model. Please, Stephanie.

Financial Results
Stephanie Bruce
Chief Financial Officer, Standard Life Aberdeen

Introducing our new segmentation by vector

Thank you, Stephen. And good morning, everyone. So, today, we are setting out details of our changes to our segments for reporting and our financial metrics. So, up to 2020, we have reported under two segments. Going forward, we will have four. This reflects the changes we have made to operate across the three vectors of growth, investments, adviser, and personal. The new reporting structure also corresponds with how our clients interact with us, and therefore, how the business is now being managed and reported. These changes simplify our reporting and will enable transparency of the performance of each factor aiding evaluation of the business. The 2020 results in the new segments are set out in the release called "Changes to financial metrics and segments using the external reporting," which we have issued today.

In addition, the share of profits from associates and joint ventures has previously been included in adjusted profit before tax, which was a key performance indicator. With the

change of associate status for Phoenix from February, and HDFC Life from December, their contribution to profit is no longer included in adjusted profit. Rather, it's shown in the balance sheet as fair value. Going forward, the key metrics will be both adjusted operating profit and adjusted capital generation. The latter measure is identical to that, which we have used historically. All other aspects being equal, this will have the effect of reducing adjusted diluted earnings per share, as it will be based on adjusted profit that this metric will no longer include the share of profits from JVs and associates. There is no change on adjusted capital generation or on diluted EPS, which is based on statutory profit.

Clients across our vectors

So, having set the scene, I will now just move on to talk on this slide about our clients. Because as Stephen has made very clear, our clients are our priority. Now, this slide summarises the focus of our teams as they engage with our clients across the globe. At £457 billion assets under management, the investments vector manages over 80 percent of our assets and generated over 80 percent of our revenue in 2020. A couple of areas to highlight here. In our institutional client base, many have been clients for in excess of 10 years. Our wholesale client base is particularly strong in Europe. And we are targeting other regions using a number of different partnerships, such as Citi and HUB24 in APAC and Skipton Building Society in the U.K. Our largest client is Phoenix at £172 billion of assets under management. And our partnership is focused on enhancing growth through solutions, which serve the complex needs of the insurance customer base.

In the adviser vector, we manage £67 billion. And our clients are in the U.K., comprising both national and regional advisers and discretionary fund managers. As Stephen has touched upon, we have 50 percent of adviser firms in the U.K. on our platforms. And we have a track record of generating positive flows. We typically keep those assets on our platforms for an average of six years, and this is increasing as are our client numbers. Overall, assets under management and administration have increased by 7 percent for the year.

In our personal vector, our clients are in the U.K. and are private clients, financial advisers, charities, and trustees. This is currently the smallest part of our business, but is a vector that generates positive flows and we see significant opportunity, particularly as there is an advice gap in the U.K., and the market capacity to address the gap is currently limited. In 2020, we have seen growth in clients of 11 percent in Aberdeen Standard Capital, and assets under management and administration has increased this year in this vector.

FY 2020 Results summary

So, turning now to the summary of our results for 2020. I will expand them on a number of the points and then go into more detail later. Investment performance has again improved in 2020. We saw net outflows in the year, but these are significantly down at

£3.1 billion. Fee-based revenue is £1,425 million, 13 percent below prior year, while operating expenses at £1,206 million have reduced by 10 percent. Adjusted operating profit is £219 million, and the cost/income ratio is 85 percent. Adjusted capital generation of £262 million was 21 percent below the prior year. Adjusted diluted earnings per share is 18.1 pence. The dividend per share is 14.6 pence. And our regulatory capital surplus is £2.3 billion, an increase of 35 percent. So, overall, the improvements in investment performance as an encouraging underlying net flows trajectory has created momentum in 2020.

Fee based revenue

So, let me turn to revenue. At £1.4 billion, revenue was 13 percent below prior year. This reflects principally the impact of net outflows in 2019 and the £77 million reduction due to the Lloyds Banking Group exit. We also saw the impact of lower revenue yield as clients held 71 percent more in liquidity assets during the volatility of 2020 than had been the case in 2019. And some are still choosing to hold higher liquidity levels. A further impact of the uncertainty from the COVID environment was that clients were slower in making allocations, and advisers were faced with lower activity. Areas where we saw higher revenue in the year include fixed income in private markets reflecting client preferences in this period. Markets did improve in the latter part of the year and generated a 3.5 percent improvement on opening AUMA translating to a revenue impact of £89 million in the year.

Profit before tax

Turning to the profit. The adjusted profit before tax is £487 million, a reduction of 17 percent, reflecting lower adjusted operating profit of £219 million and £247 million from the share of adjusted profits from associates and JVs. In adjusted operating profit, the 13 percent decrease in fee based revenue is not fully offset by the 10 percent improvement in operating expenses, and the contribution in adjusted profit from associates and JVs was flat year on year. Capital management movements principally reflect accordance with accounting requirements, the mark to market values of our seed and co-investment funds. This has been adverse in this period.

The key adjusting items in 2020 are principally in two areas. Firstly, our stakes in HDFC Life and AMC, where we recorded a profit of £803 million on disposals of our holdings, together with an accounting gain of £1.1 billion on HDFC Life that the remaining holding is now reported at fair value. The second adjusting item is the impairment and amortisation of £1.3 billion, which we highlighted at the half year and relates to goodwill and intangibles which are non-cash adjustments. For the full year, our impairments are lower than prior year. It's worth noting that after the stake sales in 2020, the holdings in HDFC Life and HDFC AMC are still worth in excess of £2 billion. Adjusted EPS for the period is 18.1 pence, a reduction of 6 percent from the prior period, with an increase in diluted EPS to 37.9 pence reflecting the fourfold increase in statutory profit. The conditions of the COVID environment have endured much longer than any of us would have wanted. From a financial perspective, our strength has meant that we have not

relied on any U.K. government schemes. We made our dividend payments in 2020. We've continued our approach to management of the Indian stakes and continued the buyback programme, which was finally completed in February 2021. While EPS is impacted by the lower revenue levels, the buyback programme has benefited adjusted EPS in 2020 by 6 percent. Now despite the decline in revenue, we have sought to create momentum in a number of areas during 2020. The combination of improving investment performance, increased consultant ratings, increased pace of progress across our wholesale distribution is most visible in our flows.

Net flows (excl. LBG) by vector

On net flows, we have seen an improved position. Leaving aside the impact of the Lloyds Banking Group exit, the net outflows at £3.1 billion represent an 82 percent improvement on the prior year, with redemptions 25 percent lower than the level seen in 2019, which in turn has improved on the low points seen in 2018. We saw positive flows in all our activities, except insurance. By its nature, this part of our business reflects the spiky profile of mature books and the policyholder drawdowns for their life events offset by the timing of any new purchases of insurance books.

Our gross flows have reduced on the prior period principally for two key reasons. In 2019, you may recall there was a £5 billion one off low margin advisory mandate which did not reoccur in 2020. With an insurance, we saw £6 billion lower gross flows as the result of the Lloyds Banking Group policyholders who have now exited. It is pleasing to see the improvement on redemptions. In the second half of 2020, redemptions were 23 percent better than the second half of 2019. The momentum and improving flows has been continuing. And since Q3 2020, we have seen increasing client preference for risk-based assets and increases into equities, multi-assets, and private markets.

Revenue yield

Turning to revenue yields. Now, yields do vary across our vectors. On average, the yield has decreased by one basis point with movements largely caused by the mix of assets held. The move in the adviser vector of 2.9 basis points reflect the repricing impact that we put through in our Wrap and Elevate platforms during at the back end of 2019 and 2020.

Now on the right hand side of this slide, you will see the movements in yield on the underlying assets in institutional and wholesale. Notably, we are not seeing dramatic movements within asset classes except in multi-asset where the mix continues to change from absolute return to the MyFolio range and a particular impact from the 2019 movements.

Aside from normal market pressures, we are continuing to see the improved investment performance drive choices for clients seeking higher yield in their portfolios.

Investments - Performance

So, turning to the performance of our growth factors. In investments during 2020, the revenue levels were impacted by prior year outflows and also reduced by the £77 million from the Lloyds Banking Group exit. During the year, we saw positive movements and flows aided by the improvement in redemptions. Since 2019, there has been a 25 percent improvement. And this is most obvious in equities and multi-assets. And you can see this very clearly on this slide.

Investments – Net flows (excl. LBG)

In investments, our activities are institutional, wholesale and insurance. In institutional and wholesale, overall, we saw small positive net flows in 2020, which is a significant improvement from the negative flows recorded last year. There have been improving quarterly trends during 2020 and the lowest redemption since the merger. In particular, the redemptions in equities and multi-assets were 26 percent and 61 percent better than last year as we have been successful in defending key franchises. We do still have work to do as redemptions are still challenged in U.K., focus on change and in our core global strategies. We have seen increases in levels of held in liquidity assets in the year as clients chose this asset class in times of uncertainty. We have also seen positive flows and new client wins in our focus funds across equities and fixed income with many achieving top quartile rankings in terms of cross-border net sales. Equities and fixed income have both increased growth flows year on year, and this is evident in all sub-asset classes other than emerging markets. On absolute return, outflows have continued in this space linked to the underperformance pre-2019. But with the performance recovery and sustained defensive efforts, flows have stabilised, and there is growing positive feedback and rating upgrades from consultants and agencies as performance recovery enters the third year.

On innovation more widely, we have generated £4.6 billion in year of net flows on the funds launched in the last three years with strength in private markets, multi-assets, and quantitative investing funds. In insurance, the net outflows were £7 billion for the year which is double that seen in the prior period due to higher levels of inflows in 2019. As I said earlier, there is an inherently more lumpy pattern in this arena. And we did see some spiked activity in H2 versus H1. From a geographical perspective, it's worth just touching on wholesale activity in EMEA has been very positive. During 2020, we have also increased our business levels in the U.S. In both EMEA and the U.S., it is clear that our clients have preferences for our Asian and U.K. strategies. More than 60 percent of the funds from clients in EMEA and the U.S. are managed by our Asian and U.K. team. In APAC going forward under Rani's new leadership, the level of funds generated locally for local or global investment will be a key driver in determining our ability to develop the skill of the business in APAC.

Investments – Investment performance

Investment performance. As many of you already know, investment performance drives

the success with our clients. The important three and five-year numbers are robust at 66 percent and 68 percent, respectively. On that crucial three-year benchmark, the 66 percent figure is up from 60 percent in the prior period. This represents sustained improvement and has remained robust in the face of the volatile market seen in 2020. We should also remember, of course, that 2018 was one of the worst years ever for investment return. The improvements we have seen reflect the hard work and quality across the team to implement the performance improvement plan.

Equity performance strengthened significantly through 2020 with two key drivers here. The growth priorities represented in our focus funds continue to deliver consistent outperformance and top quartile results. And within areas such as GEM and Japanese Equities, there were substantial recovery in relative return and competitive positioning. In the absolute return suite, the rebuild of the track record is well advanced with two years now of consecutive returns above target and peers. Two areas where performance remains challenged are the MyFolio active ranges and real estate where performance is impacted by retail. The robust and sustained improvement on investment performance has generated further improvements in the number of consultant ratings. We now have 52 rated strategies up from 46 in 2019 and 43 at the time of the merger. We have also seen a 29 percent increase in the number of funds which carry four and five-star ratings at Morningstar.

Adviser - Performance

So, turning to the adviser vector. Here, the assets being managed have increased in scale during 2020 reflecting an increase in clients and the average size of holding. The revenue level has been impacted by the repricing undertaken in Elevate and Wrap platforms in '19 and '20, which is delivering the objective and is increasing the number of clients and flows. The vector continues to be a net positive flows, despite the impacts of the U.K. market conditions in Q2 and Q3 of 2020, which really increased the uncertainty for advisers and clients. The first lockdown in particular impacted the activity of our advisers, and this in turn impacted the volumes that we see. The volumes improved in quarter four as advisers started to see increased interest and activity. And this momentum is continuing with Q4 seeing increased net flow levels, comparable with those of the prior year before the pandemic.

Personal - Performance

On the personal vector, revenue improved with the full year benefit of the activities we acquired from Grant Thornton and BDO in late 2019. This created a 14 percent increase through greater coverage and increased number of advisers. In particular within ASC, the team have grown the AUMA to its highest level with specific benefits from deepening our charities activity, launch of sustainable portfolios, and improved functionality on the portal.

Continued focus on efficiency and costs

Now, turning to costs. Our continued focus on cost management delivered a reduction in operating expenses of £127 million, 10 percent below the prior year. We have continued to look at all areas of the business and target the areas that are subscale or not profitable. For example, we commenced the review of the Nordics early in 2020, and this is almost now complete. After allowing for inflation and other investments and stuff, net staff costs are reduced by £73 million to £643 million. This reflects actions taken to reduce headcount and contractor and agency spend. Non-staff costs were reduced by £54 million to £563 million after allowing for inflation and other investments of £25 million. There was also a £9 million increase in outsourcing costs, which reflects our actions to build further leverage from the core services of our third party relationships. Specifically year on year, reductions in consultancy and other spend, such as information services and promotion, reflect our ongoing cost control. Further reductions were a result of corporate activities, specifically the disposals of Standard Life Asia, and savings relating to the development cost in Parmenion, which is also now being sold. We estimate that approximately £20 million of costs overall relates specifically to COVID factors, such as the reductions on travels and events given all the temporary restrictions, offset by the increased costs from software and other technology costs relating to remote working. However, due to the 13 percent reduction in revenue that I highlighted earlier, we have not been able to improve our cost/income ratio, which is 85 percent for the full year as also highlighted at the half year. Overall, we achieved our target for synergies in 2020 through our transformation programmes where the team have done sterling work to continue to make those operate in a COVID environment. And we remain on track to deliver against our annualised synergy target of £400 million later this year.

Continued improvement in capital strength

During this year, we also maintain very much our focus on executing for shareholders through managing the investments on our balance sheet. Stephen has already described the work completed with Phoenix and on HDFC Life and AMC. We realised proceeds of £0.9 billion during 2020 in difficult markets. In H2, the further stake sale in HDFC Life takes us to an 8.89 percent holding, and we intend to continue our strategy of realising this stake. The £400 million share buyback completed in February 2021 at an average cost of £2.53 per share. Our liquid resources remain strong. Adjusted capital generation is 21 percent below prior year reflecting our lower adjusted operating profit in year while the generation of capital from our associates has stayed largely constant.

Financial outlook – revenue evolution

If I now turn to how we're looking at the evolution of revenue, our focus in the near term is arresting the decline of revenues through generation of positive flows, bearing in mind we have a further exit of Lloyds Banking Group assets to complete. In addition, we expect to be on boarding the revenue benefits from the acquisition of Tritax as we increase our presence in logistics. Also, there will be reduced revenue post the sale of Parmenion. In this period overall, we expect the growth rate and revenue to be low.

Thereafter, we are expecting growth across our vectors. In investments growth, we are expecting growth in all regions, strongest in Asia given the lower starting point, but we will also expect to get growth from our focus on building the wholesale franchise and also the development of our solutions and private markets activities. In adviser and personal, we are targeting growth from increased penetration and volumes. After the impact in 2022 of the final Lloyds Banking Group exit, these actions are designed to increase growth to high single digit growth. In terms of yield, we are expecting overall stabilisation in the near term and then increasing given the expected preference of our clients for risk-based assets including those in private markets.

Financial outlook – evolving efficiently

Now if I then turn to how we're looking at the evolution of costs, the key area of cost currently impacting our cost/income ratio is the level of non-staff costs, which will remain high as we go through the last stages of transformation in 2021. Looking ahead beyond 2021, we are forecasting continued evolution in the cost base as a result of finishing transformation and simplifying the business, which are both key to cost discipline and enabling our resources to focus on that growth agenda. We will have a more efficient model which will help us control the level of these costs and can accommodate our ambitions for scale of activity. In addition, as transformation completes, we expect reductions in staff numbers in some areas and investments in staff areas particularly in those areas of growth. And we do also anticipate an increase in variable compensation to reflect our improved performance. Reductions in non-staff costs will be driven by three main factors supported by continued rigor over expenditure more generally. Firstly, operational separation from Phoenix, which eliminates the outsourcing charges associated with our TSA arrangements. Optimising and consolidation of information and data services. And thirdly, harmonisation and simplification of the brand and marketing activity that Stephen referred to earlier.

Importantly, we will also continue to make greater leverage of key third party relationships particularly in the provision of operations and technology services. Our recent agreements with FNZ, for example, enables a more efficient model for adviser and personal vectors. These strategic relationships provide greater flexibility in our cost base and provide the scalability to deliver the forecast revenue growth profitably. We're also managing the new branding programme under strict budgets to ensure that we achieve the benefits for the business. So, through both staff and non-staff costs, we are expecting a better balance of fixed to variable costs, which aligns with the performance culture overall.

Overall, we are targeting an improvement in our overall cost/income ratio to circa 70 percent by the time we exit 2023. Our vectors do have different characteristics and they do deliver different results. And over this period, that will continue to apply. The adviser vector is leading with the most efficient model and does have ambitions to improve this further.

Evolution of regulatory capital surplus

And then finally, if I just turn to how we're looking at capital going forward. The new IFPR regime is anticipated for the start of 2022. And we anticipate the application of the thresholds for insurance and tier two will impact to the extent of about £1 billion. On that basis, our adjusted surplus as of this year-end would be of the order of £1.2 billion. And we are comfortable that this is an appropriate level for our current investment plans and completion of transformation. This has been a difficult environment for everyone and our business results in 2020 are lower as a result. The Board has assessed the strategic plan and the objectives for growth.

In the last few years, the dividend has not been covered. This is not sustainable as we consider the dividends should reflect the return to shareholders in respect of the earnings of the business. We have assessed our projection of sustainable earnings and have rebased the dividends to 14.6 pence which is a level that we consider is supported by our current projections of growth of the business and the expected status of markets. We intend to hold this level until the cover of 1.5 times adjusted capital generation is achieved. And then we expect to adopt a progressive policy such as the dividend growth with the benefit of sustained earnings growth.

Thereafter, as we realise other elements of our strategic holdings such as HDFC Life through 2021 and 2022, we will execute our investments to enable the strategic plan in accordance with robust return hurdles for shareholder returns. And I will now hand back to Stephen for his views on capital.

Summary

Stephen Bird

Chief Executive Officer, Standard Life Aberdeen

Thank you, Stephanie, that was very clear. So, before we go into Q&A, I'm going to talk about capital and then talk about a business model, and then I'll be joined by my colleagues for Q&A.

Discipline approach to capital allocation

We have a very disciplined approach to our capital. That starts by ensuring that we configure our business for consistent growth. We've taken the decision to rebase the dividend so that it will be sustainable and supported by earnings.

Our goal is to achieve one and a half times cover and then be in a position to grow the dividend through time. We are investing in our business. This will improve our competitive position and help us grow in the future. We recognise that our model has suffered from being pro-cyclical, overweight in traditional asset management, and underweight in the adviser and personal vectors. Our goal is to diversify our sources of revenues and improve the consistent delivery of performance for a more balanced net result.

As well as investing in and growing a business organically, we have a duty to assess acquisitions of businesses, portfolios of clients, or capabilities that would strengthen our position and strengthen our model, in particular, in the areas of adviser and personal. We are assessing our opportunities in the marketplace as you'd expect us to do. And we're being careful and disciplined as careful stewards of capital as we evaluate any potential use of it.

Our goal is to pursue efficient and sustainable client led growth

As I summarised here in slide 36, we are pursuing client-led growth. It's based on investing in areas of higher exogenous growth such as Asia, solutions, private markets, and yielding the full benefits of transformation. We have configured our team against these opportunities. Here in the U.K., we're focused on accelerating the growth in adviser and personal. We have a strong balance sheet as we've detailed and we'll deploy it carefully in order to build sustainable results in rewards for shareholders.

Client led growth

On my last slide here before questions, I want to detail our business model. Client-led growth is the highest quality growth and that is our goal. This is because it's rooted in understanding client outcomes, driven by needs, wants, and aspirations which in turn allows the delivery of intuitive and satisfying client experiences. There's a lot on this slide and it reflects an overview of the changing world and how we've designed our business model to be able to address these compelling growth opportunities.

We are futurists. This means that we harness the compounding power of time. We research the trends so that our clients can act now to benefit in the future. We leverage technology to connect with our clients and to invest intelligently as we channel the relentless curiosity of our team so that their learning and their improvement every day feeds through to results. The talent of our team when harnessed correctly to enable client goals enables our clients to be better investors.

As I said, our business is made up of three vectors, investments, adviser, and personal. And supporting these vectors is technology, soon to be a single brand, research, and partnerships. Underpinning our strategy is our imperative to invest responsibly to build back a better world through the products that we create for our clients as they transition to more sustainable investment portfolios through our direct engagement with companies that we invest in to influence their behaviour and also through our own commitment to net-zero.

ESG is not a hygiene factor. When you're committed to being true futurist, ESG is the core of everything that you do. The world is changing quickly not only on a path to net-zero but political structures, global changing relationships. Disruption is happening industry after industry. As buying behaviours change, more and more business is done directly. All of this was happening and continues to happen in the face of a global pandemic. When you recognise the full scope of these changes, it's very clear that you

have to shift your whole business model into a better and more futurist mode. This will ensure that we remain relevant today and tomorrow.

In short, this is a compelling proposition for shareholders because we have the capabilities and the positions to access these high growth opportunities. This business was founded in 1825. Four years from now, we'll cross the date line into the start of our third century. Our mission is to put this business in its best possible shape as it enters its third century of growth. I hope you share my enthusiasm and my conviction for bringing this vision to its full potential.

Q&A

Haley Tam – Credit Suisse: Good morning, everyone. Could I ask a couple of questions, please? The first one on the new targets. So, thank you very much, Stephen, for laying out such clearly identified areas for growth and to Stephanie as well for talking about how we're going to get there.

Can I just confirm if we're talking about high single-digit revenue CAGR in 2023 under 70 percent cost/income ratio exit rates that year, then we are really looking at your revenues growing from £1.4 billion to £1.8 billion and your cost is broadly flat? So, to me, that looks like a 35 percent CAGR in operating profit from 2020 and it's obviously a very ambitious target. So, I just wanted to check, first of all, that I've interpreted that correctly.

Secondly, whether your targets are all organic and if they or if they include in the M&A, what market returns you might anticipate within that? And I guess the last question most simplistically then is given you've talked in so much detail about the growth opportunities for SLA, I just want to quantitatively understand, given you talked about balance of the revenue mix as this post-cyclical, how we should think about that £400 million of revenue growth in terms of the three different vectors you've identified? And I'll stop there otherwise, I'll be talking all day. Thank you.

Stephen Bird: Thank you, Haley. Stephanie, do you want to kick off that?

Stephanie Bruce: Yes. So, in terms, Haley, of your question around the target. So, just to be clear, how we're really looking at this is and what we're trying to outline today is that over the medium term, as you quite rightly say, the higher single-digit growth by the end of the period. We are however also highlighting to you that we are seeing that as lower growth in the near term because I think we have to go back to what we're trying to do here. We have had negative operating leverage so we are moving from a world where we have had a 13 percent decline in revenue this year and likewise in previous years.

So, clearly, in the near term, we're expecting that to be a lower growth trajectory and then working through over the medium term. We see that operating in a number of different ways across the vectors and that's really because each vector has obviously

different characteristics. And there are also different starting points in terms of actually how they will move through in both their ability to grow and also their ability to become more efficient because again, they operate from different starting points.

So, we also have to take account of the fact that we have got further headwinds of the Lloyds exits which we're also factoring in on the near term. But as I look at the vectors, I sort of split them slightly differently in terms of how I think about the growth evolution. Within investments, we are really focused in all regions undertaking growth. It's not targeted at one region. It's really all regions growing with the emphasis of wholesale which Alex will may be coming on to in a minute. But in terms of growth across all regions, growth is very much a wholesale engine driving that as well and particular focus obviously in equities and in private markets.

And in particular, within the regions, APAC, as Stephen has highlighted, is very much a key area of focus. In terms of the adviser vector, it's very much about doing what we already do very well with our advisers but doing it even better. And Noel again would talk very eloquently once I stop talking in terms of actually the service and the standard that we're seeking there to allow and to bring more service through the growth aspects. And then in personal, we're starting from a really quite small base but again, it's our own very much about doing digital through that growth journey.

Alex, is that maybe just worth coming to you to talk about the wholesale journey as you see it?

Alex Hoctor-Duncan: Thanks, Haley, for the question. I think we have to set the level on the journey we're on where we come from and then think about how we've assembled, what we do and prioritise ourselves from what we believe we can achieve in the future. So, the first thing is we made a significant step forward in my district on a wholesale in 2020 versus the prior year. That is a combination of improved consistency of investment performance and the return itself and Rod can talk about that. But then secondly, actually a refocus or recalibration of what it is we are trying to do with our clients and taking, in essence, all of that resilience that we built up over a number of years and projecting it forward.

And so, when I see products like our ETF Commodities in the U.S. and the clients seeing the value in that, we believe in what we're doing there. When I see what we've achieved with emerging market at European Corporate Bond SRI, when I see what we're doing with our equity franchise in its small-mid-cap China A or European equities, I believe in what we're doing and the team believes in what we're doing. So, therefore, we have built resilience and now we will extend that forwards as what we believe we can do in the future. And so, that's what we stand by and we believe in what we're doing.

Stephen Bird: And Haley, let me just come in terms of the rate of growth. If you think about asset management, investment management as a category, you would expect if you're average and we've been coming from, we're now in the post-merger era. We

had declining revenues and outflows and you can see we've reached a real inflection point in 2020 driven by improving performance and improving flows. But asset management as a category would grow at 4 to 5 percent as an industry.

The adviser business and the personal businesses in the U.K. would be expected to grow in the 7 and the 8 percent area. And then a few of the things that are highlighted Asia growing at 12 percent CAGR as a marketplace. Private markets are growing at double digits. So, what our plan is, you see the investments that we've made and you see the way we've configured ourselves to be able to improve, Asia has greater participation in wholesale such as the deals that I mentioned and build into private markets to acquisition of Tritax.

All of those things when you start with a little base and you come from declining to stabilization then into growth over that journey. I've described what that journey would look like and I'm confident that the target of getting to CIR of 70 percent as we exit 2023 is a very realistic one given the growth opportunities we have in the three vectors.

Stephanie Bruce: Can I just maybe come back on, Haley, on your question about in terms of was this organic or was this organically driven? And again, Stephen will comment but what we've outlined today very much in terms of the strategic growth agenda as we've highlighted in terms of these numbers is very much assuming as we are in terms of the organic investment within our business doing what we do already but doing it really well and very much harnessing that opportunity. It doesn't presuppose significant additional investment.

Stephen Bird: It's the base plan. It's an organic plan. It's a plan that's based upon very specific launches of capabilities, funds, digital services, et cetera. We've built plenty which is to build their own business and then on top of that is opportunity.

Nicholas Herman – Citi: Thank you for taking my questions. Unfortunately, the phone cut out there so I may have missed a little bit of the last question. Just to dig into a bit of what you're just talking about. Revenues next year, high single-digit CAGR over the next three years looks like it implies a 12 percent revenue CAGR over 2022, 2023. So, if I could just confirm the level of multiple effects that you're assuming your plan, as well as broad yield pressures or that, may not be the case.

And just again, if could just speak a lot more detail on the latter years, to at least look at Visible Alpha consensus seems to assume about 3 to 4 percent revenue growth versus that double-digit revenue growth that you're assuming. And then on costs I understand you're very confident to deliver the target but could you give us some sensitivity analysis that helps you think about cost developing if you don't deliver the level of revenue growth that you're targeting, please? Thank you.

Stephen Bird: Okay. Thank you, Nicholas. Let me just address that. So, you're absolutely right. You build a plan that exists, you model out all the market assumptions, and we upgraded our global growth forecasts because we're seeing, you know,

monetary accommodation of £1.9 trillion stimulus in the U.S. which is going to support the U.S. over the next two years. The fact that China came into COVID before anybody else did and came out of it more successful, is one of the majors in the economy in the world that actually grew last year. And we're now seeing recovering manufacturing in China as well.

So, we upgraded global growth forecasts to the high fives for this year, high fours for next year, and the high threes for 2023. So, you see, there's a supportive market environment. And of course, we have an assumption as you have to make assumptions in business that, you know, vaccines are being distributed in the developed world, vaccines are proven effective. We're going to see and we're beginning to see a relaxation in restrictions and the recovering activity that will follow from that. And then what follows is recovering corporate earnings.

So, in the context of all of that, the plan that we've given you is a realistic plan. And so, you take that market environment, you take the exogenous growth, and then you take the very detailed forensic analysis. How our funds are performing, 71 percent one year, you know, two-thirds outperforming benchmarks the very important three-year mark. You take our improvement in consultant ratings. You see the sharp uptake in our four- and five-star Morningstar ratings. All of those things, this team has worked very, very hard to build the base from which we can grow. They've done a fantastic job.

My mission has been to get this business into a growth trajectory and that's what we're going to do. The reorganization, a flatter structure, clear description of where the client opportunity is, all of that we put in place. Now, when the market doesn't deliver those things, we take different actions. That's what our job is. I mean, we know that we have got a response plan the environment deteriorates. If the environment doesn't deliver with this level of expected growth, then we would take actions. We took actions this year to respond to that environment. We had double-digit reductions in expenses this year. Ten percent reduction in expenses. Don't forget that capability. That's important.

Now, yes, it was in the context of declining revenues because of, you know, the Lloyds situation because of what I described an overreliance on GARS and in global emerging market but those things we've left were behind us. We're now seeing good inflows into multi-asset. We're seeing significant reduction in outflows in our equities business. All of those things are supportive of what we described. But if the environment is there, we will access it. And if it's not, we'll take action.

Arnaud Giblat – Exane: Hi, good morning. Thank you for the presentation. But can I just follow-up on the previous question? Did I hear well half of your revenue growth is going to come from market growth, or is this organic flow that is talking about when you are talking about 7, 8 percent?

And secondly, on cost, I calculate that costs are flat to reach targets. Can you break out for me what cost flat is? But obviously, you're going to grow in a lot of new area so I assume there's quite a bit of investment going in. Could you talk a bit about the

magnitude of investments that are required to achieve growth in private markets and in other areas or maybe quantify the capacity you have to grow these areas without further investment and how are you netting that off when those cost rise through savings?

And my second question is on HDFC Asset Management and Life. You didn't talk much about it during the presentation. Are these still strategic stakes for you or could you consider that perhaps a full exit?

And my third question is on your new reported segments. You share a 35 percent operating margin for the advice segment. This is quite a bit higher than what you've reported historically. Could you go through the basis of that restatement in that increase and is there scope for further savings? Thank you.

Stephen Bird: Let me answer a couple of that and then I'll hand it to Stephanie.

The first thing that I described, Arnaud, was that the growth that we've predicted, the growth that we're forecasting is based on fair market assumptions. I've given you those market assumptions. We've emphasised that we are going to improve and we've taken action already. We've done some deals in Asia to improve wholesale but our larger businesses are in EMEA and in the U.K. in our global investments business in ASI. And we expect growth in EMEA and in the U.K.

Our pipeline is 20 percent higher today than it was a year ago. So, we've detailed the flow improvement, 82 percent reduction in net outflows, et cetera, but we are very forward-looking. When you look at the prospects for growth, you look at your pipeline. So, yes, the market environment is supportive and that's fine, too, then. I don't think, Stephanie that we have detailed what is market growth versus what is driven by new clients and organic AUM growth.

In terms of HDFC, we've already stated in the past that we didn't regard HDFC Life as strategic and we began to sell a dime of that. And, you know, we will continue to, you know, judiciously exercise our ability to strengthen our balance sheet from that position. We'll continue to divest of Life. HDFC Asset Management, I think if we didn't own a fast-growing asset manager in India and we had the opportunity to have a stake in the same business we are in globally in India, you may say to us that's a good idea.

At the moment, what I'm looking at there is to ensure that we extract the strategic benefits from holding HDFC Asset Management. We need to be able to demonstrate that to you to demonstrate strategy. Maybe you can add, Stephanie?

Stephanie Bruce: Yes. If I maybe pick up on your third question in terms of the reported segments and I'll maybe just come to Noel because he'll bring to life some of the activities that they're already doing. So, you're absolutely right.

In the past, when we had the segment around platforms and wealth as it was described, it was all homogenous. It was all wrapped up together. And you're right; it didn't look

as a positive result. And what we're very clearly splitting them into the three vectors again reflecting all of the activity that Stephen has already outlined. It very clearly highlights that our adviser vector is in good health. It has already given a lot of the work that the team has been doing and they've been doing that year on year.

So, you know, how do we do that? Maybe previously, it would not have looked as efficient as it does today. Noel and his team are already having to undertake a very detailed work to get that cost base to be where they have it today. Yes, they do have more ambitious plans which again are already in train to the platform transformation but Noel if I just come to you just to bring that to life.

Noel Butwell: Thanks, Stephanie, and thanks for the question, Arnaud. I think just to add Stephanie's point there, I mean, what we've seen is integration of wrap and elevate from a non-technical aspect which has obviously reduced cost. We've also improved with the approved AUA helped partially offset the reduction in revenue because of the repriced that we did and that was the absolute intensity of what it was there for. The FNZ relationship improvements also in terms of 2020 costs and obviously, also the Phoenix separation work which reduces costs as we come up with these further.

But looking forward, I mean, as Stephen and Stephanie both referenced, around 50 percent of the adviser market currently has one of our platforms in their business. And our focus is very much going to be on how do we evolve that further going forward and how will we compete and differentiate which we very much based upon content and experience. How do we move from being a secondary platform or a tertiary platform at an adviser firm to primary? Because as Stephen said, when you achieve that primary partnership position then you can typically expect on average 70 percent of growth inflows from that particular adviser firm.

So, the more we can move in that direction obviously, the more we are increasing both the asset flow and the revenue generation as a result from that. And the big focus of what we are going to do is to become the easiest business for adviser firms to work with. Reducing friction from their internal processes which effectively creates capacity, allows them to deal with and take on board many more new clients. And as a result from that will benefit from both the client flow and also the asset flow onto our platforms going forward.

So, that's the big focus, and expect to see in the summer of this year some key sort of solution and assets that we're bringing on that journey of becoming the easiest business in the market to deal with.

Stephanie Bruce: And Arnaud, if I could just maybe come back as a result to your first point just so we're absolutely clear on this.

We are putting out in terms of what our assumption is around markets but what Noel described there is the sort of volume activity that we're anticipating occurring in the adviser vector, for example. And we're expecting a volume increases for all the reasons

that Stephen already outlined in the personal vector. And then within the investment vector, it would be much bigger core part of our business in terms of the fair market conditions as Stephen has outlined together with all the activity that's underway in those markets of growth. It is a combination that drives our strategic plan.

Stephen Hayward - HSBC: Thanks very much and good morning, everybody. Can you talk about your capital position? I'm particularly interested in what your views are on the IFPR considering that you were probably in consultation with the FDA recently and what is the likelihood of any significant changes to this regime before it's implemented because I guess this leads on to my second question on buybacks and other special capital returns being off the table. For the time being, can we consider potential capital returns in the future once the IFPR has been implemented?

And then I'd like to ask on the cost base if I can. You talk a lot about what I call their advising, the cost base. Can you tell us what is the proportion of this? What is the portion now between fixed and variable? And what are you looking to target between fixed and variable in the future as well? And then finally, if you can give your views on the adviser wealth market. I know it's a big area of focus of major financial institutions who are all looking to grow in this area. So, can you provide more details on whether the pie of the market is big enough to grow into? Is the pie growing fast enough or are financial institutions cannibalizing each other's clients? Thank you very much.

Stephanie Bruce: I'm just going to take the first one on the IFPR regime.
So, Stephen, thank you. We've obviously been a part of the ongoing process in terms of the development of IFPR. We're very much working as a team now on what we believe to be the likely landing place in terms of the requirements and the thresholds. And that's what we have utilised in order to come up with our estimate that we've highlighted to you today in terms of where we see the thresholds being impacted under the new rules. So, it's not a question of waiting for them to change again. It's really much very much we are just now anticipating on what we currently believe to be the direction of travel.

Stephen Bird: And I'm going to throw it over to Noel but just to reiterate a couple of points before I do that. I mean, first of all, look at the structure of the wealth market in the U.K. When you look at wealth management if you pull off the list of competitors, very quickly, you know, you get three, four, or five competitors in the year plus £20, £30 billion category. And then you go into a huge, long tail of very, very small players, you know, who haven't been able to leverage technology or scale or global research or investments capabilities which we have.

So, we already have investments in because we have a global investment management business and ASI. We already have research, all asset, classes, global positions, all of that capability. So, what we're doing is we're going to be bringing that capability to as we do in our adviser vector through the adviser vector and also to the personal marketplace.

Now, 20 million U.K. adults for whom their largest concern is the COVID impact on their pension. The forecasts suggest that most adults in the U.K., they outlive their pensions by 10 years. The demand is there. If you look at total market opportunity, the demand is there without a doubt.

We are configuring ourselves to properly flow a lot of what we already have. You mentioned, how much investment is involved, the planned numbers I showed you in slide 15 which inflect to growth, you know, we inflect to growth, relatively lower growth in 2021 and then get to an exit rate of efficiency of 70 percent in 2023. The investments in these businesses are already in those numbers. So, they are already in those numbers.

Now, that's the BAU plan. Now, there may be opportunities to help get these businesses to greater scale more quickly but we're going to be very disciplined in doing that. You've seen that we've divested of Nordics, we've divested of Parmenion, et cetera, and we've made an acquisition in Tritax. We're going to be careful and calibrated in the way in which we build into this but let me ask Noel for his comments.

Noel Butwell: Thanks, Stephen, and thanks for the question, Stephen. I suppose the obvious answer to the question, is the pie big enough? Absolutely, it's getting bigger every single day. Just those two stats that Stephen quoted in the presentation. Twenty million people could benefit from financial advice in the U.K. currently unserved. People on average are outliving their savings in retirement by 10 years so they need advice. Add in this massive intergenerational transfer of wealth that we're going to see over the next 10 years, we're going to need many, many businesses actually in the U.K. to meet that need. And we've got all of the componentry already.

So, we start from a very strong base. And actually, what we're building particularly in the personal vector is that sort of cradle to grave situation whereby you've got fluid situation where people can start saving right through to the point where they take benefits of retirement. So, it's a really strong USP for us and we believe we've got all the componentry there in order to be really successful. You know, and that's our priority for this year as we take a client into, as Stephen says, the personal vector that moves onto our platform and the adviser sector and also then uses our investment componentry from the investment sector. That's the ecosystem really comes alive in the best example that we've got.

Stephanie Bruce: Can I maybe just come back on Stephen's other two questions? So, Stephen, you highlighted in terms of what's our view on buyback. So, as I highlighted in my script, we have completed the buyback programme that had been running during 2020. We completed it in early 2021. I think as Steven has highlighted, I mean, our focus on capital is very much around the disciplined use of that capital and making sure that we're investing it in our opportunities. So, it's very much that's our focus, and that will, I think, continue to be part of how we look at our strategic plan as we go forward.

And then the other question you asked in terms of the cost base and in terms of how variablised, it's not a word I've heard before, but how variablised is it. I think the short

answer is clearly with a cost-income ratio of 85 percent. It's clearly not variablised enough. I'm not going to give you a specific position as we are not where we want to be on that. We've done some really good work to improve it.

And by that, I mean, particularly in our non-staff arena, the work that Mark Hamilton and his team in terms of the operations in IT arena are leading and being very effective supporting across the vectors to create greater flexibility in how we service and bring services into our business will be continued to be a key driver as we look to create greater variability. And we've made some really good steps in that during 2020. We talked earlier about some of the third-party supply arrangements which we have worked very effectively to deliver.

Stephen Bird: Stephanie, you highlighted in your presentation the staff and non-staff costs. I mean, one of the things which may not be apparent to everyone on the call is that as we complete transformation, the non-staff costs come down. It's quite obvious, you know. We brought up one version, getting to one investment platform, that we brought up in December for all the Standard Life assets. As we go through this year, we get all of the other assets, legacy Aberdeen Asset Management assets onto that platform. This is the year we get to one investments platform. We get to one adviser platform; we get to one brand. All of those things have a direct cost impact and that's why we have got to deliver them cleanly and they reduce our non-staff costs.

And then the other part of 'variablising' the cost structure, we've made announcements, perhaps nobody has picked them up or be able to pick them up, of how we've leveraged our partner ecosystem, how we've been leveraging Citibank. Citibank runs our middle office and security fund service, fund accounting here in the UK. FNZ does software engineering for us. We just did a transaction with TCS for other software engineering.

What we're doing is the way that we get to a more variable cost structure is that we become supply chain orchestrators. That's a real technical thing. When you have got the use of technology and data, you don't need to own everything and we don't own everything but we will access Citibank's customers in Hong Kong and in Singapore and then globally through the digital wealth platform that is done digitally. And that's a major vector of how we 'variabilise' our cost structure and we've got real hard plans against it for 2021.

Hubert Lam – Bank of America: Hi, good morning, everybody. I've got three questions. Firstly, sorry, just to clarify, again, your revenue target of high single digits. How much of that isn't really just coming from organic growth in or in markets? I'm just wondering if M&A is also factored into the high single-digit revenue target.

Second question is on again, on M&A. I'm just wondering what kind of type of transactions are you looking for? Would you consider transformational type of deals that would accelerate growth in certain sectors such as in wealth or you may be focused on bolt-on deals? This is similar to the one you did with Tritax which you did late last year.

And lastly, on your capital position, I think Stephanie mentioned £1.2 billion of surplus capital after performance for the higher capital requirements. I just want to get a sense in terms of what true surplus capital you have considering how much you need of that to operate with, what kind of capital buffer you may need, and how much is leftover which being used for M&A. Thank you.

Stephen Bird: We'll take them in that order, Hubert, and thank you for your questions. The first question is how much of the growth that we've modelled is organic and from markets, it's all organic and from markets. It is running the investment, adviser, and personal business focused on their growth opportunities but with the emphasis of the strategic overlay that I gave this morning, very clear direction for each of those vectors. So, it's all organic and markets. It doesn't include M&A.

M&A, what type of transactions? So, there's a number of things that I want to highlight here. I mean, first of all, our single largest client is Phoenix and you'll note that we have extended our relationship with Phoenix to at least 2031. That's a very, very important strategic partner as with Phoenix and we have got a stake in Phoenix. We have got to fully execute against the transaction that we did with Phoenix.

So, the integration of self-invested personal pension wraps it on insured bond, taking those and having them present on our adviser platform, that gives a revenue benefit to the adviser platform. So, it's another factor to be into as you modulate where we get the revenue growth. That's a factor that came from the Phoenix transaction.

Tritax, we haven't yet integrated Tritax but we will. So, we, you know, it's 20 percent to real estate. It's a great business. We love the guys there. They're going to help us and we're going to help them grow their business faster over the next few years so we're focused on doing that cleanly. And I highlight that and then the sale of Parmenion which is happening as we speak. Those actions we're going to deliver cleanly at the same time as executing against those because we know we have to execute cleanly against each of those.

Same time as doing those, we are open to scaling the business that would most benefit from bulking up. And that business, the one that's most obvious is the personal business. You saw £450 odd billion and £70 billion and another £13 billion in the personal business. Now, the job number one in the personal business is to build the model we showed you. We showed you the model. It's a modular model. We're releasing the Choices app this week. That's an open banking app that I described, that gets launched this week. We've also just over this weekend tested our new digital ISO journey that also is for that vector.

So, we've got a whole series of things that are built, capabilities that we're building to help that grow. But we also recognise that that's a long, slow build. The mobile build of these personal consumer businesses takes a while. So, we are reviewing and we'll continually review whether the type of acquisition that would best strengthen that

platform. So, that could be acquisition of portfolios of clients. It could be digital marketing capability, you know.

So, what we've done is we built the model and, you know, we've wireframe this out. We've looked at what we've got. We've looked at what we can do in mobile. We've looked at what we can do online. We've looked at our existing base. All of that is being done as we speak. And as we go through 2021, we'll have a better sense as to the precise nature of the capability that would enhance it. So, I'm giving you a sort of inside view of the business here.

Stephanie Bruce: And Hubert maybe if I pick up on the capital question that you asked as your third question. As you say, our capital position at the end of this year is £2.3 billion. We've highlighted to what we think the pro forma is in a post-IFR world of the order of £1.2 billion. We consider that to be an appropriate level at this stage because bear in mind at this point, we've got usual to do risk capital and buffers. But given that we're still got going through a transformation process, given we are still in a pandemic, we consider that to be the sort of a very appropriate level for where we're at the moment.

Bruce Hamilton – Morgan Stanley: Hi, good morning, and thanks for the presentation and for all the answers so far. Just a couple of sort of add ons on the sort of revenue growth outlook, sorry to come back to this, but I think you've made it pretty clear in terms of what's embedded in terms of market assumptions and so forth, to check and you may have said this. But I assume embedded also is an assumption of a revenue margin improvement both in the investments, business, and across the firm, or generally, obviously, we're in an industry where that's a pretty tough thing to achieve. But I just wanted to make sure and I guess the exit of Parmenion, the choices coming in, would help on that, but just to understand that for clarity.

And then secondly, in terms of the moving pieces that bring the capital excess down to £1 billion, can you help us maybe think through those? And was there a big impact linked to the substantial stakes you have in Phoenix now sort of thing? How much can you relate to that? How should we sort of think through what really drives that over £1 billion reduction? Thank you.

Stephanie Bruce: So, yes, in terms of revenue margin, I think again, what Stephen and I have signalled in terms of we see there being overall stabilisation. And again, I think that probably reflects in part, you've got to remember where we come from, and therefore how we're envisaging it. Together with the sorts of areas where we've outlined, we do see opportunities. And so, we do see again, fluctuations across our different vectors. And as we see client preferences change for private markets, private credit, more wanting to move to equities obviously, we're expecting that yield profit and that very much reflecting the demand profile that we already see.

Within the adviser vector, we clearly took action in previous periods to make the pricing different and we would continue to see that coming through. But again, we are very

focused on providing the best services as Noel has outlined in the easiest service. So, we will continue to manage to competitive margins in that regard. And then our personal business is, you know, because of the value that we're providing to our clients in that space, we are again anticipating that by being very focused on the areas of growth that Stephen outlined that actually it will actually be a stabilizing and growing rate. So, that's actually how we look at that.

You absolutely are right, Bruce, to highlight that there are certain exit areas. Some of the areas that we're exiting are low yield. We've also got the Lloyds Banking Group exit again as it goes off that again is lower yields. So, there's a number of these areas which as you say will actually will also give us a benefit going forward.

In terms of the items that are in the capital changes in the IFPR, we're very happy to take you through offline but they really come down to the different changes that you're going to have to put through on the thresholds relating to insurance holdings and also to tier two. It's really those two aspects. I'm very happy to take you through a deeper dive on the inner workings of that, Bruce, if that's helpful.

Stephen Bird: Thank you, Stephanie. One factor, I'm going to turn to Rod in a moment. Rod is a CIO. Rod is talking a little bit about the improving performance and also about the latent growth opportunity that is a long-term and deep commitment to responsible investing. It's not a new thing for us. ESG is not a new thing for us. This is something that has been deeply at the core of the firm for a long time.

But when our performance improves, we get better yield. When you think about where we've been over the last three years and the numbers we gave you about, you know, 50 percent then 60, then two-thirds of the all-important three-year mark, then 71 percent performing of the one-year mark, and they consulted ratings, improvements, et cetera. Improving fund performance, i.e. clients get what they're wanting from an active manager means that we actually enjoy better revenue yield but let me turn to Rod to talk a little bit about that topic. Thank you, Rod.

Rod Paris: Yes, perfect. Okay. So, the way I look at it is, you know, as far as the investment platform is concerned in terms of the journey we've been on, we've coming out of a tunnel of the merger, we're coming out of, as Stephen has said, you know, the challenges of integrating many different systems. And that's allowing I think to enter a virtuous circle or virtuous cycle of positive growth, definitely performance momentum across all asset classes actually when I look at it. And clearly, what you're seeing here in our forecasts, is, you know, how the positive operating leverage is going to kick in.

The margin mix really speaks to where we have that performance in client demands. I mean, we have performance coming back strongly inequities. We have the capability in private credit, private markets. And I think that really, really speaks to that margin improvement that's already been touched on. I think something that also needs to be mentioned that hasn't been mentioned so far in terms of the revenue mix and how we see the business going forward is an increasing emphasis on thematics actually from

our clients.

So, our clients talk about this a great deal. And those thematics include ESG but they actually go beyond the ESG. Where futurists, as Stephen said, they talk to the disruption that we're seeing in society and globally, you know, robotics, all sorts of long, enduring structural changes that are going on in our society at present. And I think that thematics is a huge opportunity for us to exploit in terms of showing our active credentials and improving the margin mix.

In terms of ESG, we've been on a journey of embedding it. We have very, very strong credentials. We've had them for a very, very long time both our equity and fixed income activities. As Stephen mentioned earlier, I think you're going to see a very new, exciting product offering emerging across all asset classes which evidences these deep competencies I believe we have. We've actually already done some innovative launches already this past year. We launched the ESG tilted passive offerings which are gaining some very good consultant traction. But all this has to be underpinned by very strong reporting metrics which we have to build to evidence that we have to be able to measure it.

I think this whole journey, though, speaks to, I think, a renaissance in terms of the offering and what we as active managers can deliver to our clients. So, when I look at the overall plan, and clearly, I have been looking at the overall plan with Stephanie and Stephen. I believe it is very, very well-grounded in terms of the reality of both our position coming out of this merger tunnel and also in terms of having performance in those areas that speak to client demand.

Stephen Bird: Thank you, Rod.

Gurjit Kambo - JPMorgan Hi, good morning guys, and thanks for the presentation. Just a few questions. So, firstly, in terms of the high single-digit revenue CAGR, how should we think about three different vectors? That's the first one.

And then just thinking about the different divisions, private markets, clearly it has some good momentum on flows there but it's still, sort of 4 or 5 percent of AUM. How do you accelerate that? Is that through M&A? And then just on the technology piece, clearly, you want to be a leading technology business and I guess in some ways, you may already be there but how much further investment is there on the technology side to make over the next coming years?

Stephanie Bruce: So, in terms of the vectors overall, Gurjit, I think it really comes back to what we said a couple of times. It's where the individual vectors start from. Personal is our smallest part. It will clearly have a higher growth rate than the others because it starts from a smaller base and we've outlined in terms of what we see the opportunity to be.

Again, moving to the adviser vector, again, given its volume-driven and given that

knows driving that agenda with the advisers again as they come out of the pandemic. But again, it's a smaller starting point. So, again, you should have that in your mind as well. And then I think within the investments vector which again, we emphasise is the core part of our business, we are very much envisaging a growth across all regions with the one region that's got the higher levels of growth for the reasons that Stephen has said before APAC already assuming a 12 percent growth just generally across the sector. We would expect that part of the investment vector to grow at a higher rate.

Stephen Bird: I think we can sort of go for a close here. That in private markets to go to this question, we've got a new head of private markets. So, Mark Redman was hired four months ago. And Mark has already, you know, evaluated the strategy within private markets. And he's laid out for us where he believes we can grow and where we can augment our capabilities and where in some cases, we can, you know, co-invest and put seed capital in order to accelerate our journey there.

We haven't yet integrated the Tritax business because obviously, we're going to be doing that as we go through 2021. And we're confident that, you know, we get two close down funds here today where the revenues are baked in but they're a growing business. They're going to be doing more. So, that's going to help us scale up and that's going to help our existing real estate business.

On tech investment, what I would say is that this business has spent a lot in technology. And I have gone through the investments that we've been making because they were essential. It's essential when you bring two businesses together to get them to one investment platform. It's essential to get to one adviser platform. It's essential to a finance transformation. But those programmes which are now very, very well advanced, all will land and deliver in the short term as we go through the current year and into next.

There's still a lot to be done. There's still a lot to be done in 2021. I mean, I don't want people to get the wrong impression. We're describing accurately an inflection point, you know, clearly, when our institutional wholesale business ex-Lloyds and insurance grew as we were coming over 2020, that was a turning point, that was an inflection point. And when you're setting with a pipeline is larger than it was 20 percent of last year, that's an inflection point. And having a flatter structure where the team is configured to go after those client opportunities, that's inflection point.

I mentioned, Mark Redman is a new CEO for private markets. We have a new CEO in Asia, Rene Buehlmann. And Rene is already there, already working with a team supported by the U.S. chairman. So, we've done a lot in a short time and there's a lot still to be done.

Now, we've described the market environment. I think the assumptions that we're making are very much central consensus assumptions for the market environment. And those assumptions, drive certain characteristics from a large asset manager as we are and then you admit those for the actions that we've taken, so the right actions. And

we're confident that they will deliver the right outcome. There's no straight lines in this business. It takes time. 2021 has got a lot to be done. We're still coming out of a pandemic. There's still a lot of uncertainty. But I think that it's important that people realise we're very clear about what needs to be done and we're very driven to get it done. Thank you very much for joining us.

Stephanie Bruce: Thank you.

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