Standard Life Aberdeen plc

# Building a world-class investment company

February 2018

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All figures are presented on a Pro forma basis unless otherwise stated. Pro forma results for the Group are prepared as if Standard Life and Aberdeen had always been merged and are included in this presentation to assist in explaining trends in financial performance.

# Completing our transformation to an investment company

Keith Skeoch

# Agenda

| | |
|---|---|
| • Completing our transformation to an investment company | Keith Skeoch |
| • Transaction overview and merger update | Martin Gilbert |
| • Strategy update | Keith Skeoch |
| • Full year results 2017 | Bill Rattray |

**Building a world-class investment company**

# Our vision: Building a world-class investment company

- Accelerated in 2017 by merger to create Standard Life Aberdeen
- Completed through sale of Standard Life Assurance Limited (SLAL) and strengthened strategic relationship with Phoenix Group

**Foundation for world-class investment company firmly in place**

- ✓ Scale to drive efficiency and to invest
- ✓ Global distribution and client reach
- ✓ Well diversified and modern investment offering
- ✓ Access to fast growing retail customers' assets via leading retail platforms in the UK, India and China businesses and strategic partnership with Phoenix Group

- Balancing investment for future growth with returns to shareholders

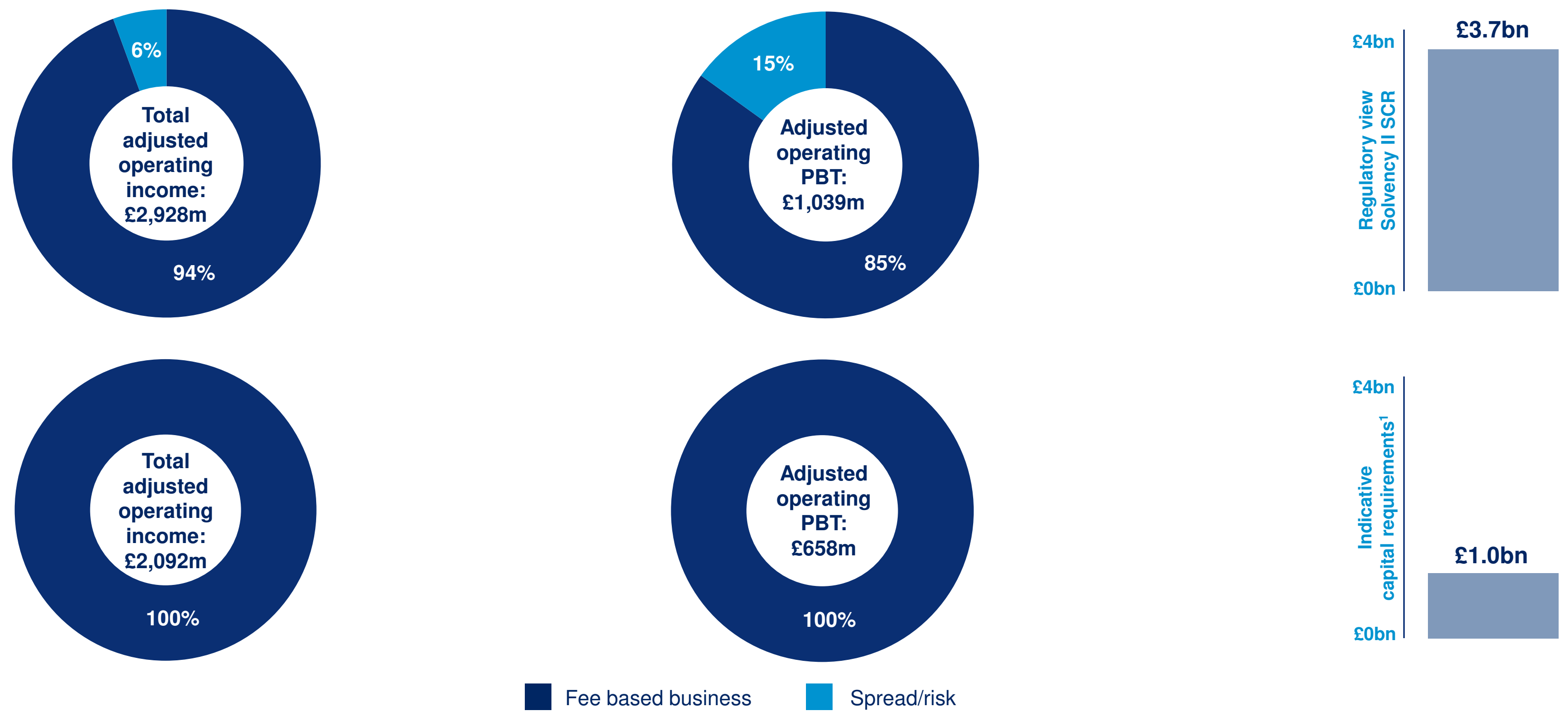
**With financial strength and cash generation to drive growth and support our progressive dividend policy**

# Completing the transformation to a fee based and capital light investment company

Total adjusted operating income | Adjusted profit before tax | Capital requirements

2017 Standard Life Aberdeen

Post-Transaction




**With balance sheet strength and financial flexibility to drive future growth**

1. Indicative estimate based on draft return capital requirements of regulated entities within the retained group, with an allowance for Standard Life Aberdeen plc based on its contribution to the draft return Group Solvency II SCR.

# Transaction overview

## Martin Gilbert

# Transaction overview

- Enhancing strategic partnership with Phoenix Group with opportunities for wider collaboration
- Sale of the capital-intensive insurance business to Phoenix Group for £3.24bn[1] including cash consideration of £2.28bn[1] and 19.99% stake in Phoenix Group
- Retaining fast growing Retail Platforms, Financial Advice and access to Workplace flows
- Achieving attractive value for shareholders
- Expected to close in Q3 2018 subject to various approvals

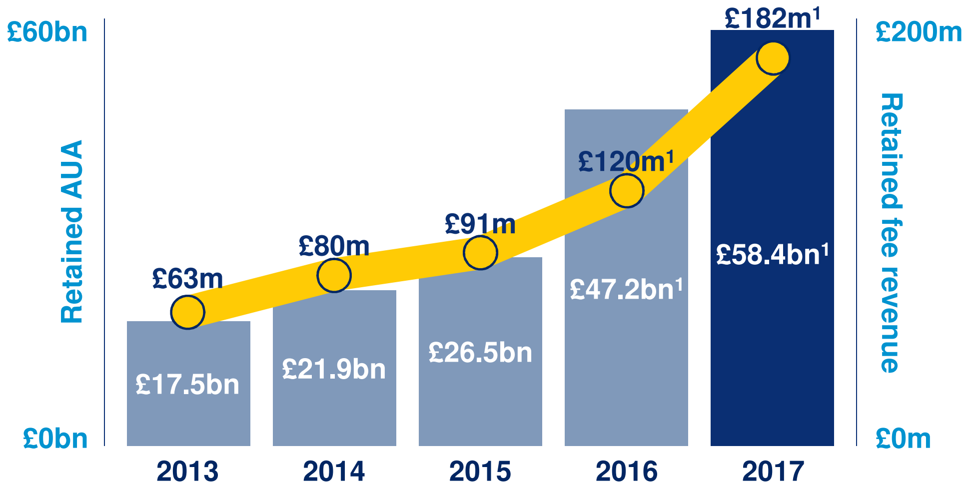
| ✓ | ✓ | ✓ | ✓ | ✓ |
|---|---|---|---|---|
| Completes transformation to a fully fee based capital-light business | Creates opportunities for our people as part of a growing Phoenix Group | Retains control over fast-growing platforms and advice business | Crystallises significant value for stakeholders | Strengthens balance sheet and enhances central liquidity |

**Completing the transformation to a fee based capital-light business**

1. Inclusive of a £312m dividend payable from disposed businesses to Standard Life Aberdeen pre-completion.

# We have retained fast growing retail platforms and financial advice businesses

## Strong growth in AUA, flows and revenue




| | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|
| **Net inflows** | **£3.3bn** | **£3.6bn** | **£4.4bn** | **£5.0bn[1]** | **£8.3bn[1]** |
| **% of opening AUA** | 26% | 21% | 20% | 19% | 18% |

## Retaining leading businesses

- **Leading adviser platforms – Wrap, Elevate and Parmenion**
  - 5-year AUA CAGR of 35%
  - 5-year revenue CAGR of 26%
- **Financial advice business – 1825**
- **Opportunity to access 10 million+ individual customers**

**Attractive business with operational leverage leading in a structurally growing retail market**

1. Includes Parmenion – assets of £4.4bn (2016: £3.0bn); net inflows of £1.3bn (2016: £0.8bn) and fee revenue of £14m (2016: £11m).

# Enhanced long-term strategic partnership and valuable stake in Phoenix Group

| Security over AUM | Enhanced future growth opportunities | Valuable 19.99% stake in Phoenix Group |
|---|---|---|
| New 10 year PPA covering SLAL assets | Asset manager of choice for Phoenix Group | UK back-book consolidator of choice to drive growth and opportunities for our people |
| Extension of existing agreement covering £48bn of Phoenix Group assets | Scope to add further Phoenix Group assets currently managed by other asset managers | Further value through growth of Phoenix Group |
| Phoenix Group commitment to invest in and grow workplace and related AUM | Marketing access to Phoenix Group's 10m+ individual customers | Predictable, long-term cash generation supporting a sustainable dividend |

**Mutually beneficial partnership with opportunities to drive further value and growth for shareholders**

# Details of business subject to retention and sale

## Retained
Core of the Retail growth channel

- Adviser Platforms – Wrap, Elevate and Parmenion
- Financial Advice – 1825

| | |
|---|---|
| £58bn[1] AUA | £182m Revenue |
| 35% 5 year CAGR | 26% 5 year CAGR |

**Standard Life Aberdeen retains fast growing retail platforms and financial advice businesses**

## Sale
Largely insurance mature books and Workplace

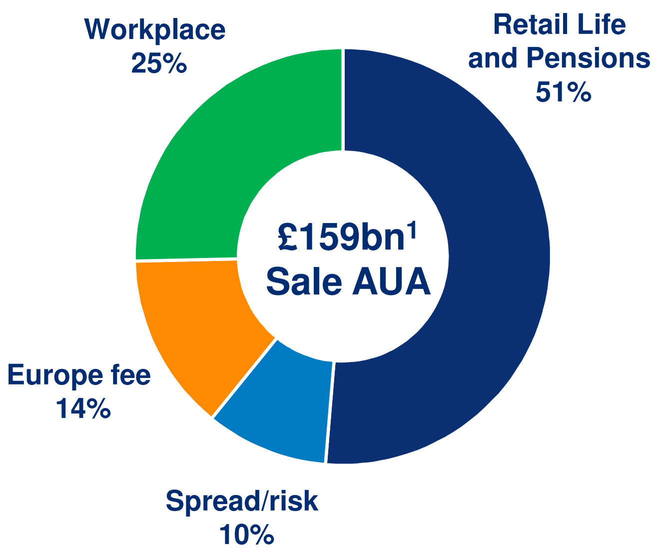
- Retail Life and Pensions
- Spread / Risk
- Ireland, Germany and Austria
- Workplace

| | |
|---|---|
| £159bn[1,2] AUA | £961m Revenue |
| 7% 5 year CAGR | 4% 5 year CAGR |

**Standard Life Assurance Limited becomes part of specialist life administrator, operating at scale**

1. Phoenix Group will continue to provide and administer insurance products to Standard Life Aberdeen's retail platforms representing £24.5bn AUA comprising largely SIPPs and offshore bonds. 2. Excludes corporate assets which do not generate revenue.

# Combination of Phoenix Group and SLAL will deliver good outcomes for our customers




- Includes large mature books that will run-off over time
- Contains with-profits products with valuable customer guarantees that are complex to manage
- Scale will become increasingly important to ensure efficient management of these books and to deliver value for customers
- Phoenix Group have market-leading capabilities to run the business efficiently in a way that delivers good outcomes for customers
- SLAL will become the largest part of the pre-eminent life fund consolidator in the UK, with operational headquarters in Edinburgh

1. Excludes corporate assets which do not generate revenue.

# Merger update

## Martin Gilbert

# Excellent progress made in the first 6 months of the integration

- Increase in targeted merger annual cost synergies from £200m to at least £250m
- Distribution and Investment integration largely complete
- c2,600 people are already co-located

**Merger integration on track**

# Positive reaction from clients, investment consultants and our people

| Broad support from clients | Ongoing support from consultants | Positive reaction from our people |
|---|---|---|
| Clients recognise need for scale in evolving investment market<br><br>Launched 22 new funds in 2017 adding £3.8bn of assets | 43 rated strategies across a broad range of asset classes<br><br>Secured two further buy ratings in 2017 | Ranked in top 10 asset managers globally that people want to work for[1]<br><br>Retaining our talented people who see greater opportunities |

**Building a strong platform to compete globally**

1. Source: eFinancial Careers.

# Strategy update

## Keith Skeoch

# Building a diversified world-class investment company

| | |
|---|---|
| **Our purpose** | **To invest for a better future**<br>We do it to make a difference. To our clients, the lives of our customers, our people and our shareholders |
| **Our vision** | **Build a world-class investment company**<br>A global business which competes in our home markets and against the leading companies across the world |

**Our approach**

- We focus on the evolving needs of our clients and customers
- We are committed to excellence and innovation
- We strive to make a positive long-term global impact

**Strategic objectives**

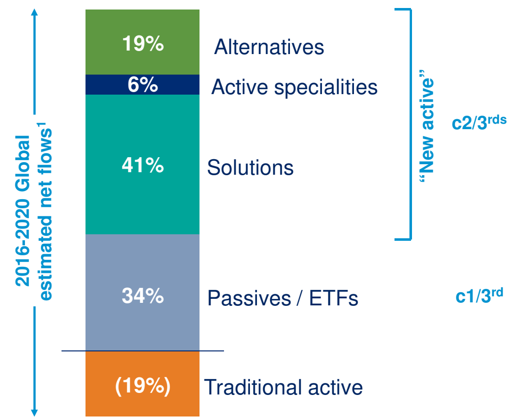
- Developing strong relationships with customers and clients
- Broadening and deepening our investment capability
- Building an efficient and effective business
- Growing and diversifying our revenue and profit
- Attracting, retaining and developing talented people

# Well positioned for global trends shaping the investment landscape

| | Impact | Opportunities |
|---|---|---|
| **Democratisation of financial risk** | Individuals taking more responsibility for their financial futures | • Meeting needs of retail customers including simpler products and guidance/advice<br>• Support evolving client needs – e.g. ageing populations, shift from DB to DC |
| **Rebuilding trust in financial services** | Low trust driving greater need for transparency and fee simplicity | • Client preference for owning their own assets rather than relying on corporate balance sheets<br>• Increased need for simplicity and transparency of fees<br>• Importance of ESG factors and creating positive societal impact |
| **Innovation, technology and digitalisation** | Technology increasingly a crucial differentiator to manage risk and client service | • Use of technology enhancing efficiency of operations<br>• Digitalisation improving service and proximity to clients<br>• Rise of quant, algorithmic investing, use of big data and AI |
| **Slow growth, low inflation, compressed return environment** | Environment creating enhanced uncertainty and changing client needs | • Provide investment solutions that deliver specific outcomes to meet client needs<br>• Increased focus on alternatives and private markets |

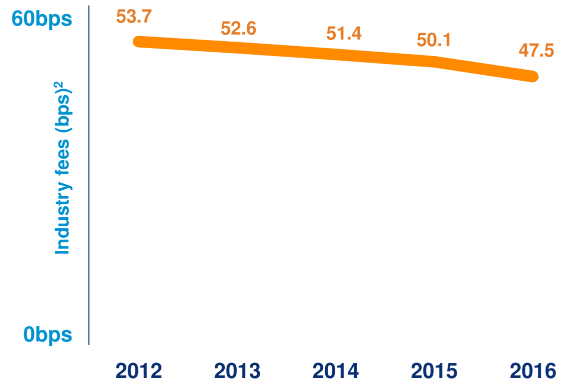
# Well positioned for global trends shaping the investment landscape

## Growing demand for "new active"



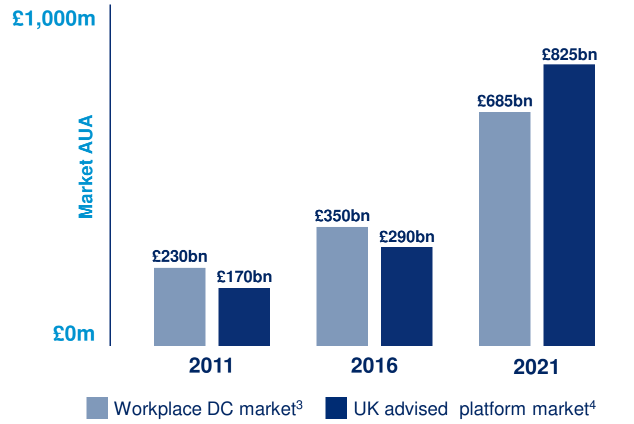

- Next generation "new active" investment solutions forecast to represent almost 2/3rds of global net inflows

## Fee compression driven by passives




- "New active" products continue to attract premium margins: alternatives, private markets, real assets, active specialities, solutions

## Tailwinds in retail platforms and DC workplace




- Structural growth accelerated by "democratisation of financial risk" not just in the UK but globally
- Growing importance of strong distribution to gain access to retail customers

**Execution of our strategic objectives will capitalise on these trends**

1. Source: BCG, July 2016. Percentages shown are as a proportion of global estimated net inflows into growth categories. 2. Source: Casey Quirk. 3. Source: Spence Johnson. 4. Source: Fundscape.

# Developing strong relationships with customers and clients


## Pensions

- Continue to support IFAs through investment in our market-leading adviser platforms
- Globalise existing expertise in DC investment solutions and continue to innovate
- Leverage strength of partnerships to capitalise on structural shift from DB to DC and growing need for advice

## Insurance clients

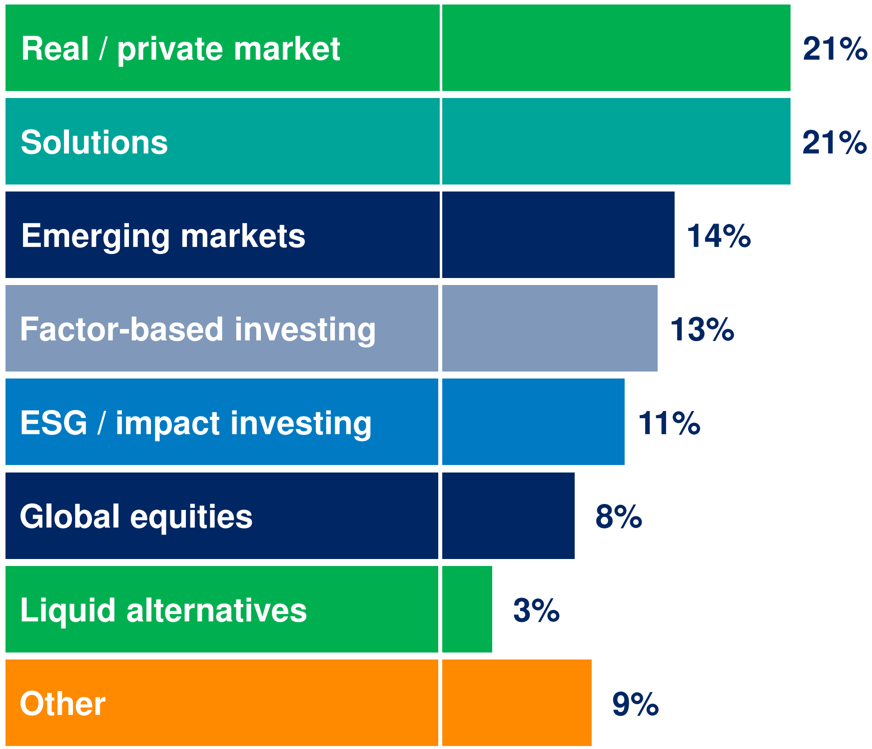
- Become an asset manager of choice and provider of specialist solutions for insurance clients globally – a growing market
- Accelerated by strategic partnership with Phoenix Group – Europe's leading consolidator of mature insurance books
- Already manage assets for a highly diverse range of over 100 insurance clients

## Wholesale / wealth

- Building on existing and forging new strategic partnerships with wealth managers and wholesale distributors globally

# Broadening and deepening our investment capability


## #1 Strategic Product Priority For CEOs[1]




1. Source: Poll of Asset Management CEOs at the J.P. Morgan Annual Asset Managers CEO Forum 2017.

# Well positioned against areas of industry focus

| #1 Strategic Product Priority for CEOs[1] | Aberdeen Standard Investments Capabilities |
|---|---|
| Real / private market | Leading European real estate platform with £39bn of AUM<br>UK's third largest player in private markets with £26bn of AUM |
| Solutions | Leader in multi-asset, active solutions and absolute return<br>Leading manager of outsourced insurance assets |
| Emerging markets | Strong EM equity and debt capability with £50bn of AUM<br>Significant regional presence and well known brand |
| Factor-based investing | Passive, enhanced index and smart beta with £69bn in AUM<br>Strong performance track record and ongoing innovation |
| ESG / impact investing | Recognised strength and brand with £10bn in AUM. Market leader in impact investing with embedded expertise in place |
| Global equities | Capabilities across core, unconstrained, ethical and income-orientated<br>£24bn in AUM |
| Liquid alternatives | Award-winning Alternative Investment Strategies capability with £8bn of AUM |
| Other | Outcome-orientated strategies across traditional asset classes<br>Strong track record in fixed income |

**With a well established and relevant proposition for clients**

1. Source: Poll of Asset Management CEOs at the J.P. Morgan Annual Asset Managers CEO Forum 2017.

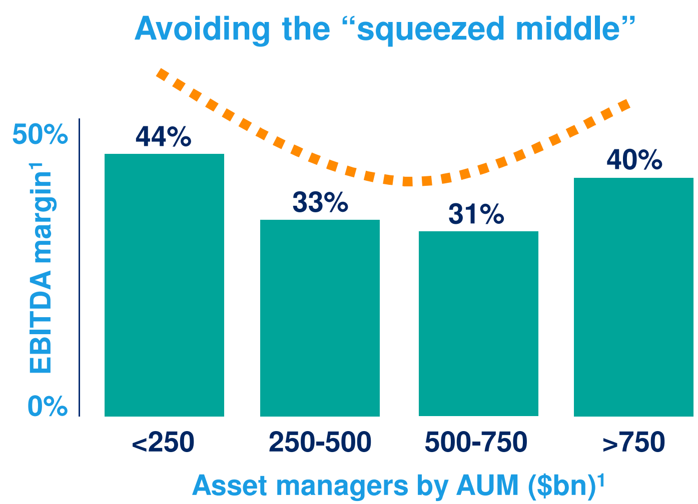
# Track record of innovation in "new active" propositions

| AUM over 5 years since launch | | AUM 3 to 5 years since launch | | AUM 1 to 3 years since launch | | AUM <1 year since launch | |
|---|---|---|---|---|---|---|---|
| MyFolio | £13.3bn | Euro Club I, II & III | £1.2bn | Enhanced Index Funds | £1.1bn | Corporate Bond Tracker | £1.5bn |
| Active Plus | £2.4bn | China A Shares | £1.2bn | Multi-asset Range | £0.8bn | Secure Income and Cashflow | £0.4bn |
| ARGBS | £1.9bn | GFS | £0.7bn | Infra Funds | £0.6bn | Euro Logistics Income PLC | £0.2bn |
| Global Corporate Bond | £1.3bn | Private Equity SOF I, II & III | £0.6bn | ILPS | £0.5bn | Global Short Duration Corp Bond | £0.2bn |
| Diversified Growth Funds | £1.1bn | US Comingled Bonds | £0.5bn | Liquid Alternatives | £0.5bn | Global Private Markets | £0.1bn |
| Global Smaller Cos | £0.8bn | Short Duration GILB | £0.4bn | European Property Funds | £0.4bn | Equity Impact | <£0.1bn |

**Examples of broadening and deepening our investment capabilities for clients**

Includes cross holdings.

# Building an efficient and effective business


- Scale is increasingly important:
  - The gap between losers and winners is widening with greater concentration of flows to scale player
  - Scale is also critical to driving efficiencies – asset managers with over $750bn of AUM are more profitable
- Integration to deliver at least £250m of cost synergies on track

**Ongoing focus on financial discipline as we drive our cost income ratio down to 60% over the medium term**

1. Source: BCG, July 2016.

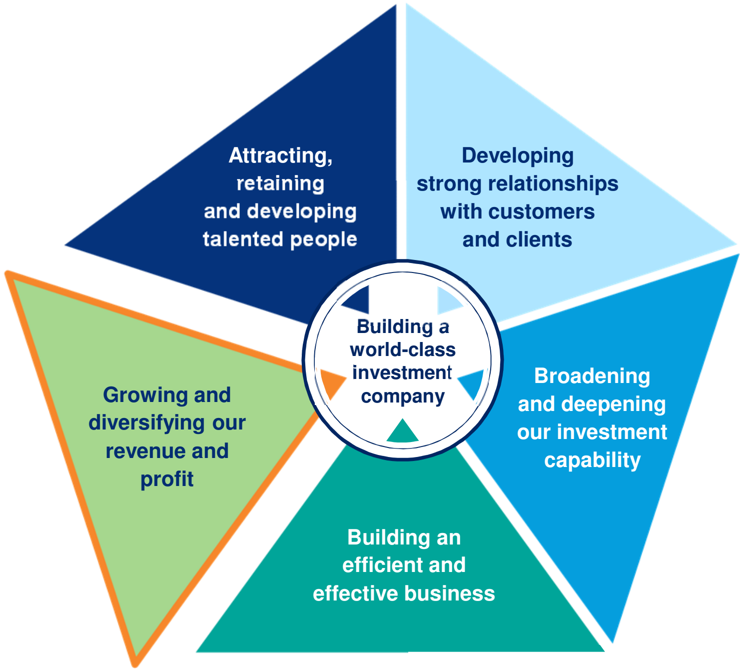
# Continued focus on financial discipline and driving down unit costs

2017 Cost/income ratio (ex SLAL) **70%** → **60%** Medium-term ambition

- Integration progressing well giving rise to increase in annual cost synergies target to at least £250m
- Retained SLAL business with improving profitability helped by fast growth of our scalable platforms
- 19.99% stake in Phoenix Group gives us access to:
  - Benefits of efficiency improvements from Phoenix Group administration of SLAL back-books
  - Opportunity to participate in efficiency gains from further consolidation as Phoenix Group becomes a consolidator of choice in a £560bn market

**Ongoing focus on financial discipline as we drive our cost income ratio down to 60% over the medium term**

# Growing and diversifying our revenue and profit




## Capitalise on global opportunities

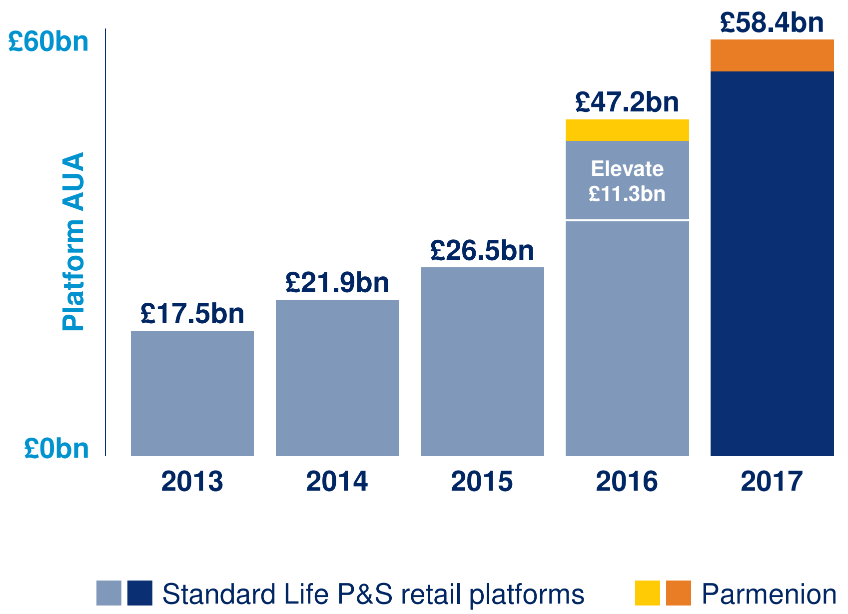
Grow internationally, through a targeted approach to the world's largest asset management markets

**USA Europe India China Japan SE Asia**

## Strong balance sheet supports strategic flexibility

# Democratisation of financial risk is driving growth in retail assets globally

## Consistently strong growth in UK platform AUA




## Further exposure to fast growing retail markets

**1825**

- Building out our national advice business to capitalise on growing need for advice

**India and China associate and JV business**

- HDFC Life: over 50 million customer lives
- HDFC AMC: 6 million accounts
- Heng An Standard Life: 20 million customers

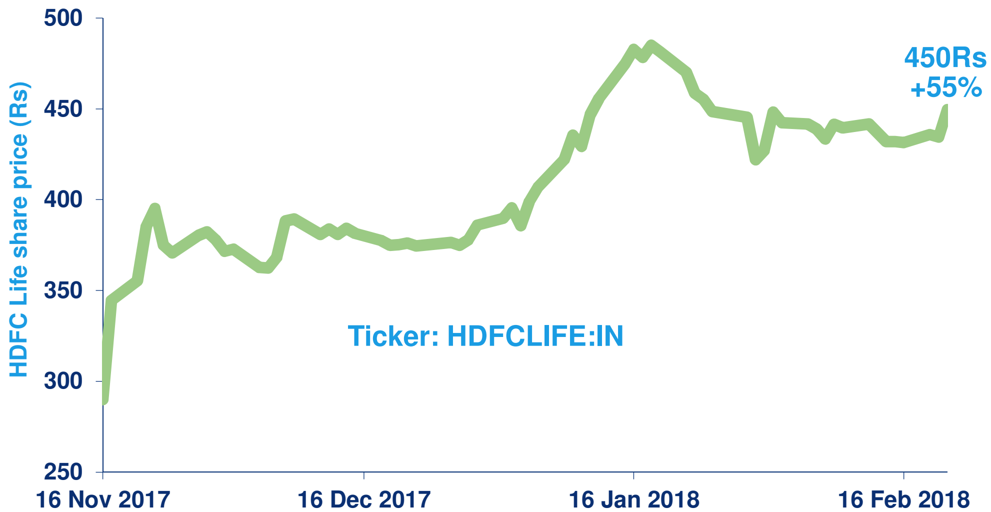
**Strategic partnership with Phoenix Group**

- Marketing access to 10 million+ customers
- Benefitting from growth in DC workplace through default investment solutions
- Further opportunities from consolidation of back-books

**Access to retail distribution is key to building of a world-class investment company**

# Recognising the value of our Indian associates

## Successful IPO of HDFC Life completed




- Successful IPO of HDFC Life completed in November 2017
- Net proceeds from IPO of our 5.4ppts stake of £359m and remaining stake of 29.35%
- Market cap[1]: £10.0bn / 903Rs bn – up 55% since IPO

## Proposed IPO of HDFC AMC – India's leading asset manager

**Largest 5 Indian Asset Managers[2]**

| | HDFC AMC | Peer 1 | Peer 2 | Peer 3 | Peer 4 |
|---|---|---|---|---|---|
| **Average AUM Rs tn[2]** | 2.9 | 2.9 | 2.4 | 2.4 | 2.1 |
| **Revenue Rs bn[3]** | 15.9 | 13.5 | 14.0 | 9.9 | 7.8 |
| **Revenue yield (bps)[3,4]** | 73 | 61 | 74 | 57 | 57 |
| **Profit after tax Rs bn[3]** | 5.5 | 4.8 | 4.0 | 2.2 | 2.2 |
| **Market cap[1] RS bn** | n/a | n/a | 167 | n/a | n/a |

- AUM of £34.0bn with CAGR of 24% over last 5 years[5]
- Current stake of 38.24%
- Announced initiation of process of an IPO subject to receipt of necessary approvals

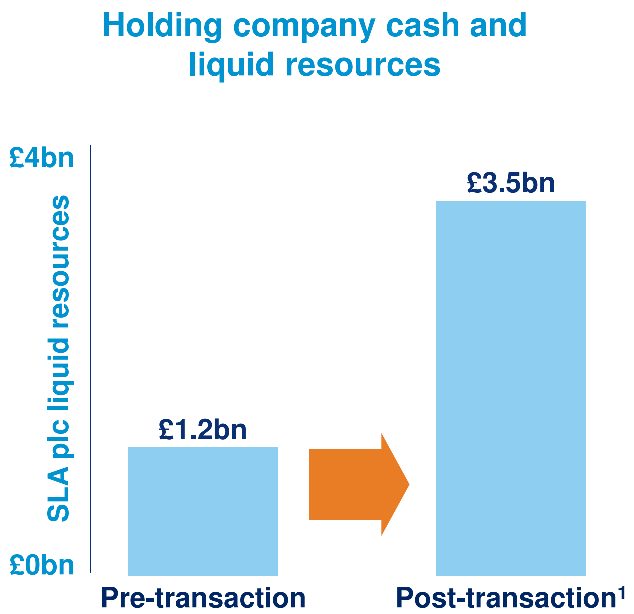
**Two fast growing businesses leveraging one of India's most valuable brands[6]**

1. As at 21 February 2018 using data from the National Stock Exchange of India. 2. Source: AMFI, measured using average AUM for 3 months to 31 December 2017. 3. Source: Annual reports, for 12 months ending 31 March 2017. 4. Total revenues as a % of annual average AUM to 31 March 2017. 5. In constant currency. 6. Source: WPP, Kantar Millward Brown, 2017.

# Attracting, retaining and developing talented people


- Creating a world-class culture
- Building a more diverse and inclusive workplace
- Attracting talented people globally
- Enabling our people to achieve their potential

# Balancing investment for future growth with returns to shareholders




## Providing support to drive further growth

- Allows investment in:
  - Our leading platforms and growing advice business 1825
  - Broadening and deepening our investment capabilities
  - Expanding global distribution, particularly in USA and Asia
  - Technology to drive investment performance and customer experience
- Increases ability to co-invest and seed our growing range of "new active" investment solutions
- Accelerated by selective bolt-on acquisitions rather than transformative deals

## Ongoing focus on ensuring an efficient capital structure

- Expect to move to CRD IV capital regime post-completion
- Optimal capital structure to be determined in due course
- Helping to drive returns for shareholders

1. Includes £1.2bn of SLA plc liquid resources plus £2.3bn cash consideration.

# Building a diversified world-class investment company

- Merger to create Standard Life Aberdeen accelerated our journey
- Proposed transaction and new strategic partnership completes our transformation
- World-class investment company foundations firmly in place:
  - Core strengths in asset management
  - Access to fast growing retail assets through: market-leading platforms, India and China businesses and growing mature retail books through Phoenix Group
- Ongoing focus on financial discipline and driving down unit costs
- Financial strength and cash generation to drive growth and support our progressive dividend policy

**Delivering long-term value for our clients, our people and our shareholders**

# Full year results 2017

## Bill Rattray

# Simple and consistent business model driving profit

## Increasing assets

**AUMA**

**up 1%**

to **£654.9bn**

(2016: £647.6bn)

## Growing revenue

**Fee based revenue**

**up 3%**

to **£2,763m**

(2016: £2,686m)

**Cost/income ratio**

**up 2ppts**

to **66%**

(2016: 64%)

## Lowering unit costs

## Driving profit

**Adjusted profit before tax of £1,039m**

(2016: £1,054m)

**Adjusted diluted EPS of 28.9p**

(2016: 28.8p)

## Generating cash and optimising the balance sheet

Adjusted cash generation of **£841m** (2016: £893m)
and strong holding company liquid resources of **£1.2bn** (2016: £0.9bn)

## Growing the dividend

Final dividend of 14.30p making a total of 21.30p for the year **up 7.5%**

All figures except dividend are presented on a Pro forma basis. Pro forma results for the Group are prepared as if Standard Life and Aberdeen had always been merged and are included to assist in explaining trends in financial performance.

# Adjusted profit before tax

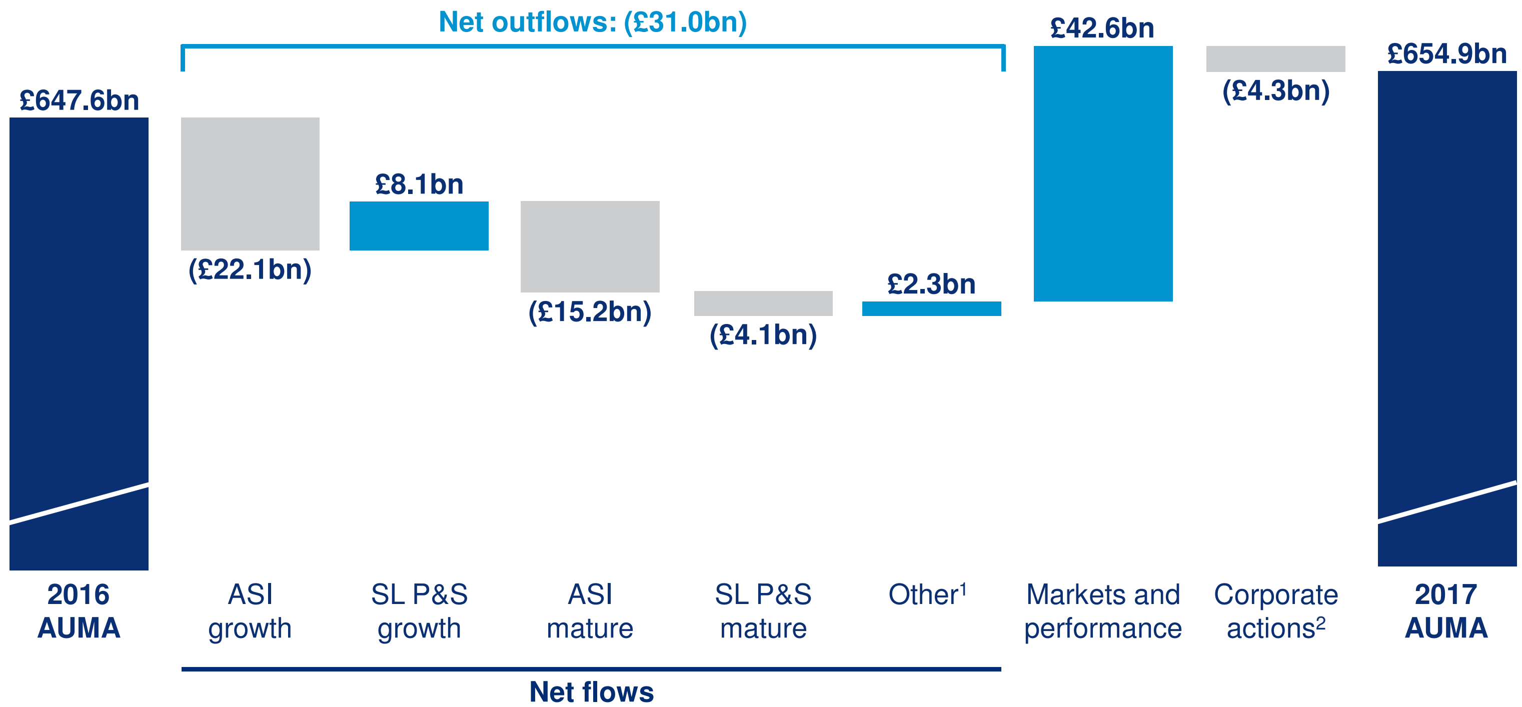
Driving profit

## Adjusted profit before tax (Pro forma basis)

| | 2017 £m | 2016 £m |
|---|---|---|
| Fee based revenue | 2,763 | 2,686 |
| Spread/risk margin | 165 | 134 |
| Total adjusted operating income | 2,928 | 2,820 |
| Total adjusted operating expenses | (1,994) | (1,853) |
| Adjusted operating profit | 934 | 967 |
| Capital management | 6 | 11 |
| Share of associates' and joint ventures' profit before tax | 99 | 76 |
| **Adjusted profit before tax (Pro forma basis)** | **1,039** | **1,054** |
| Total tax on adjusted profit | (175) | (193) |
| **Adjusted profit after tax (Pro forma basis)** | **864** | **861** |
| **Adjusted diluted earnings per share (Pro forma basis)** | **28.9p** | **28.8p** |

# Stable assets with positive market movements offsetting net outflows

Increasing assets




**Outflows from ASI partly offset by strong growth in Standard Life (Pensions and Savings)**

1. Includes India and China life net inflows of £0.5bn and Eliminations of £1.8bn. 2. Corporate actions in the period include previously announced closure of an uneconomic multi-manager fund range, the rationalisation of the US fixed income business and the reduction of our stake in HDFC Life.

# Benefiting from diversification across our growth channels

Increasing assets

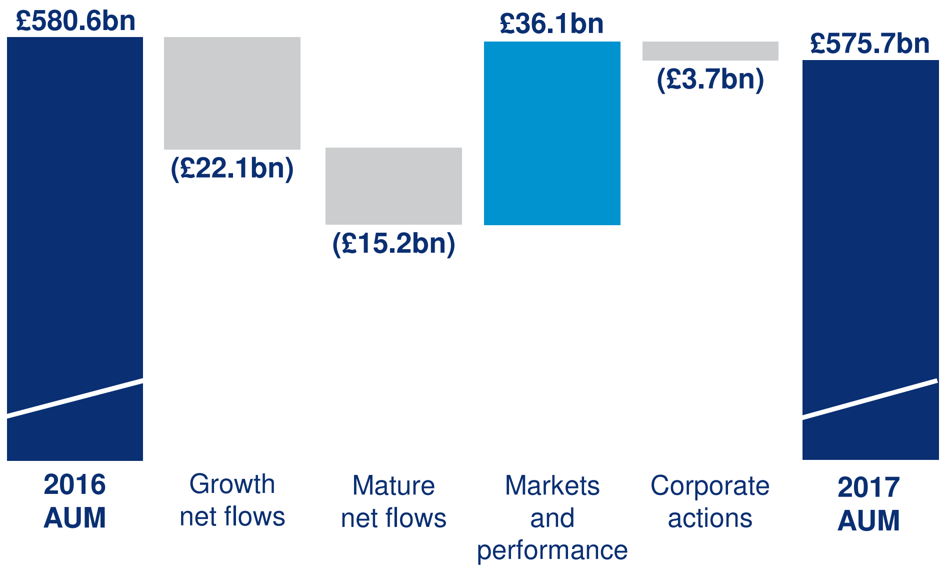
| | Gross inflows | | | Redemptions | | | Net flows | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2017 £bn | 2016 £bn | | 2017 £bn | 2016 £bn | | 2017 £bn | 2016 £bn | |
| Institutional | 24.3 | 28.6 | | (44.0) | (45.4) | | (19.7) | (16.8) | |
| Wholesale | 24.2 | 24.8 | | (27.7) | (34.9) | | (3.5) | (10.1) | |
| Wealth/Digital | 2.4 | 1.7 | | (1.3) | (0.9) | | 1.1 | 0.8 | |
| **Aberdeen Standard Investments Growth** | **50.9** | **55.1** | | **(73.0)** | **(81.2)** | | **(22.1)** | **(26.1)** | |
| UK Retail | 12.9 | 8.1 | | (6.5) | (4.4) | | 6.4 | 3.7 | |
| UK Workplace | 4.2 | 4.1 | | (2.8) | (2.4) | | 1.4 | 1.7 | |
| Europe growth | 1.3 | 1.3 | | (1.0) | (0.8) | | 0.3 | 0.5 | |
| **Standard Life (Pensions and Savings) Growth** | **18.4** | **13.5** | | **(10.3)** | **(7.6)** | | **8.1** | **5.9** | |
| Eliminations | (4.0) | (3.5) | | 3.1 | 2.4 | | (0.9) | (1.1) | |
| **Total Growth** | **65.3** | **65.1** | **+0.2** | **(80.2)** | **(86.4)** | **+6.2** | **(14.9)** | **(21.3)** | **+6.4** |
| ***Net flows (% of opening AUMA)*** | | | | | | | ***(3.7%)*** | ***(6.0%)*** | |

**Stable gross inflows, lower redemptions and improving net flows**

# Aberdeen Standard Investments demonstrating improvement across most asset classes

Increasing assets

## Movement in assets under management



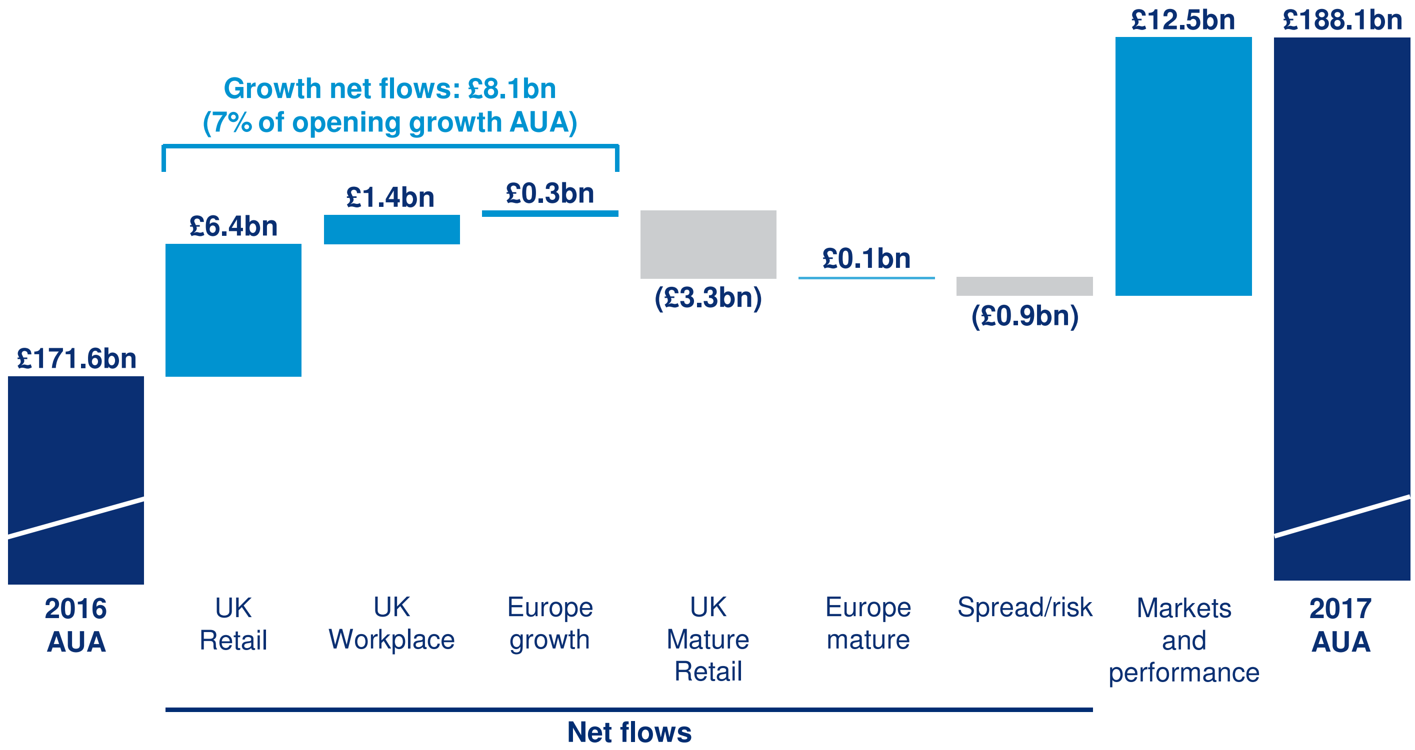

## Analysis of growth net flows

| | 2017 £bn | 2016 £bn | £bn |
|---|---|---|---|
| Equities | (8.2) | (13.9) | +5.7 |
| Fixed income | (3.3) | (5.3) | +2.0 |
| Multi-asset and Quantitative | (7.4) | (3.8) | -3.6 |
| Private markets and alternatives | (0.8) | (1.2) | +0.4 |
| Real estate | (1.0) | (1.6) | +0.6 |
| Cash/liquidity | (1.4) | (0.3) | -1.1 |
| **Growth net flows** | **(22.1)** | **(26.1)** | **+4.0** |

**Improving momentum across a broad range of growth products and stable net outflows from mature books**

# Continued strong growth in Pensions and Savings AUA driven by Retail and Workplace

Increasing assets




**Record net flows into UK Retail up 73% on 2016**

# Aberdeen Standard Investments revenue benefiting from strong market levels

Growing revenue

## Aberdeen Standard Investments

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | £m | bps[1] | £m | bps[1] |
| Equities | 667 | 67.9 | 637 | 67.7 |
| Fixed income | 145 | 29.4 | 163 | 31.5 |
| Multi-asset and Quantitative | 435 | 56.6 | 461 | 57.4 |
| Private markets and alternatives | 119 | 41.5 | 108 | 41.4 |
| Real estate | 153 | 54.2 | 165 | 56.5 |
| Cash/liquidity | 14 | 7.4 | 18 | 9.4 |
| **Growth** | **1,533** | **51.1** | **1,552** | **51.6** |
| **Mature** | **379** | **13.7** | **368** | **13.8** |
| **Fee revenue** | **1,912** | **33.3** | **1,920** | **33.8** |

- Modest reduction in growth revenue margins reflects:
  - Outflows from GARS impacting revenue from multi-asset
  - Lower margins within fixed income and real estate
  - Dampened by higher proportion of AUM in equities
- Revenue margins also benefited from transaction fees of £13m (2016: £14m)
- Performance fees of £26m (2016: £33m) are excluded from revenue margin calculation
- Stable margins across our mature book of business

**Stable revenue reflects our strength in "new active" investment propositions**

1. Calculated using fee revenue (excluding performance fees) and average AUM (excluding HDFC AMC).

# Continuing growth in fee revenue in Standard Life Pension and Savings

Growing revenue

## Standard Life Pensions and Savings

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | £m | bps[1] | £m | bps[1] |
| UK Retail[2] | 303 | 42.5 | 228 | 46.3 |
| UK Workplace | 194 | 49.6 | 185 | 53.6 |
| Europe growth | 100 | 87.7 | 95 | 95.8 |
| **Growth[2]** | **597** | **49.1** | **508** | **54.3** |
| UK Mature Retail | 260 | 75.0 | 251 | 76.7 |
| Europe mature fee | 107 | 110.7 | 102 | 109.7 |
| **Mature fee** | **367** | **82.7** | **353** | **82.1** |
| **Fee revenue[2]** | **964** | **58.2** | **861** | **63.1** |

- UK Retail and Workplace growth fee revenue up 20% (13% excluding Elevate)
- Growth fee revenue margins reflect change in mix:
  - Greater proportion of platform AUA within UK Retail including impact of acquisition of Elevate
  - Greater proportion of AUA from large employers within Workplace
- Stable revenue from our mature books

**Increasing revenue driven by growth channels and stable mature books**

1. Calculated using fee revenue and average AUM. 2. UK Retail revenue margin calculation excludes revenue from cash balances.

# Spread/risk margin benefited from asset liability management and expectations of higher future mortality rates

Growing revenue

## Spread/risk margin

| | 2017 £m | 2016 £m |
|---|---|---|
| New business | 3 | 5 |
| Existing business | 48 | 40 |
| Asset liability management (ALM) | 23 | 25 |
| | **74** | **70** |
| Changes to scheme of demutualisation on adoption of Solvency II | - | 22 |
| Operating assumption and actuarial reserving changes | 91 | 42 |
| **Spread/risk margin** | **165** | **134** |

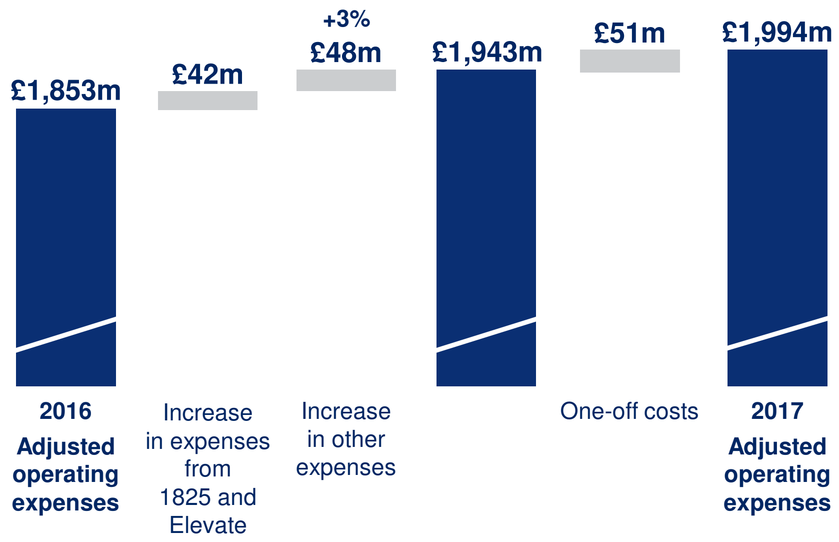
- Existing business includes £7m mortality experience benefit from periodic annuitant verification in H1 2017
- Asset liability management (ALM) includes:
  - £7m benefit from improved asset/liability matching
  - £16m benefit from yield improvement activities
- Expect further ALM yield improvement benefit of up to £15m in 2018
- Operating assumption and actuarial reserving changes reflecting expectations of higher future mortality rates

**Further smaller benefits from asset liability management expected in 2018**

# Cost/income ratio reflects impact of non-recurring items

Lowering unit costs

## Modest growth in the underlying expense base




## Non-recurring items impacting cost/income ratio

| | 2017 | 2016 |
|---|---|---|
| Cost/income ratio[1] | 65.9% | 64.0% |
| One-off costs | (1.7%) | - |
| | 64.2% | 64.0% |

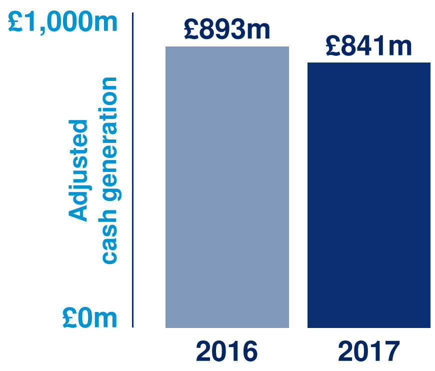
- Integration of Elevate progressing well with the business expected to breakeven[2] in 2018
- Cost/income ratio also impacted by build-out of 1825 with business now profitable

**Continued focus on driving down the cost/income ratio over the medium term**

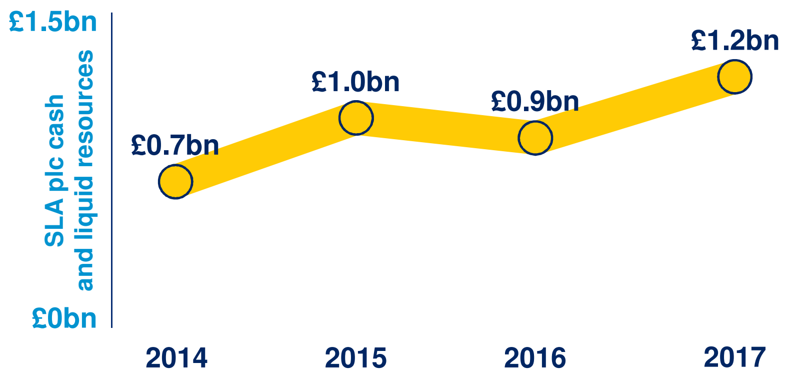
1. Adjusted operating expenses divided by adjusted operating income (including share of associates' and joint ventures' profit before tax). 2. Based on adjusted profit before tax.

# Cash generation supports our progressive dividend

## Adjusted cash generation




## Strong holding company cash and liquid resources

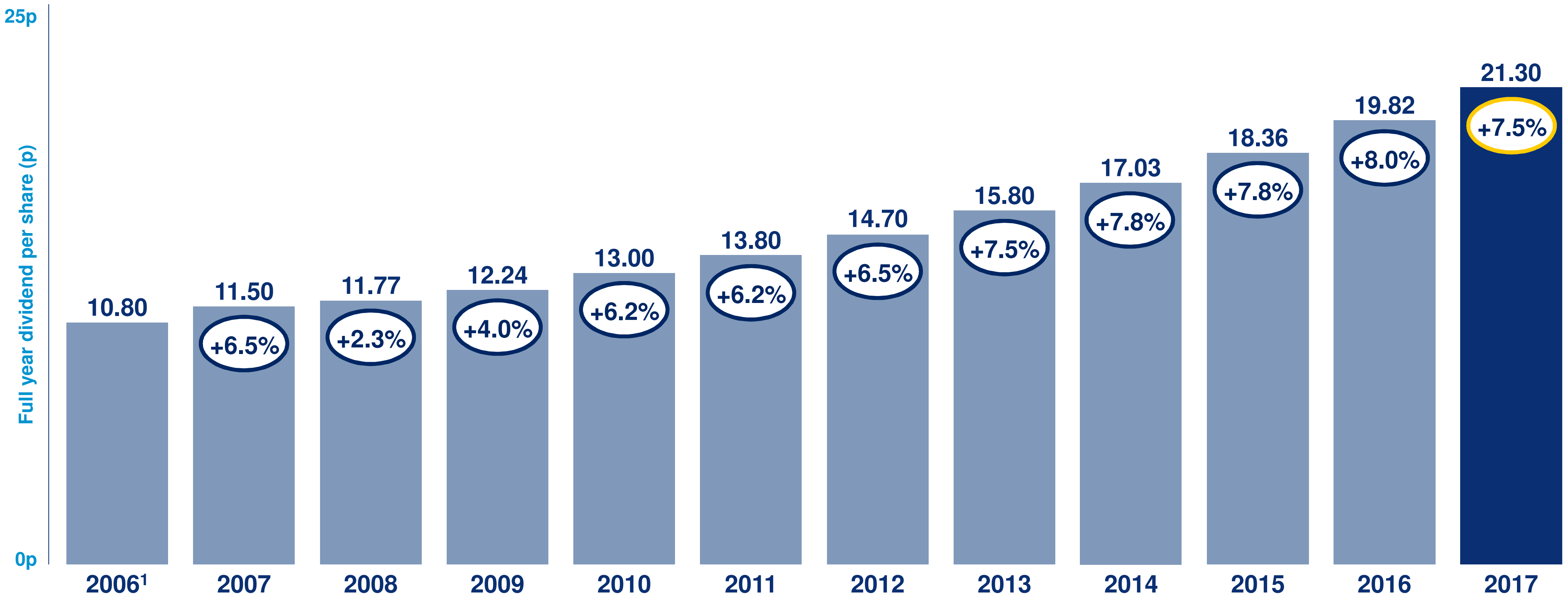



- Adjusted cash generation aligned to IFRS earnings:
  - Includes dividends received from Indian associates of £22m (2016: £16m) but excludes pre-tax profits of £99m (2016: £76m)

- Includes £359m from sale of stake in HDFC Life and proceeds of US$750m debt issue (net of planned redemption of existing US$500m instrument)
- Partly offset by merger integration and transaction expenses

**Strong holding company cash, well supported dividend and strategic flexibility to pursue growth opportunities**

# Full year dividend up 7.5% to 21.30p




**Strongly covered by adjusted cash generation of 28.2p per share**

1. Implied final dividend based on 5.40p dividend for period from demutualisation to 31 December 2006.

# Our vision: Building a world-class investment company

- Accelerated in 2017 by merger to create Standard Life Aberdeen
- Completed through sale of SLAL and strengthened strategic relationship with Phoenix Group

**Foundation for world-class investment company firmly in place**

| | | |
|---|---|---|
| ✓ Scale to drive efficiency and to invest | ✓ Global distribution and client reach | ✓ Well diversified and modern investment offering |

✓ Access to fast growing retail customers' assets via leading retail platforms in the UK, India and China businesses and strategic partnership with Phoenix Group

- Balancing investment for future growth with returns to shareholders

**With financial strength and cash generation to drive growth and support our progressive dividend policy**

# Questions and answers

# Appendix

# Analysis of profit by business unit (Pro forma and Reported basis)

| | Aberdeen Standard Investments | | UK Pensions and Savings | | Europe Pensions and Savings | | India and China life | | Other | | Eliminations | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m | **2017 £m** | 2016 £m |
| Fee based revenue | **1,912** | 1,920 | **757** | 664 | **207** | 197 | **12** | 17 | **-** | - | **(125)** | (112) | **2,763** | 2,686 |
| Spread/risk margin | **-** | - | **159** | 119 | **6** | 15 | **-** | - | **-** | - | **-** | - | **165** | 134 |
| Total adjusted operating income | **1,912** | 1,920 | **916** | 783 | **213** | 212 | **12** | 17 | **-** | - | **(125)** | (112) | **2,928** | 2,820 |
| Total adjusted operating expenses | **(1,278)** | (1,231) | **(503)** | (400) | **(141)** | (143) | **(11)** | (22) | **(61)** | (57) | **-** | - | **(1,994)** | (1,853) |
| Investment management fees to Aberdeen Standard Investments | **-** | - | **(96)** | (87) | **(29)** | (25) | **-** | - | **-** | - | **125** | 112 | **-** | - |
| Adjusted operating profit | **634** | 689 | **317** | 296 | **43** | 44 | **1** | (5) | **(61)** | (57) | **-** | - | **934** | 967 |
| Capital management | **2** | (2) | **22** | 23 | **(1)** | (1) | **-** | - | **(17)** | (9) | **-** | - | **6** | 11 |
| Share of associates' and joint venture's profit before tax | **41** | 35 | **-** | - | **-** | - | **58** | 41 | **-** | - | **-** | - | **99** | 76 |
| **Adjusted profit before tax (pro forma basis[1])** | **677** | **722** | **339** | **319** | **42** | **43** | **59** | **36** | **(78)** | **(66)** | **-** | **-** | **1,039** | **1,054** |
| Adjust for Aberdeen results pre-merger completion (pre-14 August 2017) | **(185)** | (336) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(185)** | (336) |
| **Adjusted profit before tax (reported basis[1])** | **492** | **386** | **339** | **319** | **42** | **43** | **59** | **36** | **(78)** | **(66)** | **-** | **-** | **854** | **718** |
| Tax on adjusted profit | **(86)** | (73) | **(77)** | (55) | **48** | (16) | **-** | - | **7** | 18 | **-** | - | **(108)** | (126) |
| Share of associates' and joint ventures' tax expense | **(29)** | (11) | **-** | - | **-** | - | **(12)** | (2) | **-** | - | **-** | - | **(41)** | (13) |
| Adjusted profit after tax | **377** | 302 | **262** | 264 | **90** | 27 | **47** | 34 | **(71)** | (48) | **-** | - | **705** | 579 |
| Adjusting items | **(151)** | (53) | **(82)** | (213) | **2** | 6 | **268** | (3) | **(77)** | (6) | **-** | - | **(40)** | (269) |
| Tax on adjusting items | **25** | 10 | **11** | 42 | **(13)** | 4 | **-** | - | **19** | 2 | **-** | - | **42** | 58 |
| Profit attributable to non-controlling interests (preference shares and perpetual notes) | **(8)** | - | **-** | - | **-** | - | **-** | - | **-** | - | **-** | - | **(8)** | - |
| **Profit for the year attributable to equity holders of Standard Life Aberdeen plc** | **243** | **259** | **191** | **93** | **79** | **37** | **315** | **31** | **(129)** | **(52)** | **-** | **-** | **699** | **368** |

1. The merger of Standard Life plc and Aberdeen Asset Management plc (Aberdeen) completed on 14 August 2017, with the merger accounted for as an acquisition of Aberdeen by Standard Life plc on that date. The Reported results reflect this accounting treatment. Pro forma results for the Group are prepared as if Standard Life plc and Aberdeen had always been merged and are included in these results to assist in explaining trends in financial performance. The difference between the Reported results and Pro forma results is the results of Aberdeen in the period prior to completion of the merger. A reconciliation between profitability on a Pro forma basis and the Reported results is included on page 35 of the Annual report and accounts 2017.

# Adjusted profit by business unit (Pro forma and Reported basis)

| | Pro forma basis | | Reported basis | |
|---|---|---|---|---|
| | 2017 £m | 2016 £m | 2017 £m | 2016 £m |
| **Aberdeen Standard Investments** | **677** | **722** | **492** | **386** |
| UK Pensions and Savings | 339 | 319 | 339 | 319 |
| Europe Pensions and Savings | 42 | 43 | 42 | 43 |
| **Standard Life Pensions and Savings** | **381** | **362** | **381** | **362** |
| Hong Kong | 1 | (5) | 1 | (5) |
| Share of associates' and joint ventures' profit before tax | 58 | 41 | 58 | 41 |
| **India and China life** | **59** | **36** | **59** | **36** |
| **Other[1]** | **(78)** | **(66)** | **(78)** | **(66)** |
| **Adjusted profit before tax** | **1,039** | **1,054** | **854** | **718** |
| Adjusting items | | | (40) | (269) |
| Profit attributable to non-controlling interests (preference shares and perpetual notes) | | | (8) | - |
| Total tax (incl. share of associates' and joint ventures' tax expense) | | | (107) | (81) |
| **Profit for the year attributable to equity holders of SLA plc (reported basis)** | | | **699** | **368** |

1. Other primarily relates to corporate centre costs and head office related activities.

# Lower net impact of adjusting items

| | | Reported basis 2017 £m | 2016 £m |
|---|---|---|---|
| **One-off:** | Gain on sale of 5.4ppts stake in HDFC Life | 302 | - |
| | Provision for annuity sales practices | (100) | (175) |
| **Other:** | Short-term fluctuations in investment return and economic assumption changes | 67 | 13 |
| | Restructuring and corporate transaction expenses | (173) | (67) |
| | Amortisation and impairment of intangible assets acquired in business combinations | (138) | (38) |
| | Other (incl. coupon payments on perpetual notes classified as equity) | 2 | (2) |
| **Adjusting items** | | **(40)** | **(269)** |

# AUMA and flows supplementary information

| | Gross inflows | | Net flows | | AUMA | | | Adjusted operating income | | Fee revenue yield[1] | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017 £bn** | 2016 £bn | **2017 £bn** | 2016 £bn | **2017 £bn** | 2016 £bn | 2015 £bn | **2017 £m** | 2016 £m | **2017 bps** | 2016 bps |
| **Aberdeen Standard Investments:** | | | | | | | | | | | |
| Equities | 16.2 | 15.0 | (8.2) | (13.9) | 104.5 | 97.4 | 90.3 | 667 | 637 | 67.9 | 67.7 |
| Fixed income | 8.4 | 9.4 | (3.3) | (5.3) | 51.4 | 55.1 | 53.1 | 145 | 163 | 29.4 | 31.5 |
| Multi-asset | 13.9 | 16.7 | (6.9) | (3.6) | 72.4 | 79.1 | 74.5 | 432 | 458 | 57.7 | 58.6 |
| Private markets and alternatives | 1.9 | 1.6 | (0.8) | (1.2) | 24.5 | 25.7 | 23.2 | 119 | 108 | 41.5 | 41.4 |
| Real estate | 3.6 | 4.3 | (1.0) | (1.6) | 28.5 | 27.5 | 28.7 | 153 | 165 | 54.2 | 56.5 |
| Quantitative | 0.2 | 0.3 | (0.5) | (0.2) | 2.2 | 2.4 | 2.4 | 3 | 3 | 12.1 | 14.3 |
| Cash/liquidity | 6.7 | 7.8 | (1.4) | (0.3) | 20.4 | 21.9 | 19.3 | 14 | 18 | 7.4 | 9.4 |
| **Growth** | **50.9** | **55.1** | **(22.1)** | **(26.1)** | **303.9** | **309.1** | **291.5** | **1,533** | **1,552** | **51.1** | **51.6** |
| Standard Life Pensions and Savings | 3.3 | 3.5 | (2.7) | (2.1) | 92.2 | 90.2 | 83.1 | N/A | N/A | N/A | N/A |
| Third party strategic partner life business | 12.3 | 12.9 | (12.5) | (11.5) | 179.6 | 181.3 | 169.1 | N/A | N/A | N/A | N/A |
| **Mature** | **15.6** | **16.4** | **(15.2)** | **(13.6)** | **271.8** | **271.5** | **252.2** | **379** | **368** | **13.7** | **13.8** |
| **Total Aberdeen Standard Investments** | **66.5** | **71.5** | **(37.3)** | **(39.7)** | **575.7** | **580.6** | **543.7** | **1,912** | **1,920** | **33.3** | **33.8** |
| **Standard Life Pensions and Savings:** | | | | | | | | | | | |
| UK Retail[2] | 12.9 | 8.1 | 6.4 | 3.7 | 75.7 | 62.9 | 42.6 | 303 | 228 | 42.5 | 46.3 |
| UK Workplace | 4.2 | 4.1 | 1.4 | 1.7 | 40.2 | 37.4 | 33.0 | 194 | 185 | 49.6 | 53.6 |
| Europe growth | 1.3 | 1.3 | 0.3 | 0.5 | 12.0 | 10.8 | 9.3 | 100 | 95 | 87.7 | 95.8 |
| **Growth** | **18.4** | **13.5** | **8.1** | **5.9** | **127.9** | **111.1** | **84.9** | **597** | **508** | **49.1** | **54.3** |
| UK Mature Retail | 0.6 | 0.6 | (3.3) | (3.4) | 35.2 | 34.9 | 34.0 | 260 | 251 | 75.0 | 76.7 |
| Europe mature | 0.7 | 0.7 | 0.1 | (0.1) | 9.9 | 9.5 | 7.9 | 107 | 102 | 110.7 | 109.7 |
| Spread/risk | 0.2 | 0.2 | (0.9) | (0.9) | 15.1 | 16.1 | 14.9 | 165 | 134 | N/A | N/A |
| **Mature** | **1.5** | **1.5** | **(4.1)** | **(4.4)** | **60.2** | **60.5** | **56.8** | **532** | **487** | **N/A** | **N/A** |
| **Total Standard Life Pensions and Savings** | **19.9** | **15.0** | **4.0** | **1.5** | **188.1** | **171.6** | **141.7** | **1,129** | **995** | **N/A** | **N/A** |
| **India and China life** | **1.0** | **0.9** | **0.5** | **0.4** | **4.8** | **4.6** | **2.8** | **12** | **17** | **N/A** | **N/A** |
| Eliminations | (7.3) | (7.0) | 1.8 | 1.0 | (113.7) | (109.2) | (101.6) | (125) | (112) | N/A | N/A |
| **Total Standard Life Aberdeen** | **80.1** | **80.4** | **(31.0)** | **(36.8)** | **654.9** | **647.6** | **586.6** | **2,928** | **2,820** | **N/A** | **N/A** |

1. Calculated using fee revenue excluding performance fees and average AUM (excluding HDFC AMC). 2. UK Retail revenue margin calculation excludes revenue from cash balances.

# Aberdeen Standard Investments demonstrating improvement across most asset classes

| Net flows | Q1 2017 £bn | Q2 2017 £bn | Q3 2017 £bn | Q4 2017 £bn | 2017 £bn | 2016 £bn |
|---|---|---|---|---|---|---|
| Equities | (1.5) | (1.9) | (1.9) | (2.9) | (8.2) | (13.9) |
| Fixed income | (0.2) | (1.4) | (1.1) | (0.6) | (3.3) | (5.3) |
| Multi-asset | (2.0) | (1.8) | (1.8) | (1.3) | (6.9) | (3.6) |
| Private markets and alternatives | (0.2) | (0.3) | (0.2) | (0.1) | (0.8) | (1.2) |
| Real estate | (0.1) | (0.6) | (0.2) | (0.1) | (1.0) | (1.6) |
| Quantitative | - | (0.4) | (0.1) | - | (0.5) | (0.2) |
| Cash/liquidity | 1.3 | 0.1 | (2.1) | (0.7) | (1.4) | (0.3) |
| **Growth channels** | **(2.7)** | **(6.3)** | **(7.4)** | **(5.7)** | **(22.1)** | **(26.1)** |
| Standard Life Pensions and Savings | (0.7) | (0.7) | (0.7) | (0.6) | (2.7) | (2.1) |
| Third party strategic partner life business | (2.9) | (3.1) | (3.6) | (2.9) | (12.5) | (11.5) |
| **Mature channels** | **(3.6)** | **(3.8)** | **(4.3)** | **(3.5)** | **(15.2)** | **(13.6)** |
| **Aberdeen Standard Investments total** | **(6.3)** | **(10.1)** | **(11.7)** | **(9.2)** | **(37.3)** | **(39.7)** |

- Higher multi-asset outflows reflect GARS net outflows of £10.7bn (2016: £4.3bn)
- Cash/liquidity net flows can vary quarter-on-quarter and reflect client cash management activities

**Merger impact on ASI flows limited and in line with expectations**

# Aberdeen Standard Investments growth AUM

| Analysis by asset class | Opening AUM as at 1 Jan 2017 £bn | Gross inflows £bn | Redemptions £bn | Net flows £bn | Markets and performance £bn | Corporate actions £bn | Closing AUM as at 31 Dec 2017 £bn |
|---|---|---|---|---|---|---|---|
| Developed Markets equities | 15.8 | 2.4 | (3.2) | (0.8) | 1.3 | - | 16.3 |
| Emerging Markets equities | 33.9 | 5.6 | (8.4) | (2.8) | 5.9 | - | 37.0 |
| Asia Pacific equities | 26.1 | 4.6 | (7.7) | (3.1) | 4.7 | - | 27.7 |
| Global equities | 21.6 | 3.6 | (5.1) | (1.5) | 3.4 | - | 23.5 |
| **Total Equities** | **97.4** | **16.2** | **(24.4)** | **(8.2)** | **15.3** | **-** | **104.5** |
| Developed Markets credit | 37.8 | 4.8 | (9.1) | (4.3) | 0.7 | (1.3) | 32.9 |
| Developed Markets rates | 5.5 | 1.4 | (1.2) | 0.2 | - | - | 5.7 |
| Emerging Markets fixed income | 11.8 | 2.2 | (1.4) | 0.8 | 0.2 | - | 12.8 |
| **Total Fixed income** | **55.1** | **8.4** | **(11.7)** | **(3.3)** | **0.9** | **(1.3)** | **51.4** |
| Absolute return | 48.9 | 5.8 | (15.6) | (9.8) | 0.7 | - | 39.8 |
| Diversified growth/income | 0.7 | 1.0 | (0.3) | 0.7 | 0.1 | - | 1.5 |
| MyFolio | 10.6 | 3.3 | (1.3) | 2.0 | 0.7 | - | 13.3 |
| Other multi-asset | 9.1 | 1.4 | (2.2) | (0.8) | 0.6 | (2.4) | 6.5 |
| Parmenion | 3.0 | 1.5 | (0.2) | 1.3 | 0.1 | - | 4.4 |
| Standard Life Wealth | 6.8 | 0.9 | (1.2) | (0.3) | 0.4 | - | 6.9 |
| **Total Multi-asset** | **79.1** | **13.9** | **(20.8)** | **(6.9)** | **2.6** | **(2.4)** | **72.4** |
| Private equity | 14.6 | 0.8 | (1.4) | (0.6) | (0.2) | (1.4) | 12.4 |
| Private credit and solutions | - | 0.3 | - | 0.3 | - | - | 0.3 |
| Alternative investment solutions | 8.9 | 0.8 | (1.3) | (0.5) | (0.4) | - | 8.0 |
| Infrastructure equity | 2.2 | - | - | - | 0.2 | 1.4 | 3.8 |
| **Total Private markets and alternatives** | **25.7** | **1.9** | **(2.7)** | **(0.8)** | **(0.4)** | **-** | **24.5** |
| UK real estate | 15.2 | 1.4 | (2.0) | (0.6) | 1.2 | - | 15.8 |
| European real estate | 10.5 | 2.1 | (2.3) | (0.2) | 0.8 | - | 11.1 |
| Global real estate | 0.2 | - | (0.1) | (0.1) | - | - | 0.1 |
| Real estate multi-manager | 1.6 | 0.1 | (0.2) | (0.1) | - | - | 1.5 |
| **Total Real estate** | **27.5** | **3.6** | **(4.6)** | **(1.0)** | **2.0** | **-** | **28.5** |
| **Total Quantitative** | **2.4** | **0.2** | **(0.7)** | **(0.5)** | **0.3** | **-** | **2.2** |
| **Total Cash/liquidity** | **21.9** | **6.7** | **(8.1)** | **(1.4)** | **(0.1)** | **-** | **20.4** |
| **Total growth assets under management** | **309.1** | **50.9** | **(73.0)** | **(22.1)** | **20.6** | **(3.7)** | **303.9** |

# Aberdeen Standard Investments fee revenue

| | Average AUM | | Average AUM (ex. HDFC AMC) | | Revenue | | Fee revenue yield[1] | |
|---|---|---|---|---|---|---|---|---|
| | 2017 £bn | 2016 £bn | 2017 £bn | 2016 £bn | 2017 £m | 2016 £m | 2017 bps | 2016 bps |
| Equities | 103.4 | 95.0 | 98.1 | 91.8 | 667 | 637 | 67.9 | 67.7 |
| Fixed income | 52.5 | 54.4 | 49.1 | 51.6 | 145 | 163 | 29.4 | 31.5 |
| Multi-asset | 74.7 | 78.0 | 74.7 | 78.0 | 432 | 458 | 57.7 | 58.6 |
| Private markets and alternatives | 25.0 | 24.3 | 25.0 | 24.3 | 119 | 108 | 41.5 | 41.4 |
| Real estate | 28.0 | 28.7 | 28.0 | 28.7 | 153 | 165 | 54.2 | 56.5 |
| Quantitative | 2.2 | 2.3 | 2.2 | 2.3 | 3 | 3 | 12.1 | 14.3 |
| Cash/liquidity | 22.3 | 21.6 | 19.1 | 19.0 | 14 | 18 | 7.4 | 9.4 |
| **Growth** | **308.1** | **304.3** | **296.2** | **295.7** | **1,533** | **1,552** | **51.1** | **51.6** |
| **Mature** | **271.1** | **262.5** | **271.1** | **262.5** | **379** | **368** | **13.7** | **13.8** |
| **Total** | **579.2** | **566.8** | **567.3** | **558.2** | **1,912** | **1,920** | **33.3** | **33.8** |

1. Excludes performance fees of £26m (2016: £33m).

# Aberdeen Standard Investments adjusted profit before tax

## Aberdeen Standard Investments adjusted profit before tax

| | 2017 £m | 2016 £m |
|---|---|---|
| Fee based revenue | 1,912 | 1,920 |
| Total adjusted operating expenses | (1,278) | (1,231) |
| Capital management | 2 | (2) |
| HDFC AMC | 41 | 35 |
| **Adjusted profit before tax (Pro forma basis)** | **677** | **722** |

- Stable fee revenue with performance fees of £26m (2016: £33m)
- Operating expenses include one-off £20m relating to the alignment of accounting treatment following merger
- Expect costs associated with MiFID2 of £25m in 2018
- Capital management includes fair value gains on investment securities of £30m (2016: £22m)

**Investment performance[1]** 1 year 70% | 3 years 63% | 5 years 64%

| | Total AUM | Growth channels AUM | Growth channels revenue bps[2] | Cost/income ratio |
|---|---|---|---|---|
| 2016 | £580.6bn | £309.1bn | 52bps | 63% |
| 2017 | £575.7bn | £303.9bn | 51bps | 65% |

**Growth and synergy opportunities to drive future operational leverage**

1. Percentage of weighted average total AUM outperforming benchmark. 2. Excludes performance fees from revenue and HDFC AMC from average AUM.

# Standard Life UK Pensions and Savings adjusted profit before tax

## UK Pensions and Savings adjusted profit before tax

| | 2017 £m | 2016 £m |
|---|---|---|
| Fee based revenue | 757 | 664 |
| Spread/risk margin | 159 | 119 |
| Total adjusted operating income | 916 | 783 |
| Total adjusted operating expenses | (599) | (487) |
| Capital management | 22 | 23 |
| **Adjusted profit before tax** | **339** | **319** |

- Fee based revenue up 14%, including 20% across growth channels, driven by Workplace and Retail as well as the acquisition of Elevate and build-out of 1825
- Spread/risk margin includes benefit from ALM and operating assumptions and reserving changes
- Expenses impacted by:
  - £9m increase in investment management fees paid to ASI
  - Acquisition of Elevate and expansion of 1825 which increased expenses by £42m
  - Non-recurring impairment of developed software of £31m which added 3ppts to the cost/income ratio

| Total fee AUA | | Workplace & Retail net inflows | | Fee revenue bps[1] | | Cost/income ratio | |
|---|---|---|---|---|---|---|---|
| **£135.2bn** | **£151.1bn** | **£5.4bn** | **£7.8bn** | **57bps** | **52bps** | **62%** | **65%** |
| 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 |

**Scalable cost base with potential to unlock further operational leverage**

1. Excludes revenue from cash balances.

# UK Pensions and Savings adjusted profit contribution

| | 2013 £m | 2014 £m | 2015 £m | 2016 £m | 2017 £m |
|---|---|---|---|---|---|
| Workplace and Retail (ex. cash margin) | 149 | 165 | 182 | 195 | 228 |
| Revenue from cash balances | 16 | 16 | 5 | 6 | 7 |
| **Workplace and Retail contribution** | **165** | **181** | **187** | **201** | **235** |
| Mature Retail | 188 | 189 | 186 | 182 | 161 |
| **Fee based business contribution[1]** | **353** | **370** | **373** | **383** | **396** |
| Spread/risk contribution | 142 | 167 | 135 | 112 | 151 |
| Indirect expenses and capital management | (165) | (187) | (174) | (176) | (208) |
| **Adjusted profit before tax** | **330** | **350** | **334** | **319** | **339** |

1. Profit contribution reflects the income and expenses directly attributable to each of the UK Pensions and Savings lines of business. Comparative data has not been restated for changes in allocation between individual lines.

# Standard Life Europe Pensions and Savings

## Europe Pensions and Savings adjusted profit before tax

| | 2017 £m | 2016 £m |
|---|---|---|
| Fee based revenue | 207 | 197 |
| Spread/risk margin | 6 | 15 |
| Total adjusted operating income | 213 | 212 |
| Total adjusted operating expenses | (170) | (168) |
| Capital management | (1) | (1) |
| **Adjusted profit before tax** | **42** | **43** |

| Total fee AUA | | Net flows | |
|---|---|---|---|
| £20.3bn | £21.9bn | £0.4bn | £0.4bn |
| 2016 | 2017 | 2016 | 2017 |

- Fee AUA up 8% benefiting from net inflows of £0.4bn and favourable market movements
- Improvement in fee business with revenue up 5% driven by growth in AUA and largely stable expense base up just 1%
- Reduction in spread/risk margin largely reflects:
  - £11m reduction in existing business profit due to adverse mortality experience partly offset by an £8m increase in operating assumption and actuarial reserving changes
  - 2016 also included a £4m benefit from changes to the scheme of demutualisation following transition to Solvency II
- Expect adjusted profit before tax of c£35m in 2018

# India and China life

## India and China life adjusted profit before tax

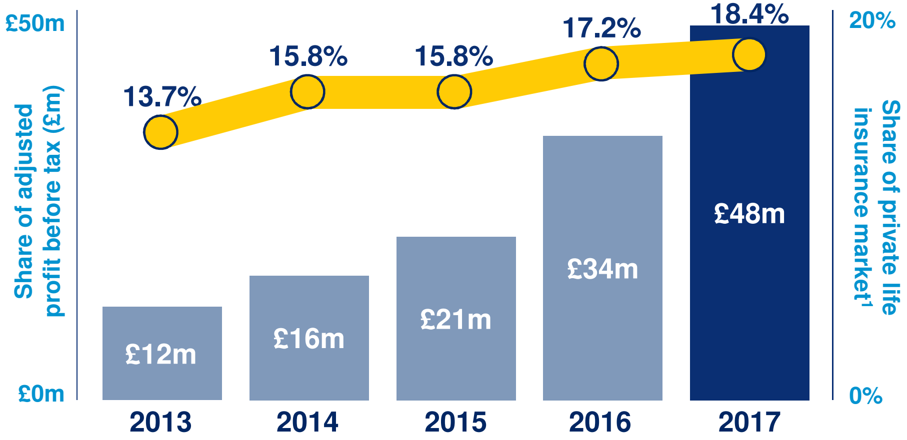
| | 2017 £m | 2016 £m |
|---|---|---|
| Hong Kong fee based revenue | 12 | 17 |
| Hong Kong adjusted operating expenses | (11) | (22) |
| Adjusted operating profit before tax | 1 | (5) |
| Share of associates' and joint ventures' profit before tax: | | |
| - HDFC Life | 48 | 34 |
| - Heng An SL | 10 | 7 |
| **Adjusted profit before tax** | **59** | **36** |

- Successful IPO of HDFC Life completed in November 2017 resulting in net cash proceeds of £359m
- Growth in sales in our joint venture in China
- Positive operating performance from Hong Kong
- In March we agreed the sale of our wholly-owned Hong Kong insurance business to our 50% owned Chinese JV Heng An Standard Life:
  - Creating a stronger, single base entity to service the wider China region
  - £24m impairment recognised in adjusting items

# Recognising the value of our Indian associates

## HDFC Life – a leading private Indian life insurer

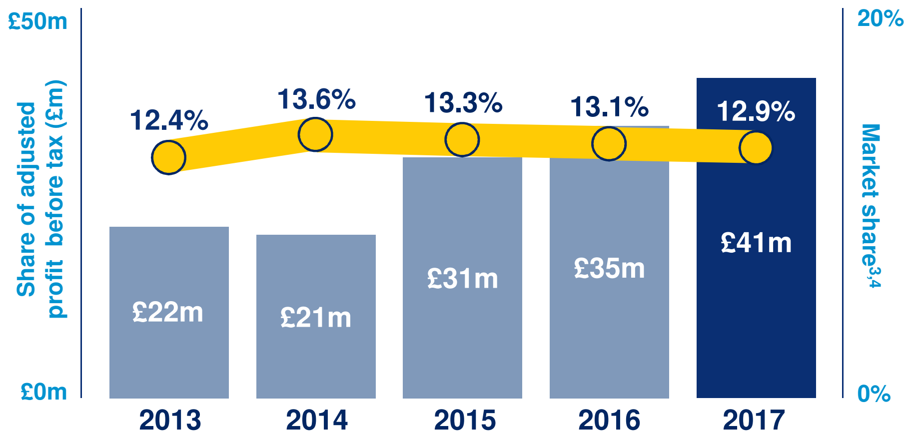
29.35% stake




- Ranked 2nd for new business sales in the private life insurance market[2]
- Successful IPO of HDFC Life completed in November 2017:
  - Priced at 290Rs – top of price range
  - SLA net proceeds from IPO of £359m
  - Remaining stake of 29.35%

## HDFC AMC – a profitable and fast growing business

38.24% stake

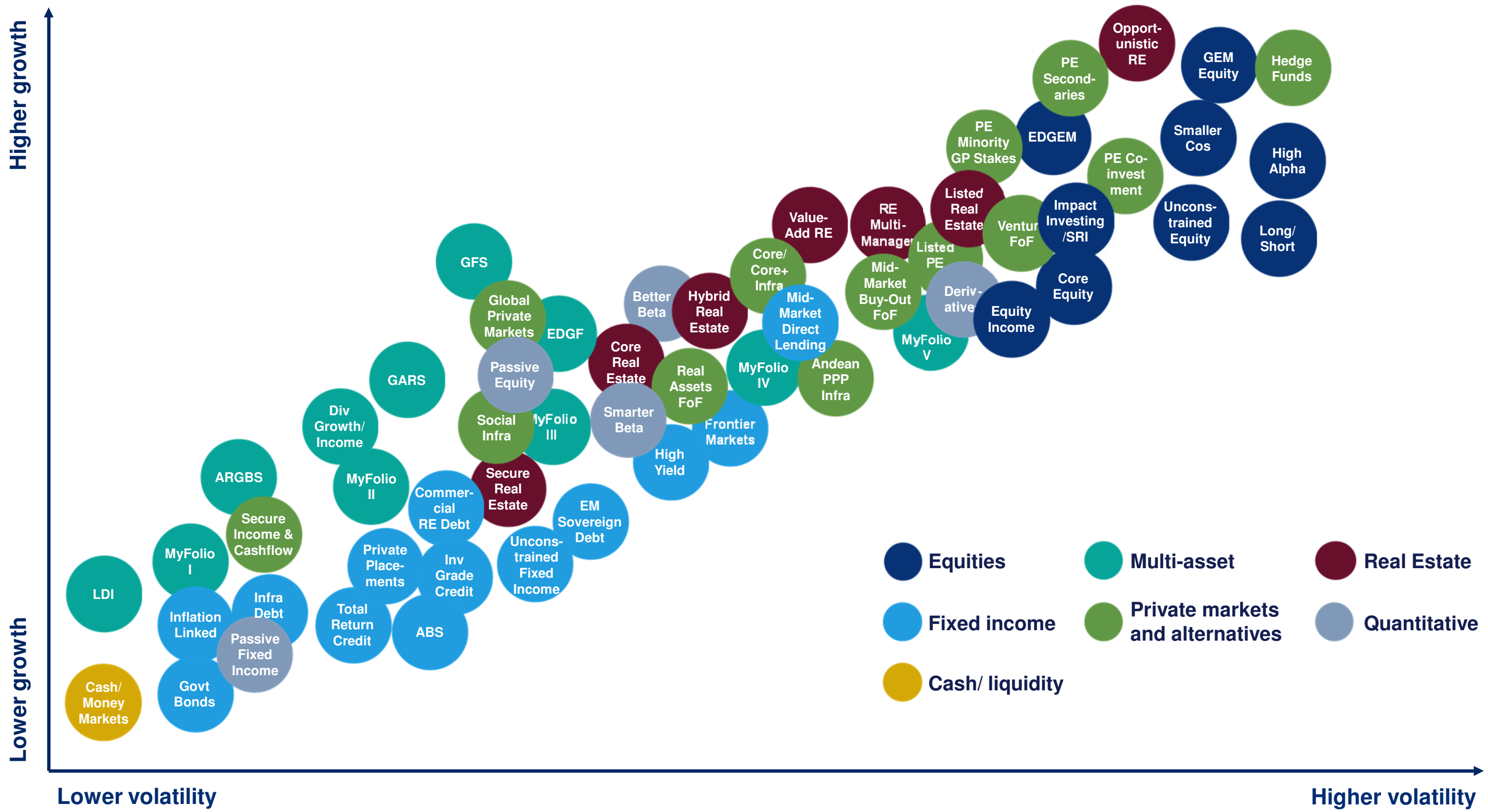



- Second largest mutual funds company[4] in India with over 6 million accounts
- AUM of £34.0bn with CAGR of 24% over last 5 years[5]
- Announced initiation of process of an IPO subject to receipt of necessary approvals

**Two fast growing businesses leveraging one of India's most valuable brands[6]**

1. Source: IRDAI. Measured as share of private market premiums. For years ended 31 March following the end of each SLA financial year. 2017 market share for 9 months to 31 Dec 2017. 2. Source: IRDAI, 9 months to 31 December 2017. 3. Source: AMFI. 2013-16 measured as share of average AUM for final quarter of SLA financial year. 4. Source: AMFI. 2017 measured as share of average AUM for 3 months to 31 Dec 2017. 5. In constant currency. 6. Source: WPP, Kantar Millward Brown, 2017.

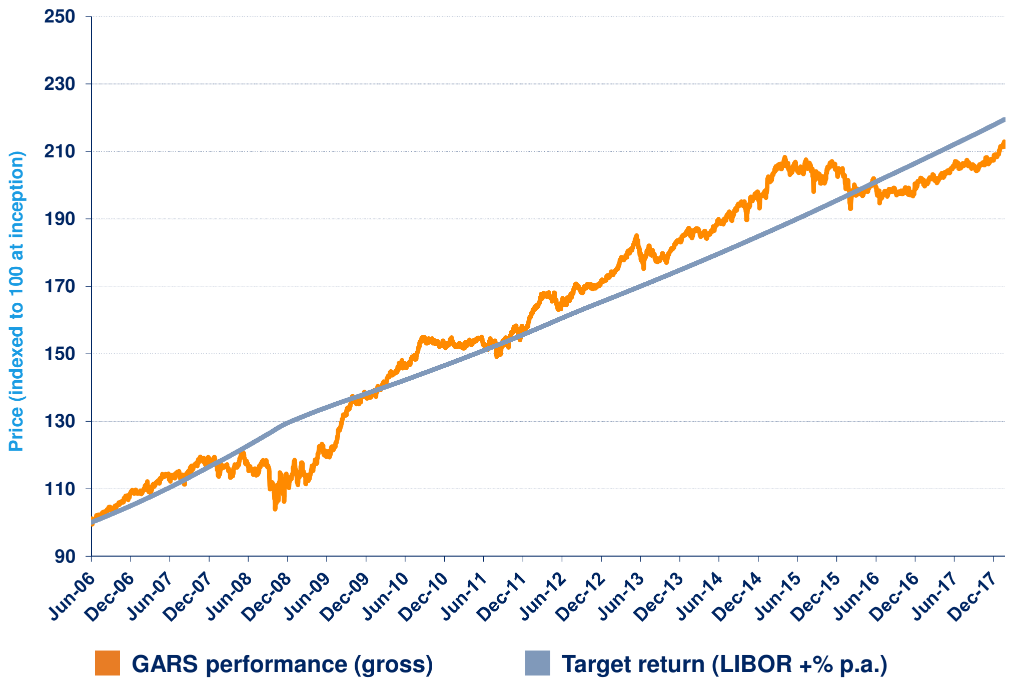
# Well diversified "new active" product suite




**Well positioned for global investment trends while providing diversification through market cycles**

# GARS: Well established track record of delivering long-term investment performance

## Delivering returns with managed volatility over the last 11 years




- Continuing to deliver against volatility objectives
- Improved short-term performance:
  - Per annum return[1] to 31 December 2017 – 1 year: 3.9%, 3 years: 2.0%, 5 years: 4.0%
- Portfolio with ongoing opportunities to deliver future investment returns
- GARS net outflows of £10.7bn (2016: net outflows £4.3bn):
  - Institutional outflows of £7.0bn
  - Wholesale outflows slowing as short-term performance improves (1 year: 3.9%)

**Underpinned by a proven investment process and a talented team**

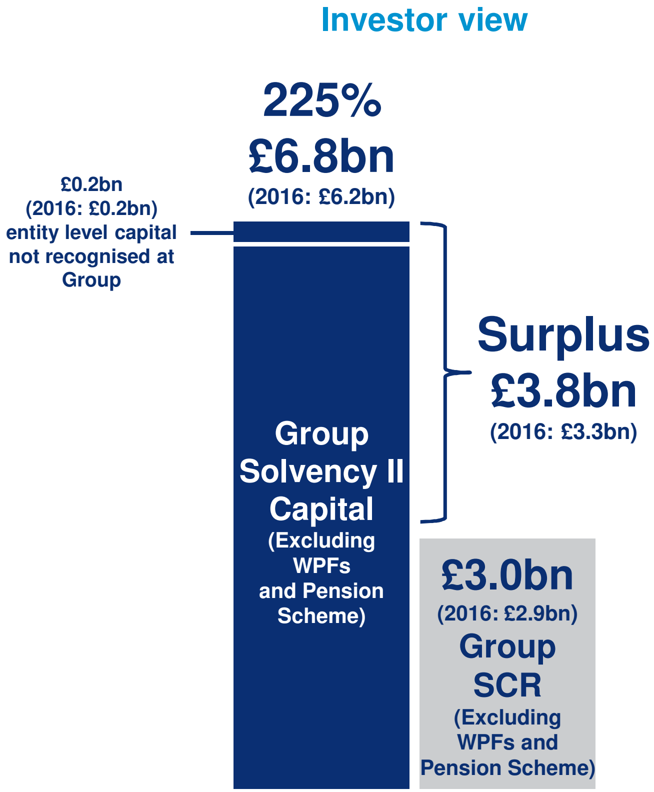
1. Gross performance (offer-to-offer) based on the £, institutional pooled pension portfolio.

# Subordinated capital instruments

| Issue date | Issuer | Status | Rating (Moody's / S&P / Fitch) | Currency | Amount (m) | Coupon | First call date | Maturity |
|---|---|---|---|---|---|---|---|---|
| Oct 2017 | Standard Life Aberdeen plc | Tier 2 | Baa1 / BBB+ / - | USD | 750 | 4.25%[1] | Jun 2028 | Jun 2048 |
| Mar 2013 | Aberdeen Asset Management plc | N/A[2] | - / - / BBB | USD | 500 | 7.0% | Mar 2018[2] | Perpetual |
| Dec 2012 | Standard Life Aberdeen plc | Grandfathered Tier 2 | Baa1 / BBB+ / - | GBP | 500 | 5.5% | Dec 2022 | Dec 2042 |
| Nov 2004 | Standard Life Aberdeen plc[3] | Grandfathered Tier 1 | Baa1 / A- / - | GBP | 300 | 6.546% | Jan 2020 | Perpetual |
| July 2002 | Standard Life Aberdeen plc[3] | Grandfathered Tier 1 | A3 / A- / - | GBP | 500 | 6.75% | Jul 2027 | Perpetual |

1. Swapped to GBP at 3.2%. 2. No longer qualify as Tier 2 capital within the Group's Solvency II own funds as notice given that capital notes will be redeemed on the first call date. 3. Subordinated guarantee provided by Standard Life Assurance Limited (SLAL). .

# Strong and stable solvency position




## Investor view[1] surplus:

**£3.8bn** (2016: £3.3bn)

## Investor view[1] solvency ratio:

**225%** (2016: 214%)

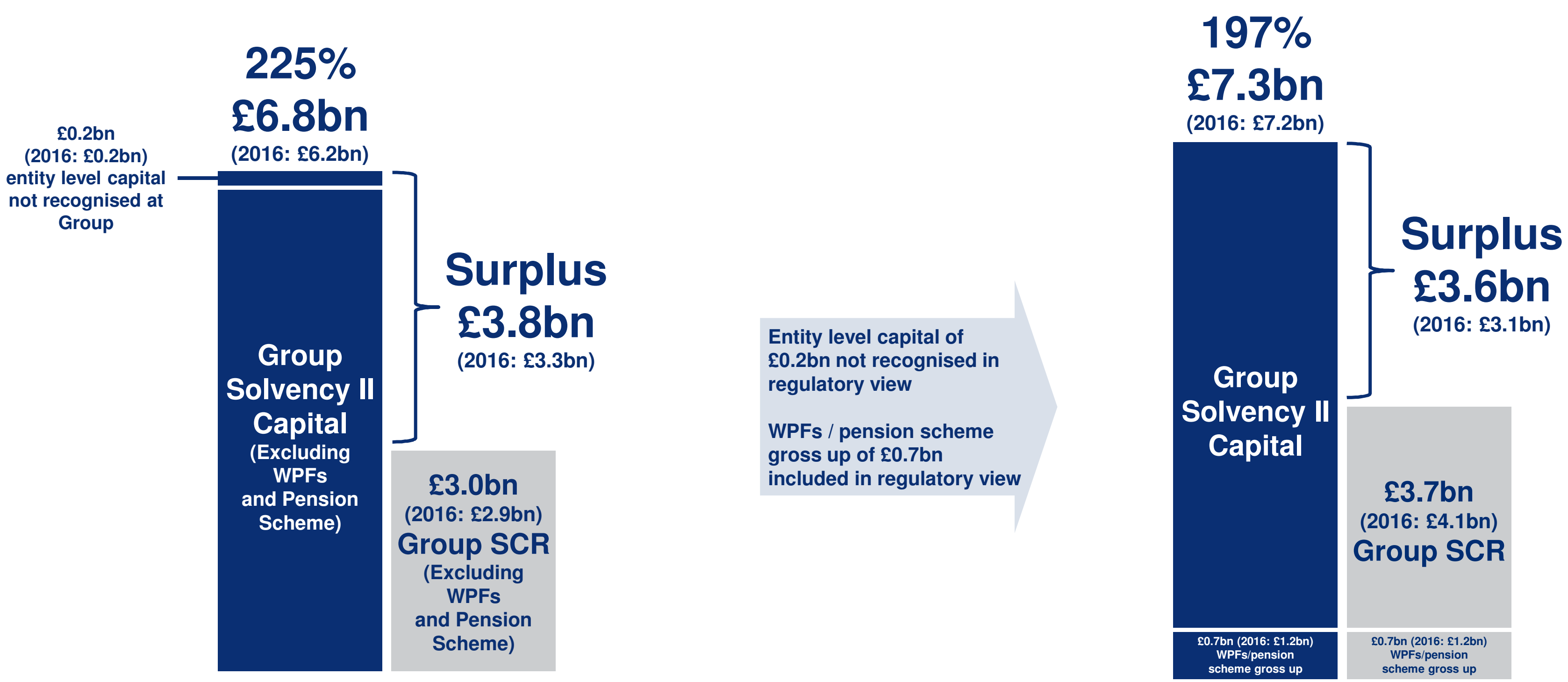
- Stable surplus over a wide range of stress scenarios[2]
- Strong regulatory view surplus:
  - Regulatory view surplus: £3.6bn (2016: £3.1bn)
  - Regulatory view solvency ratio: 197% (2016: 177%)

1. Includes entity level capital not recognised at Group. Excludes contribution to Solvency Capital Requirement and Capital relating to the With Profits Funds (WPFs) and the Pension Scheme surplus. 2. Univariate stress scenarios. For details see appendix. 2017 figures based on draft regulatory returns and do not reflect any adjustment for the proposed sale of the capital-intensive insurance business to Phoenix Group.

# Solvency II: Reconciliation of investor view to regulatory view

Investor view

Regulatory view




2017 figures based on draft regulatory returns and do not reflect any adjustment for the proposed sale of the capital-intensive insurance business to Phoenix Group.

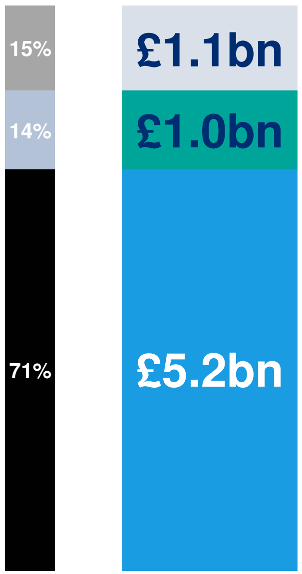
# Solvency II: £6.2bn out of £7.3bn regulatory capital is tier 1

## Regulatory view
## 2017 Solvency II capital

Tier 2 capital

Restricted Tier 1 capital

Unrestricted Tier 1 capital




Capital from subordinated debt

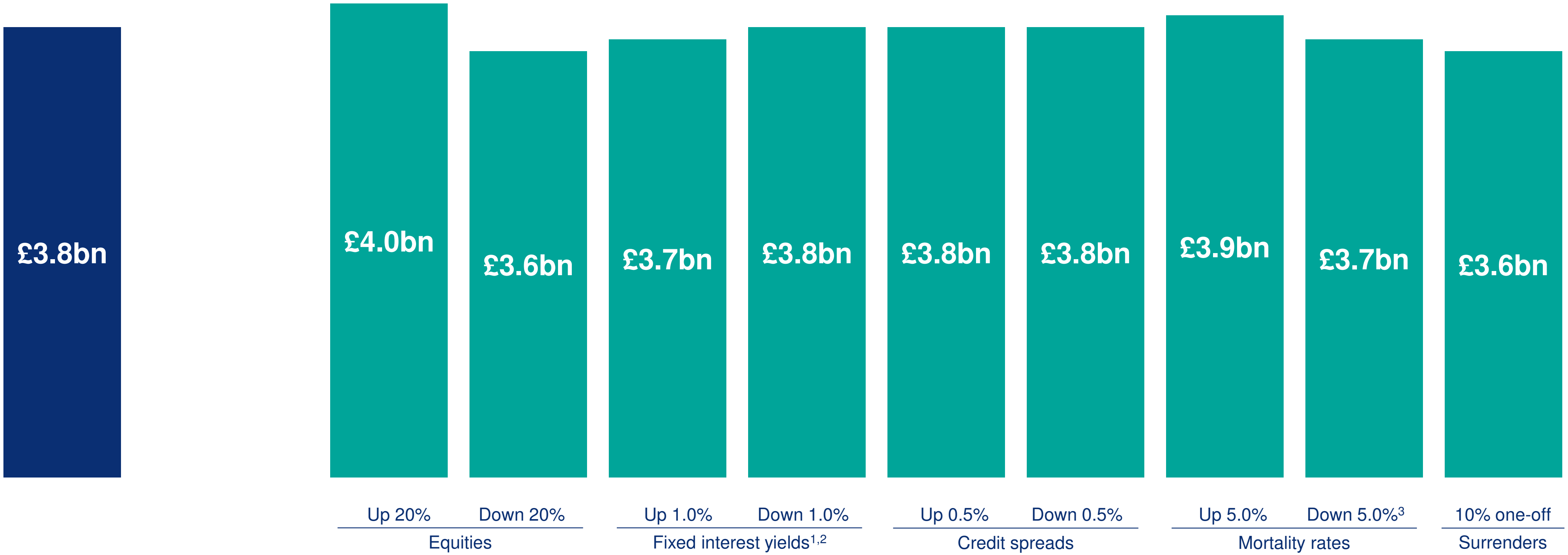
Capital from subordinated debt

Excess of assets over liabilities

**High quality regulatory capital resources – 168% of SCR covered by Tier 1 capital**

2017 figures based on draft regulatory returns and do not reflect any adjustment for the proposed sale of the capital-intensive insurance business to Phoenix Group.

# Stable investor view surplus over a wide range of stress scenarios




**Our stable Group surplus reflects our simple fee based business model**

1. Fixed interest yields sensitivities assume transitionals are recalculated. 2. Yield floor of -0.3%. 3. 95% of actual rates, implies 5 month increase in life expectancy for 65 year old male.
2017 figures based on draft regulatory returns and do not reflect any adjustment for the proposed sale of the capital-intensive insurance business to Phoenix Group.

# Solvency II: Regulatory capital landscape

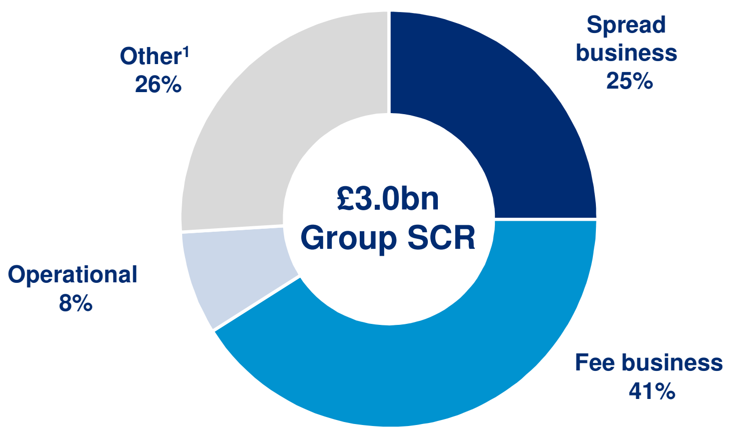
| Regulatory framework | | |
|---|---|---|
| | **Entity level** | **Contribution to Group SII position** |
| **Standard Life Investments** | BIPRU | BIPRU |
| **Aberdeen Asset Management** | IFPRU | IFPRU |
| **Standard Life Pensions and Savings** | SLAL: SII internal model<br>SL Intl: SII standard formula | SLAL: SII internal model<br>SL Intl: SII standard formula |
| **Standard Life Aberdeen plc** | n/a | SII internal model |
| **Hong Kong** | Local regime | SII standard formula |
| **China** | Local regime | SII standard formula |
| **India** | Local regime | Excluded |

| Regulatory view capital position | | | | | |
|---|---|---|---|---|---|
| | **Entity level** | | | **Contribution to Group** | |
| | **Capital** | **Capital requirements[1]** | **Surplus** | **Restriction[1]** | **Surplus** |
| **Standard Life Investments** | 0.4 | 0.1 | 0.3 | (0.1) | 0.2 |
| **Aberdeen Asset Management** | 0.6 | 0.1 | 0.5 | (0.4) | 0.1 |
| **Standard Life Pensions and Savings** | 6.4[2] | 3.2 | 3.2[3] | (1.1)[3] | 2.1 |
| **Standard Life Aberdeen plc and Other** | 1.5 | 0.3 | 1.2 | - | 1.2 |
| **Total** | **8.9** | **3.7** | **5.2** | **(1.6)** | **3.6** |

1. The capital requirements of regulated non-insurance entities are included in the Group SCR on a Pillar 1 basis, with Pillar 2 and ICG requirements allowed for by a deduction to Group own funds. 2. Includes net impact of £1.2bn from transitionals in SLAL, of which £1.0bn is recognised at the Group level. 3. Includes £0.9bn in relation to pension scheme surplus.
2017 figures based on draft regulatory returns and do not reflect any adjustment for the proposed sale of the capital-intensive insurance business to Phoenix Group.

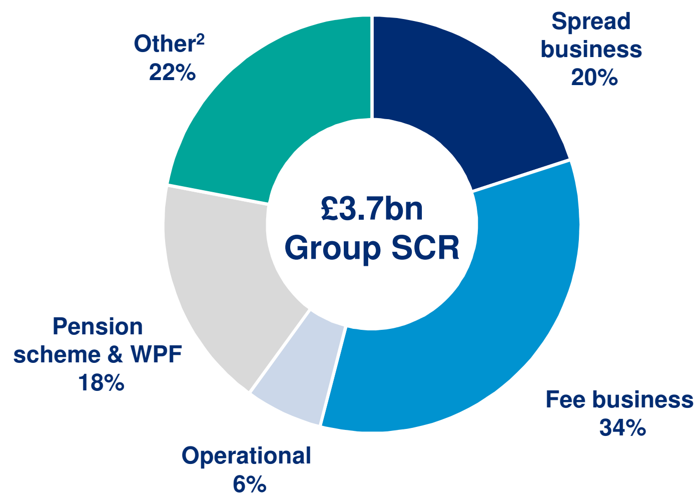
# Solvency II: Capital requirements reflect focus on fee business and our strong pension scheme and with profits funds

## Investor view




WPFs / pension scheme gross up of £0.7bn included in regulatory view

## Regulatory view




**Fee business, strong pension scheme and WPF are major drivers of regulatory view SCR**

1. Includes 13% from entities included under Solvency II standard formula and 8% from entities regulated under BIPRU/IFPRU. 2. Includes 10% from entities included under Solvency II standard formula and 7% from entities regulated under BIPRU/IFPRU.
2017 figures based on draft regulatory returns and do not reflect any adjustment for the proposed sale of the capital-intensive insurance business to Phoenix Group.