Standard Life Aberdeen plc

Analyst seminar

December 2017

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All flow figures and comparative have been 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 in this presentation to assist in explaining trends in financial performance.

Agenda

- Assets and flows update
- Modelling Standard Life Aberdeen
- Solvency II and how we think about capital

Financially strong and stable business well positioned for future growth

Assets and flows update

Introducing AUMA

Previous AUA basis	31 December 2016 £bn
Pensions and Savings AUA	171.6
ASI third party AUM	490.4
India and China	4.6
Other	12.2
AUA pre-eliminations	**678.8**
Elimations	(19.6)
Total AUA	**659.2**

New AUMA basis	31 December 2016 £bn
ASI total AUM	580.6
Pensions and Savings AUA	171.6
India and China	4.6
Other corporate assets	n/a
AUMA pre-eliminations	**756.8**
Eliminations	(109.2)
Total AUMA	**647.6**

Previous AUA basis

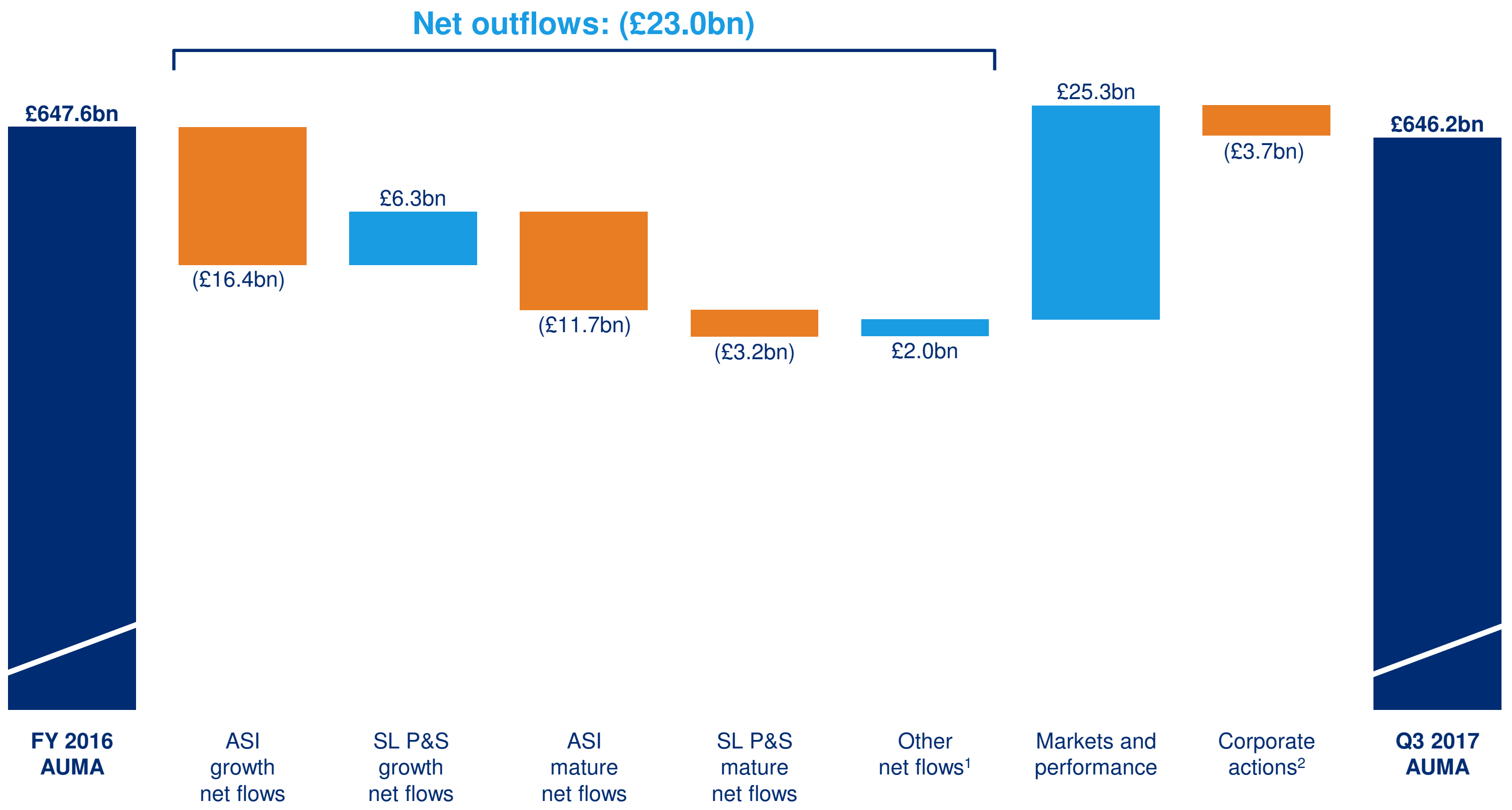
- Focus on AUA of the Pensions and Savings business plus third party SLI AUM
- Relevant approach when SLI was a smaller proportion of the Standard Life Group
- Included balance sheet assets and assets not generating revenue – more relevant for a life insurance company

New AUMA

- Primary focus is total assets under management reflecting the main activity of the group
- No longer including assets not generating revenue from products and other corporate assets
- As Standard Life captive funds are included in overall AUMA table, eliminations have been increased

New measure AUMA reflects increased focus on asset management

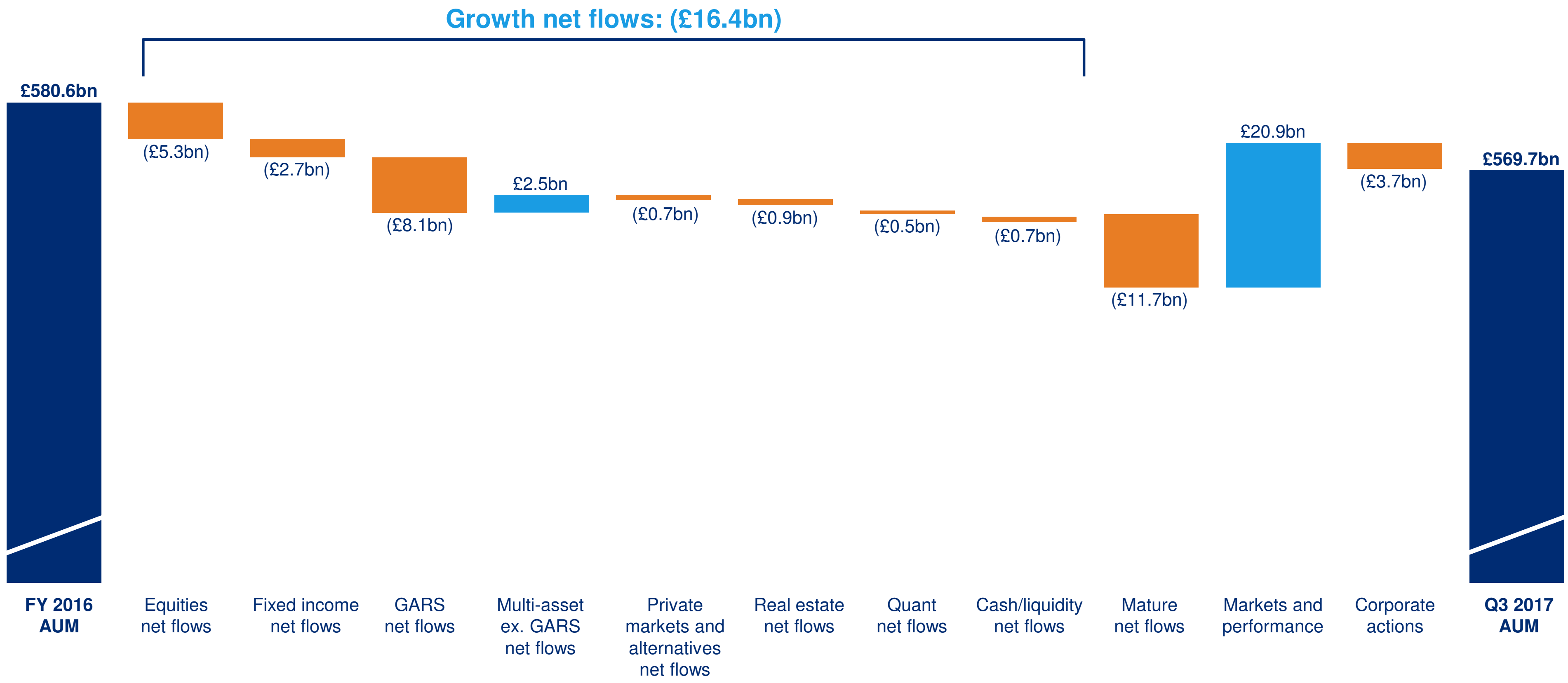
Stable assets with positive market movements offsetting net outflows



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

1. Includes India and China life net inflows of £0.4bn and Eliminations of £1.6bn. 2. Corporate actions in the period include previously announced close of an uneconomic multi-manager fund range and the rationalisation of the US fixed income business.

Aberdeen Standard Investments outflows partly offset by market movements



- Outflows largely driven by equities (£5.3bn) and GARS (£8.1bn) which has seen improving short-term performance
- Good momentum across a broad range of products including diversified growth funds, MyFolio, Parmenion and emerging markets debt
- Mature books net outflows of £11.7bn stable as a percentage of opening AUM

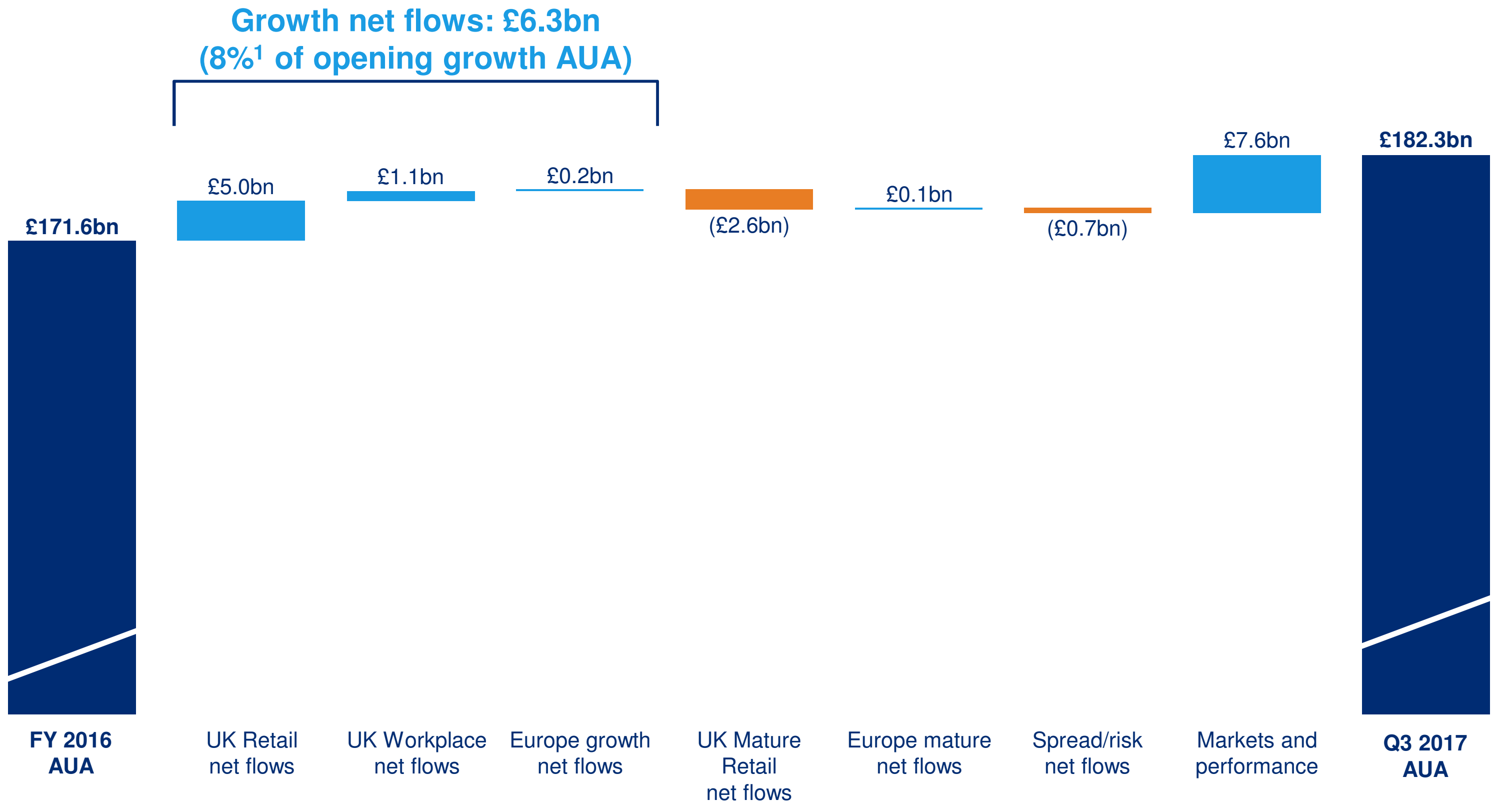
Stable or improved picture across most asset classes

	Q1 2017 Net flows £bn	Q2 2017 Net flows £bn	Q3 2017 Net flows £bn	YTD 2017 Net flows £bn	YTD 2016 Net flows £bn
Equities	(1.5)	(1.9)	(1.9)	(5.3)	(7.5)
Fixed income	(0.2)	(1.4)	(1.1)	(2.7)	(4.7)
Multi-asset	(2.0)	(1.8)	(1.8)	(5.6)	(0.7)
Private markets and alternatives	(0.2)	(0.3)	(0.2)	(0.7)	(1.2)
Real estate	(0.1)	(0.6)	(0.2)	(0.9)	(0.9)
Quantitative	-	(0.4)	(0.1)	(0.5)	(0.1)
Cash/liquidity	1.3	0.1	(2.1)	(0.7)	0.2
Growth channels	**(2.7)**	**(6.3)**	**(7.4)**	**(16.4)**	**(14.9)**
Standard Life Pensions and Savings	(0.7)	(0.7)	(0.7)	(2.1)	(1.3)
Third party strategic partner life business	(2.9)	(3.1)	(3.6)	(9.6)	(9.6)
Mature channels	**(3.6)**	**(3.8)**	**(4.3)**	**(11.7)**	**(10.9)**
Total	**(6.3)**	**(10.1)**	**(11.7)**	**(28.1)**	**(25.8)**

- Higher multi-asset outflows reflect GARS net outflows of £8.1bn YTD 2017
- 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

Continued strong growth in P&S AUA driven by Retail and Workplace

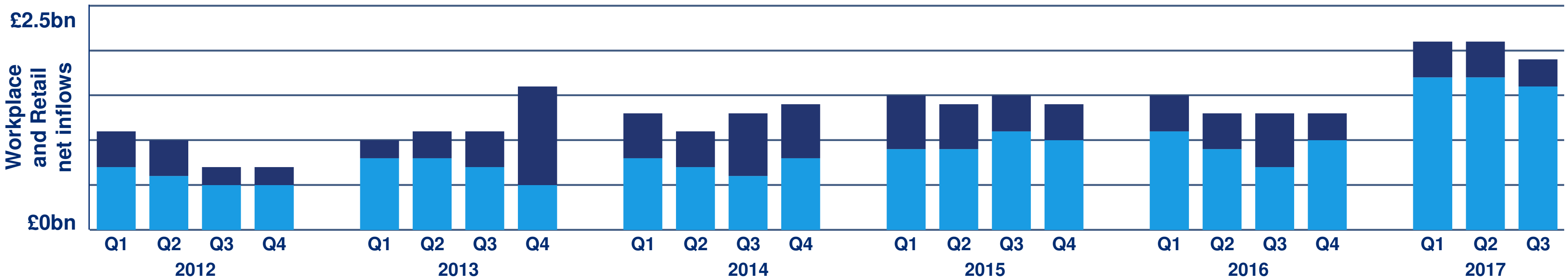


Record net flows into UK retail up 85% on 2016 YTD

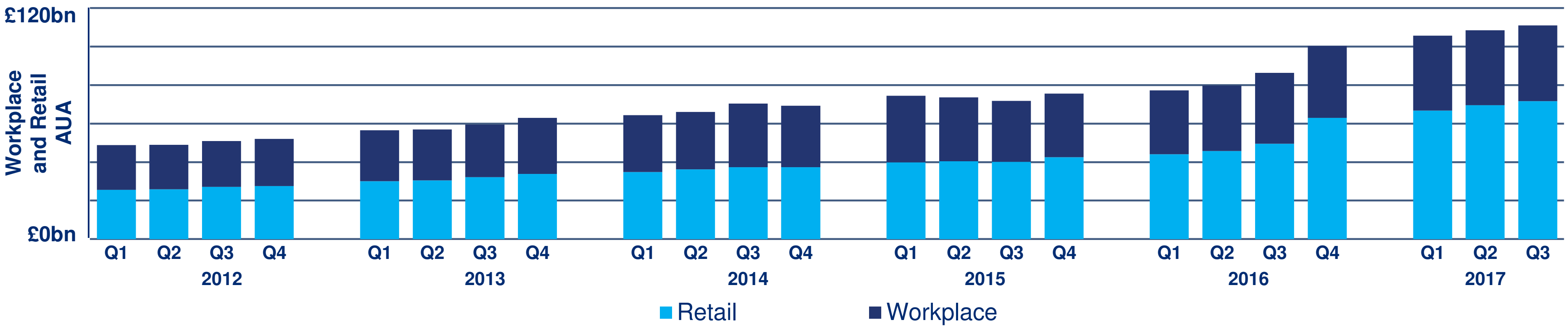
1. On an annualised basis.

Continuing Pensions and Savings' track record of steady flows

Steady net inflows throughout the investment cycle



Growing AUA throughout the investment cycle



Leading pensions and savings business positioned for continued growth

Assets and flows update – Q&A

Modelling Standard Life Aberdeen

Modelling Standard Life Aberdeen

- New key performance metric: adjusted profit
- Pro forma results
- Modelling insights

Adjusted profit before tax – introducing our new key performance metric

Adjusted profit before tax

- Replaces the previous legacy KPIs:
  - Standard Life: Operating profit before tax
  - Aberdeen: Underlying profit before tax
- Two key differences:
  - Coupons payable on Aberdeen perpetual notes now included as expense within capital management line
  - Actual rather than expected investment return applied to all segments except for Pensions and Savings[1]
- No change to definition of IFRS profit before tax

Adjusted profit before tax excludes the following items:

- Short-term fluctuations in investment return and economic assumption changes (wholly-owned insurance entities only)
- Restructuring costs and corporate transaction expenses. Restructuring includes the impact of major regulatory change.
- Impairment and amortisation of intangible assets acquired in business combinations
- Profit or loss arising on the disposal of a subsidiary, joint venture or associate
- Fair value movements in contingent consideration
- Items which are one-off and, due to their size or nature, are not indicative of the long-term operating performance of the Group

1. Also applies to Hong Kong included within India and China life.

Adjusted profit before tax – introducing our new key performance metric

12 months to 31 December 2016	Standard Life £m	Aberdeen Asset Management £m	Standard Life Aberdeen £m
Profit before tax expense attributable to equity holders' profits (amended)	**449[1]**	**224[2]**	**673**
Non-operating items:			
Short-term fluctuations in investment return and economic assumption changes	(8)	-	
Restructuring and corporate transaction expenses	67	19	
Amortisation and impairment of intangible assets acquired in business combinations	38	134	
Provision for annuity sales practices	175	-	
Other	2	(15)	
Operating profit before tax (Standard Life) / Underlying profit before tax (Aberdeen)	**723**	**362**	
Accounting policy adjustments:			
Coupons payable on perpetual notes treated as an expense	-	(26)	
Actual rather than expected investment return for non-insurance segments	(5)	-	
Adjusted profit before tax	**718**	**336**	**1,054**

1. Profit before tax attributable to equity holders' profits was £487m. This has been adjusted for the share of associates' and joint ventures' tax expense of £13m and non-controlling interests of (£51m).
2. Aberdeen Asset Management profit before taxation of £224m.

Other Pro forma adjustments

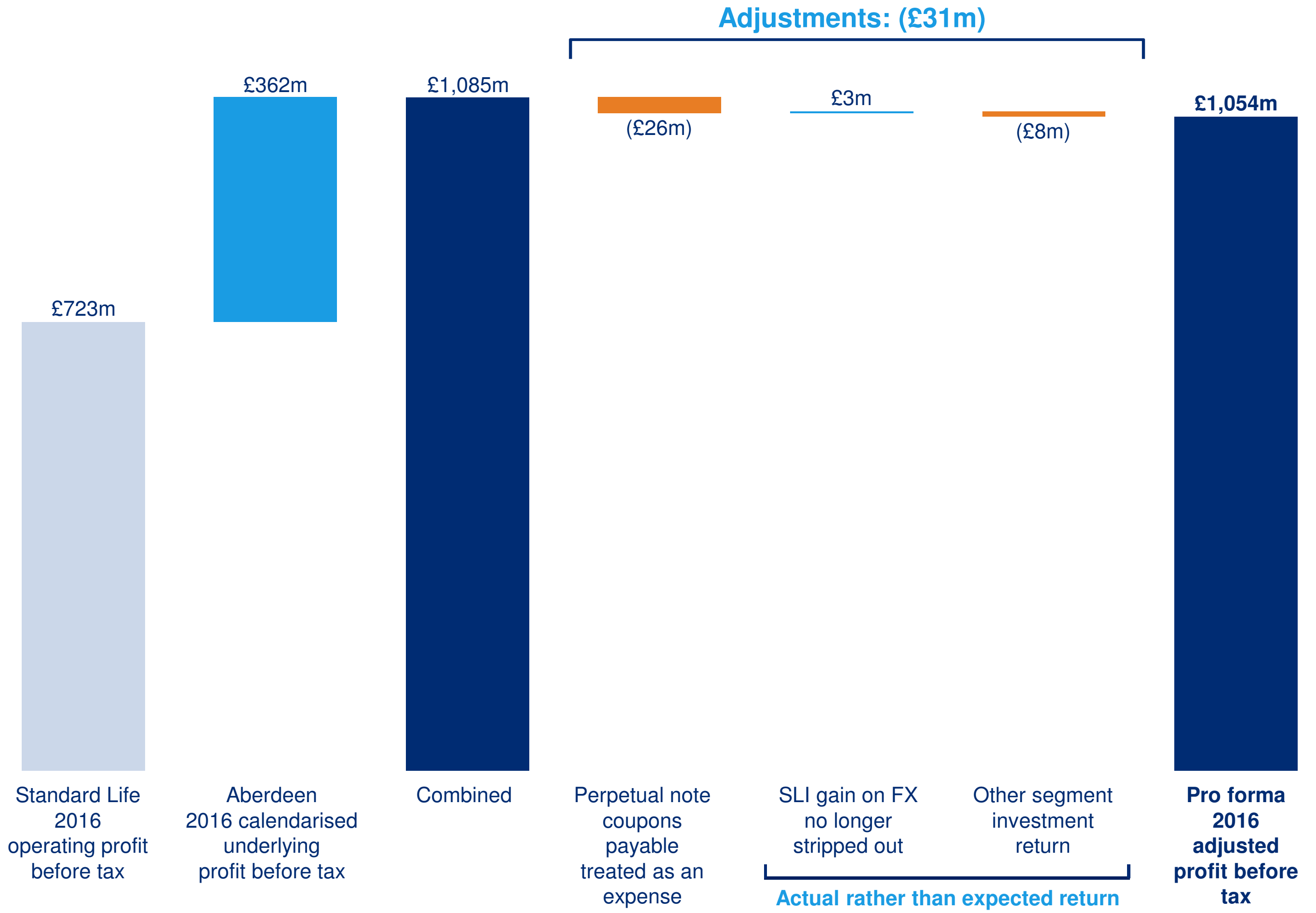
Calendarisation adjustment

- Brings previously reported Aberdeen results in line with annual reporting period ending on 31 December

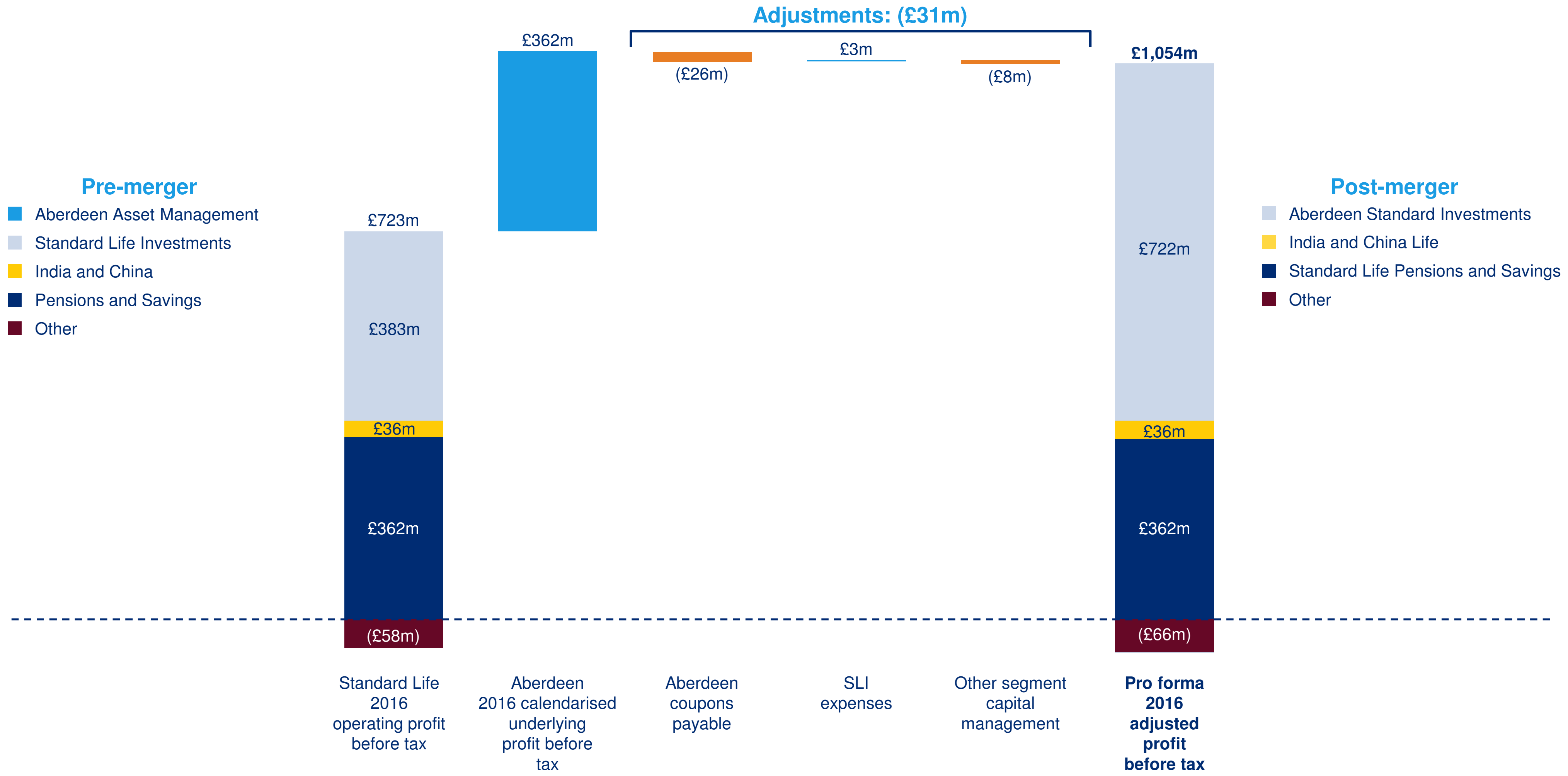
Acquisition adjustments

- No account has yet been taken of the change to amortisation which may result from the remeasurement on the merger of the fair value of intangible assets and their useful lives
- Intangibles and goodwill of c£4bn recognised as a result of the merger
- Valuation of individual intangible assets to be finalised as part of year end reporting
- Amortisation of intangible assets does not impact adjusted profit nor distributable reserves

Reconciliation of operating profit to adjusted profit for 2016



Adjusted profit by business unit for 2016



Modelling of cost synergies and integration costs

Annualised cost synergies of approximately £200m on a pre-tax basis:

- Run-rate expected to be achieved by end of year 3
- 75% of run-rate expected to be achieved by end of year 2

One-off cost of integration of approximately £320m:

- Treated as adjusting items excluded from adjusted profit

Integration progressing well:

- Integration progressing well across all major cross functional workstreams
- Bringing down Chinese walls between investment teams
- Various employee consultations underway
- Global structures announced for Investment Management, Marketing, Distribution, Operations, Investment Technology and Finance
- Expect 2,000 employees to have moved premises by the end of 2017:
  - Moves in New York, Singapore, Seoul and London already completed
  - New Group headquarters in St Andrew Square Edinburgh now fully occupied

Modelling: ASI – Revenue

	Average AUM		Revenue	Fee revenue yield[1,2]
	YTD 2017	2016	2016	2016
	£bn	£bn	£m	bps
Equities	103.5	95.0	637	67.7
Fixed income	52.5	54.4	163	31.5
Multi-asset	75.1	78.0	458	58.6
Private markets and alternatives	25.1	24.3	108	41.4
Real estate	28.0	28.7	165	56.5
Quantitative	2.3	2.3	3	14.3
Cash/liquidity	22.9	21.6	18	9.4
Growth	**309.4**	**304.3**	**1,552**	**51.6**
Mature	**271.5**	**262.5**	**368**	**13.8**
Total	**580.9**	**566.8**	**1,920**	**33.8**

1. Excludes performance fees of £27m in growth and £6m in mature. 2. HDFC AMC average equity AUM of £4.9bn (2016: £3.2bn), average fixed income AUM of £3.5bn (2016: £2.8bn) and average cash/liquidity AUM of £3.2bn (2016: £2.6bn) excluded from fee revenue yield calculations.

Modelling: ASI – 2017 Growth AUM

Analysis by asset classes	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 30 Sep 2017 £bn
Developed market equities	15.8	1.9	(2.5)	(0.6)	0.9	-	16.1
EM equities	33.9	4.2	(5.5)	(1.3)	4.7	-	37.3
APAC equities	26.1	3.2	(6.0)	(2.8)	3.0	-	26.3
Global equities	21.6	2.6	(3.2)	(0.6)	2.1	-	23.1
Total Equities	**97.4**	**11.9**	**(17.2)**	**(5.3)**	**10.7**	**-**	**102.8**
DM credit	37.8	3.0	(6.2)	(3.2)	(0.2)	(1.3)	33.1
DM rates	5.5	0.7	(0.9)	(0.2)	(0.4)	-	4.9
EM fixed income	11.8	1.7	(1.0)	0.7	0.1	-	12.6
Total Fixed income	**55.1**	**5.4**	**(8.1)**	**(2.7)**	**(0.5)**	**(1.3)**	**50.6**
Absolute return	48.9	4.3	(11.7)	(7.4)	(0.4)	-	41.1
Diversified growth/income	0.7	0.9	(0.1)	0.8	0.1	-	1.6
MyFolio	10.6	2.5	(1.0)	1.5	0.5	-	12.6
Other multi-asset	9.1	0.7	(1.9)	(1.2)	0.5	(2.4)	6.0
Parmenion	3.0	1.1	(0.1)	1.0	-	-	4.0
Standard Life Wealth	6.8	0.6	(0.9)	(0.3)	0.2	-	6.7
Total Multi-asset	**79.1**	**10.1**	**(15.7)**	**(5.6)**	**0.9**	**(2.4)**	**72.0**
Private equity	14.6	0.7	(0.9)	(0.2)	(0.3)	-	14.1
Alternative investment solutions	8.9	0.5	(1.0)	(0.5)	(0.1)	-	8.3
Infrastructure equity	2.2	-	-	-	0.2	-	2.4
Total Private markets and alternatives	**25.7**	**1.2**	**(1.9)**	**(0.7)**	**(0.2)**	**-**	**24.8**
UK real estate	15.2	0.9	(1.5)	(0.6)	0.9	-	15.5
European real estate	10.5	1.5	(1.6)	(0.1)	0.7	-	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**	**2.5**	**(3.4)**	**(0.9)**	**1.6**	**-**	**28.2**
Total Quantitative	**2.4**	**0.1**	**(0.6)**	**(0.5)**	**0.2**	**-**	**2.1**
Total Cash/liquidity	**21.9**	**5.7**	**(6.4)**	**(0.7)**	**0.5**	**-**	**21.7**
Total assets under management	**309.1**	**36.9**	**(53.3)**	**(16.4)**	**13.2**	**(3.7)**	**302.2**

Modelling: SL – Revenue

	Average AUA		Revenue	Fee revenue yield
	YTD 2017 £bn	2016 £bn	2016 £m	2016 bps
UK Retail[1]	68.0	47.9	228	46.3
UK Workplace	38.9	34.5	185	53.6
Europe growth[2]	10.9	9.9	95	95.8
Growth	**117.8**	**92.3**	**508**	**54.3**
UK Mature Retail[3]	35.3	33.7	251	76.7
Europe mature fee[2]	9.6	9.3	102	109.7
Mature fee	**44.8**	**43.0**	**353**	**82.1**
Total fee	**162.6**	**135.3**	**861**	**63.1**
Spread/risk	15.8	15.7	134	N/A
Total	**178.4**	**151.0**	**995**	**N/A**

1. Fee revenue yield excludes revenue from cash balances. 2. AUA excludes assets not generating revenue from products. 3. Fee revenue yield excludes Conventional With Profits AUA.

Modelling: SL – Spread/risk margin

	2014 £m	2015 £m	2016 £m		H1 2017 £m	Comments
New business	22	6	5		1	Largely closed to new business therefore new business profit will be minimal going forward
Existing business	48	65	40		31	Release of prudent reserves/unwind of back book with passage of time – can include some more lumpy items such as £7m mortality experience benefit from periodic annuitant verification in H1 2017
Asset liability management (ALM)	70	30	25		17	Ongoing asset liability management – dependent on market opportunities. Tend to provide guidance for year ahead, for example "up to £5m in H2 2017".
	140	**101**	**70**		**49**	
Solvency II adoption – scheme of demutualisation	-	-	22		-	One-off impact on adoption of Solvency II therefore non-recurring going forward
Operating assumption and actuarial reserving changes	43	44	42		-	Operating assumptions revisited at year end. Long-term should tend to be nil but have recently benefited from smaller than assumed longevity improvements
Spread/risk margin	**183**	**145**	**134**		**49**	

Modelling: IPO of HDFC Life

Successful IPO of HDFC Life completed

- Priced at 290Rs per share – top of 275Rs-290Rs price range
- Commenced trading on 17 November 2017
- Share price performance:
  - Day 1: +18.6%
  - IPO to 13 December 2017: +31.3%

Proceeds from IPO of c£370m

- Gain on sale c£300m will be excluded from adjusted profit
- Gain is not subject to tax

Remaining stake

- Reduced stake in HDFC life from 34.75% to 29.35%
- Remaining holding of 589,626,265 shares valued at £2.6bn based on share price of 380.8Rs at 13 December 2017

Modelling: Miscellaneous

Issuance of sub-debt on 13 October 2017

- $750m 4.25% fixed rate subordinated notes, swapped to GBP at 3.2%
- Issue by SLA plc therefore interest expenses included in “Other” segment

MiFID II

- Small impact in 2017
- c£25m impact expected in 2018 onwards

Acquisition adjustments

- 2017 will include an adjustment of c£100m within “Restructuring and corporate transaction expenses” – representing an estimate of merger transaction costs incurred

Other previously communicated guidance

- Europe Pensions and Savings adjusted profit of c£30m expected for 2017
- Expect ALM yield improvement benefits of up to £5m in H2 2017

Modelling Standard Life Aberdeen – Q&A

Solvency II and how we think about capital

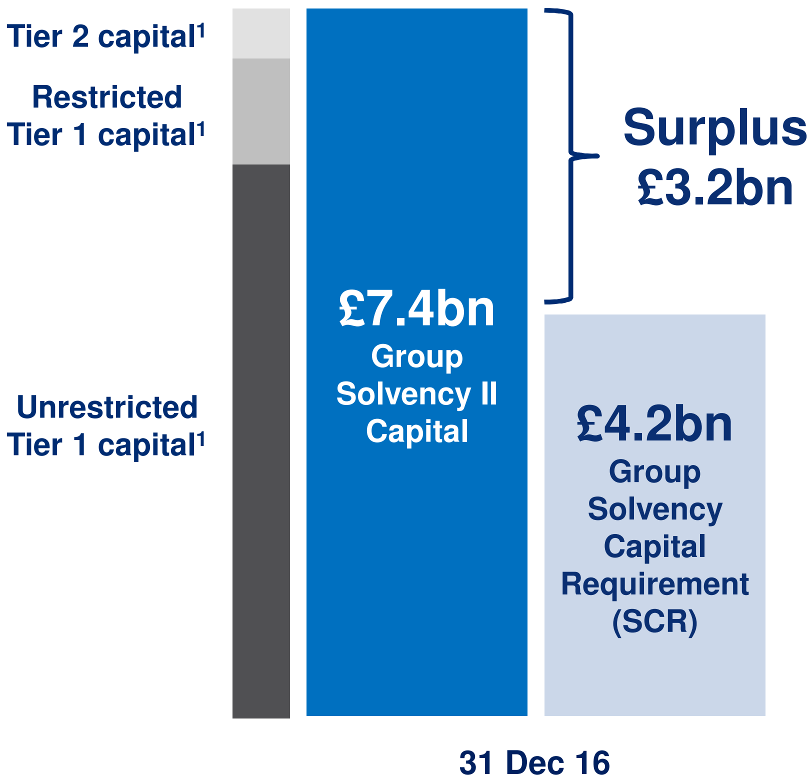
Well capitalised with a stable Solvency II surplus

- Standard Life Aberdeen is well capitalised with a stable Solvency II surplus
- Solvency II capital position reflects our focus on fee business – it is not a constraint
- Shareholders' equity is used efficiently
- Our business model and IFRS earnings support cash generation and our progressive dividend policy

Financially strong and stable business well positioned for future growth

Well capitalised with a strong regulatory solvency position

Regulatory view



Regulatory view surplus (31 Dec 16):

£3.2bn

Regulatory view solvency ratio:

177%

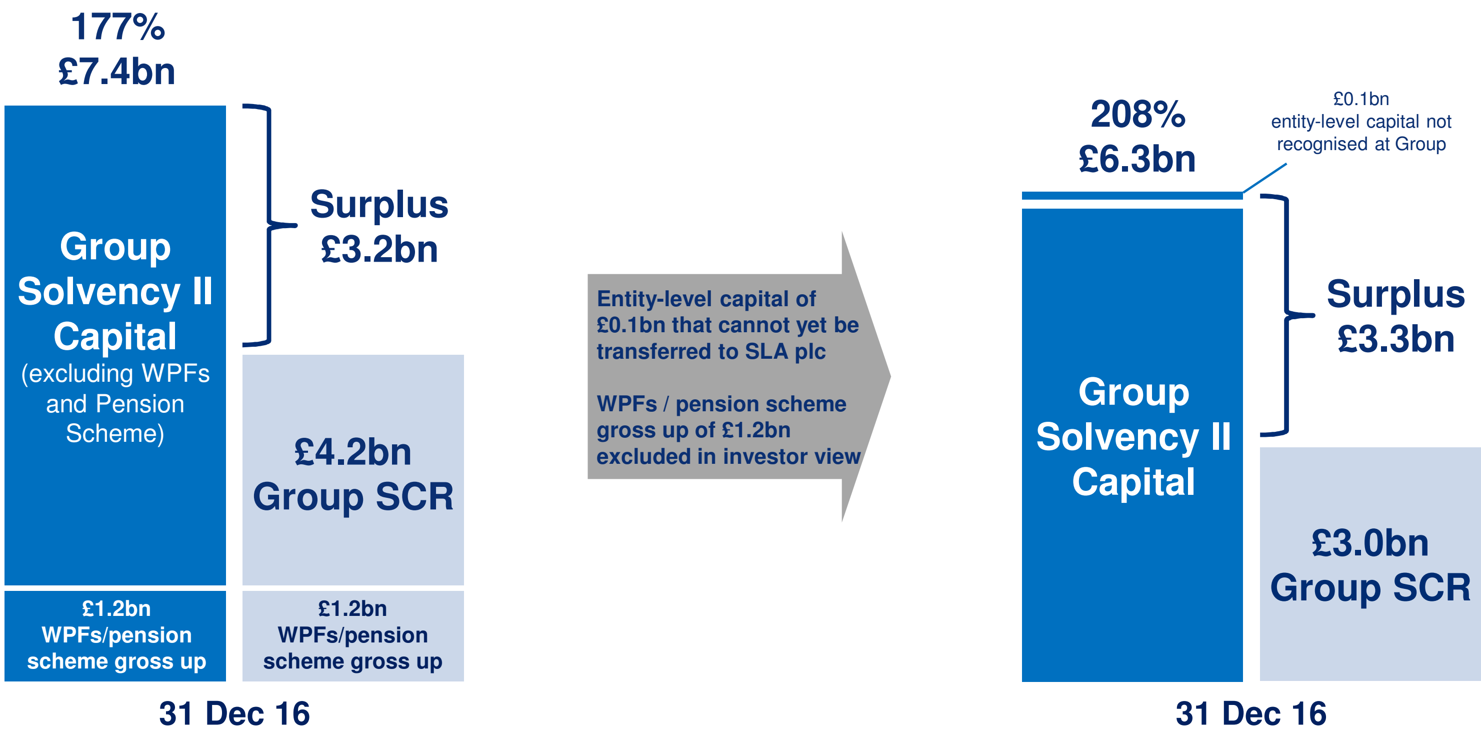
- Position reflects our focus on fee business and supports our progressive dividend policy
- Stable regulatory surplus

1. Based on certain assumptions about the treatment of Aberdeen's capital items (T1 preference shares and T2 notes) within the Group Solvency II position.

Investor view better reflects the strength of our solvency position

Regulatory view

Investor view



WPFs / pension scheme gross up dilutes regulatory view solvency ratio

Large With Profit Funds surplus dilutes our Solvency II ratio

Large surplus in WPFs

£1.5bn
WPFs surplus

31 Dec 16

Even after adverse event surplus remains large

£0.8bn impact

£0.7bn
WPFs surplus

After adverse event

Nevertheless, Solvency II requires a capital requirement to be recognised

£0.8bn
Capital requirement

=

£0.8bn
Regulatory capital

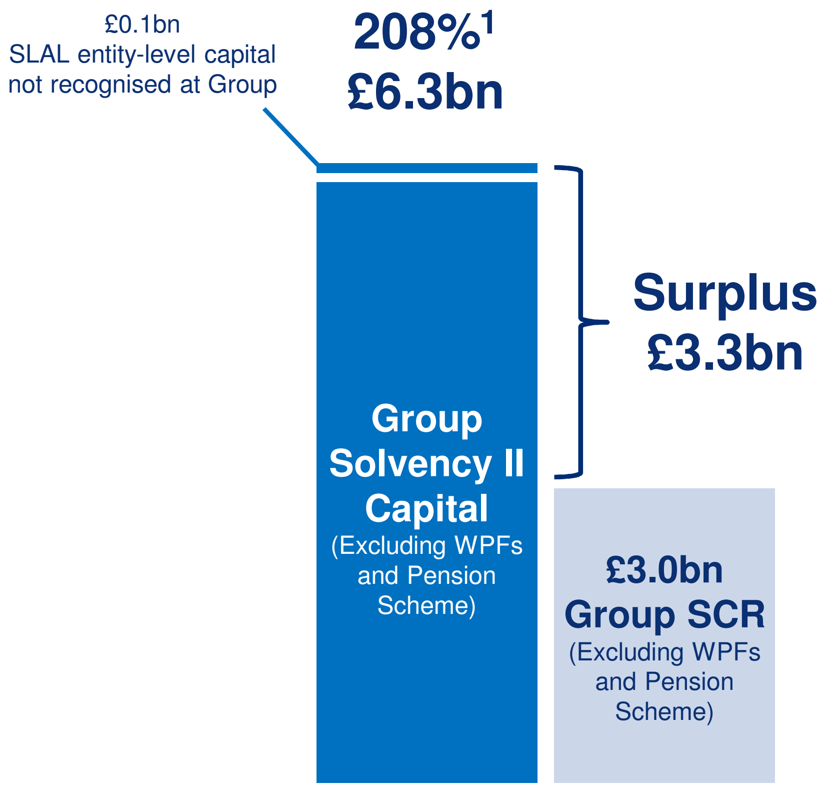
Capital requirement is offset by WPFs surplus (capped at level of capital requirement):

- no impact on Solvency surplus
- but ratio is diluted by 18 percentage points

Solvency II treatment of WPFs and pension scheme dilutes FY 2016 ratio by 29 percentage points

Strong solvency position

Investor view



Investor view surplus (31 Dec 16):

£3.3bn

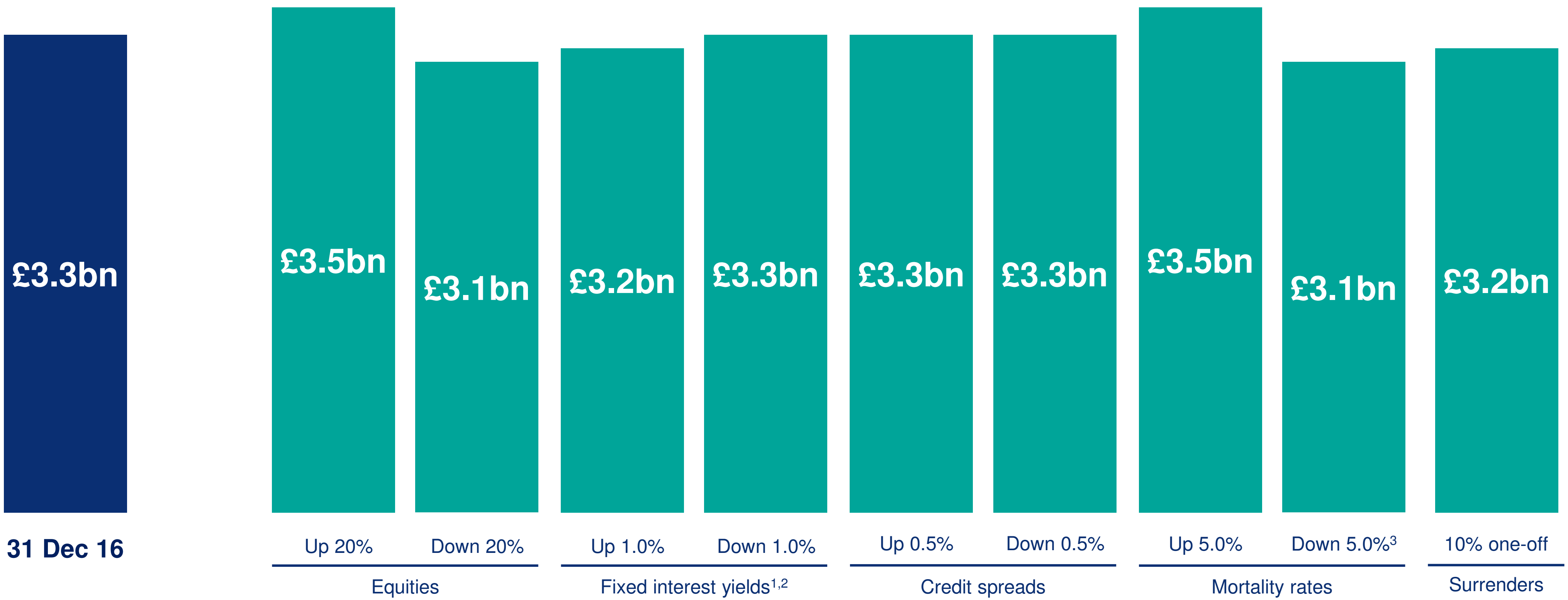
Investor view solvency ratio:

208%[1]

- Stable surplus over a wide range of stress scenarios
- Strong regulatory view surplus:
  - Regulatory view surplus: £3.2bn
  - Regulatory view solvency ratio: 177%[1]

1. Based on unrounded pro forma figures as at 31 December 2016.

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.

What are Solvency II capital and capital requirements?

Investor view capital	**£6.3bn**	Our Solvency II assets less liabilities and other capital items
Investor view capital requirement	**£3.0bn**	Amount of capital resources we must hold to protect against 1-in-200 year adverse event

Example 1-in-200 standalone stress events for UK business

Equities	Interest rates	Credit spreads[1]	Life expectancy[2]	Lapse rates[3]	Mass lapse
41% fall	1.1% fall	3.6% rise	3.1 year rise	50% change	31.3% one off

1. Weighted average of A rated corporate bond stresses. 2. Rise based on a representative 65 year old male annuitant. 3. Change shown is applied in most onerous direction for each product

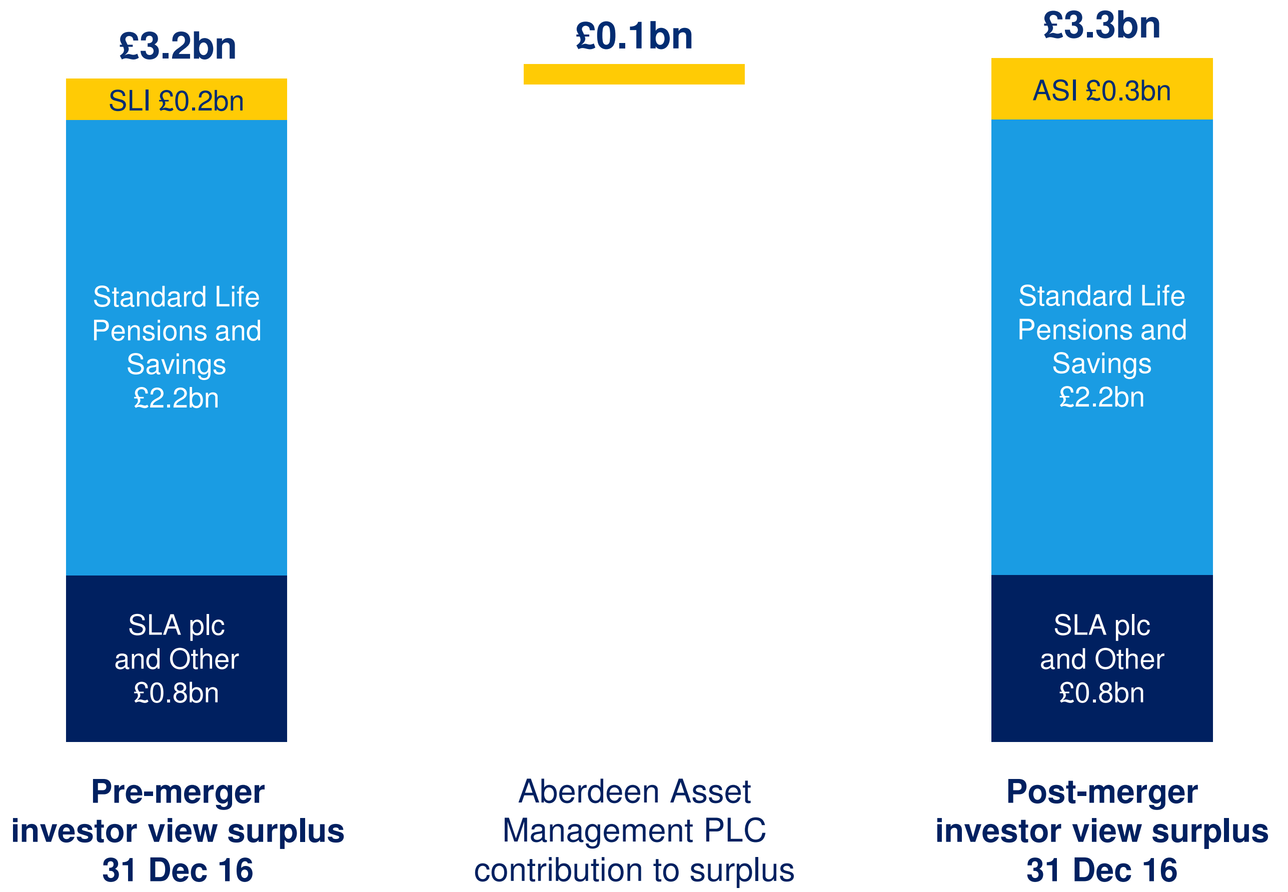
Regulatory capital landscape

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 SL Intl: SII standard formula	SLAL: SII internal model 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

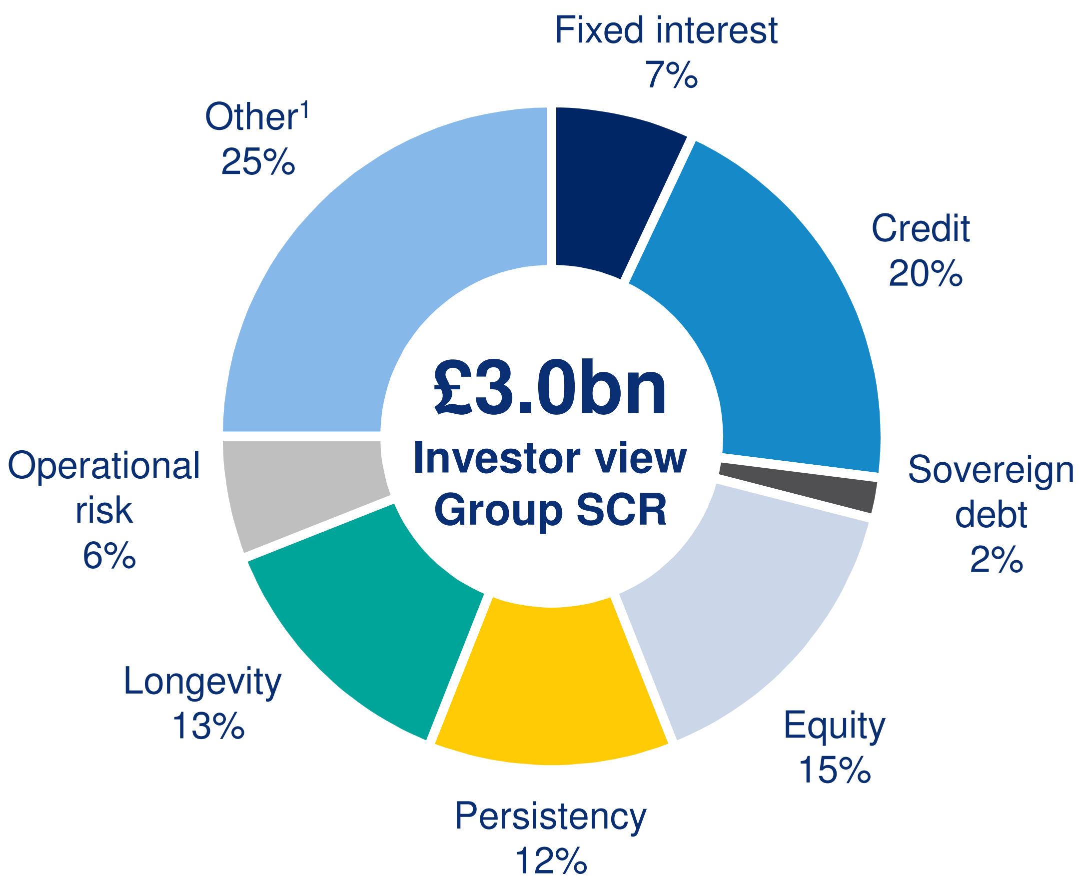
Regulatory view capital position as at 31 December 2016					
	Entity level			**Contribution to Group**	
	Capital	**Capital requirements**	**Surplus**	**Restriction**	**Surplus**
Standard Life Investments	0.4	0.1	0.3	(0.1)	0.2
Aberdeen Asset Management	0.5	0.1	0.4	(0.3)	0.1
Standard Life Pensions and Savings	6.7[1]	3.8	2.9[2]	(0.8)[2]	2.1
Standard Life Aberdeen plc and Other	1.0	0.2	0.8	-	0.8
Total	**8.6**	**4.2**	**4.4**	**(1.2)**	**3.2**

1. Includes net impact of £1.5bn from transitionals in SLAL, of which £1.5bn is recognised at the Group level. 2. Includes £0.7bn in relation to pension scheme surplus.

Minimal impact from merger on solvency position



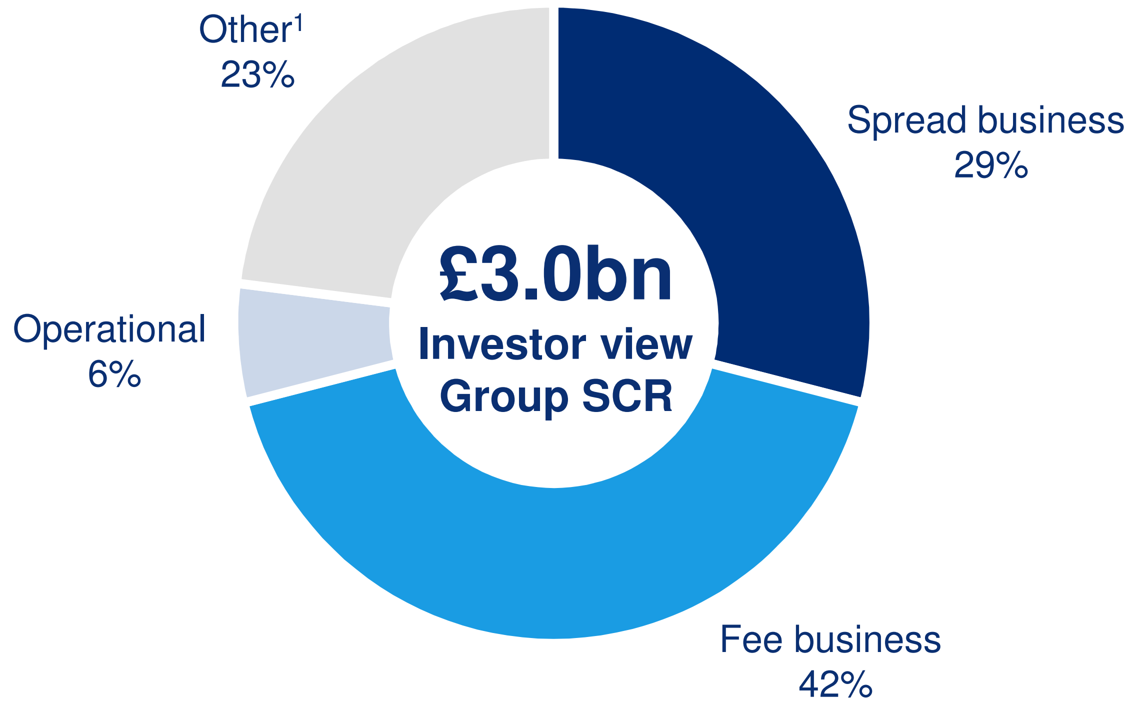
Capital requirements reflect well diversified set of risks



Credit	Spread business, pension scheme, shareholder assets
Longevity	Spread business, pension scheme
Equity	Fee business, with-profit fund
Persistency	Fee business

1. Includes 10% from entities included under Solvency II standard formula and 8% from entities regulated under BIPRU/IFPRU.

Capital requirements reflect focus on fee business



Fee business and spread business are both major drivers of SCR …

1. Includes 10% from entities included under Solvency II standard formula and 8% from entities regulated under BIPRU/IFPRU.

… but fee business generates regulatory capital in the form of VIF

VIF is the value of future profits that contributes to capital

Example… Premium paid of £1,000

Future income less expenses:

Time

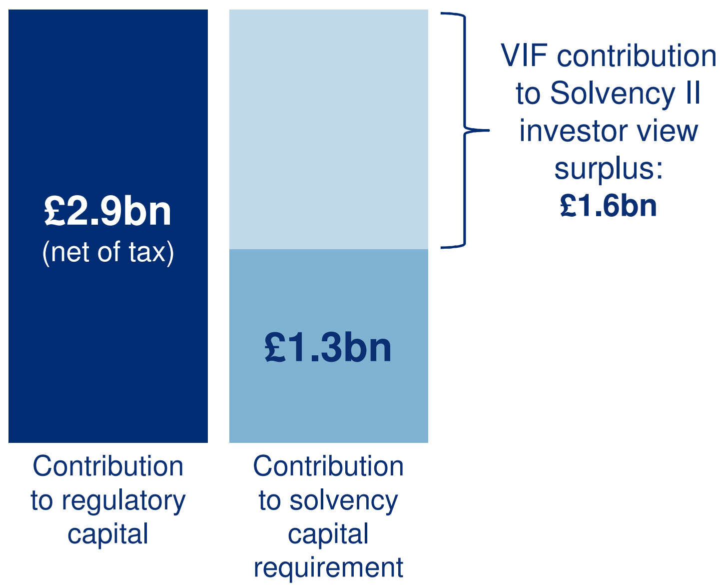
£5 … £5 …

VIF (contribution to regulatory capital)
= **£50**

VIF also gives rise to a capital requirement

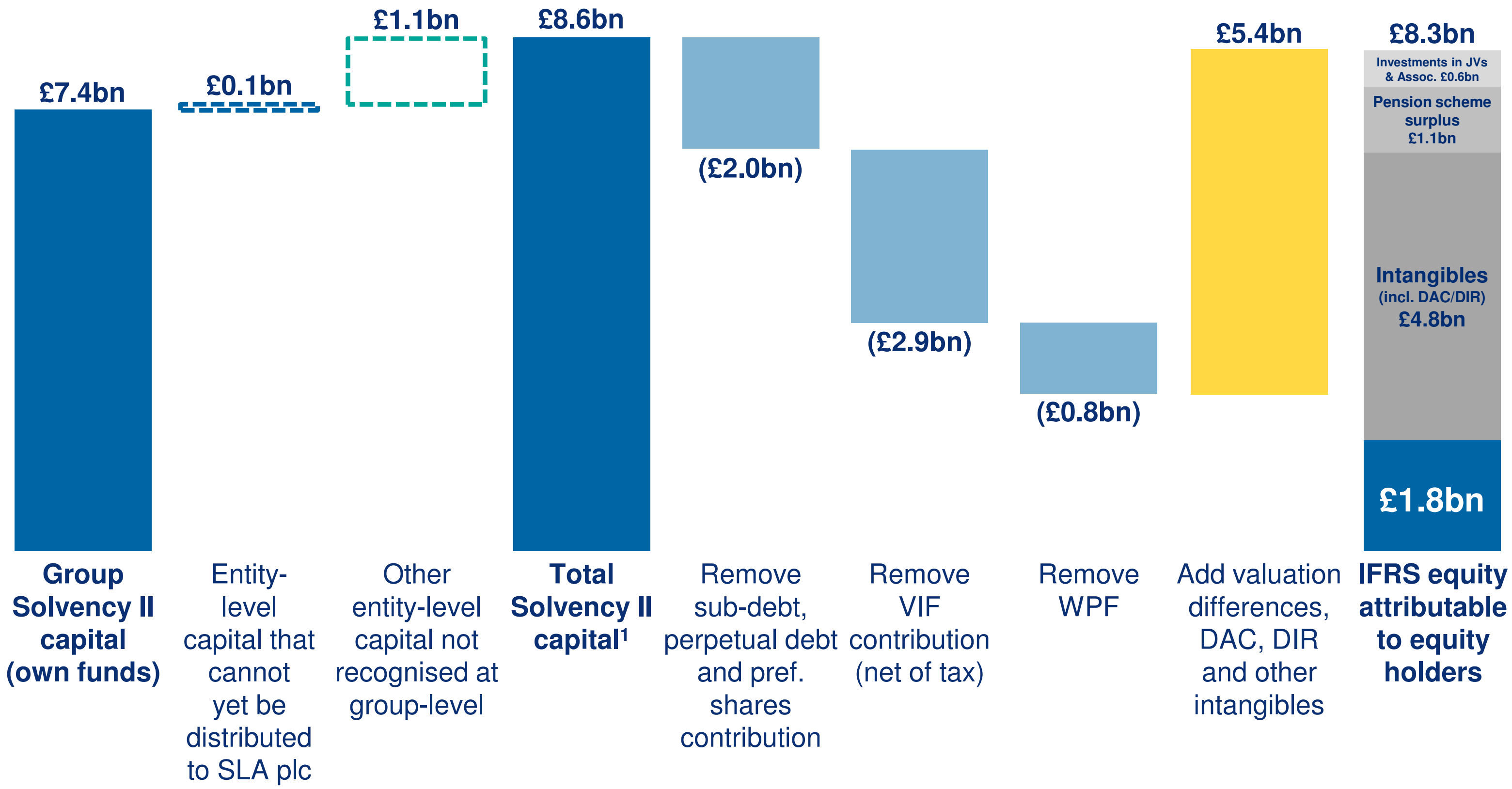
Example…	Regulatory capital from VIF	= **£50**	Surplus **£30**
Impact of 1-in-200 event:	Solvency capital requirement (VIF reduces by)	= **(£20)**	

Impact of VIF on our Solvency II position



Capital light fee business provides more regulatory capital than capital requirement

Shareholders' equity used efficiently

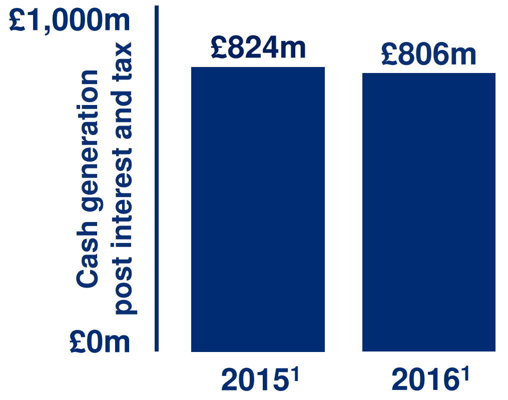


Adjusted profit after tax of £861m mainly driven by £1.8bn of IFRS equity (excluding intangibles, pension surplus and investments in JVs & assoc)

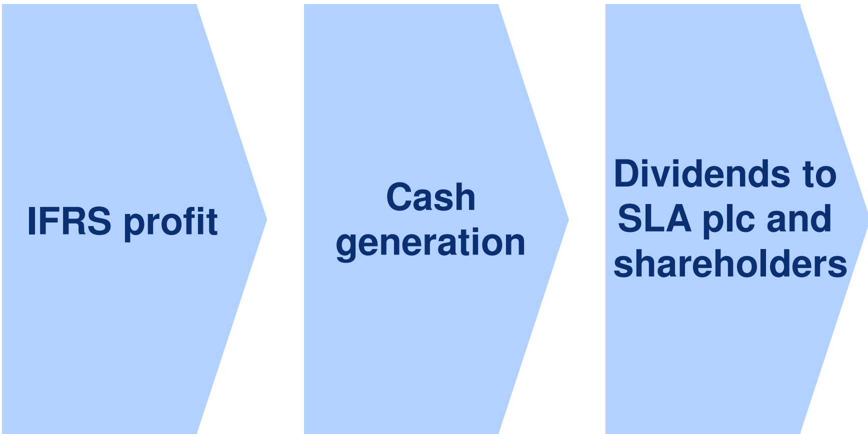
1. Aggregate Solvency II capital resources (own funds) in Group entities.

Subsidiary IFRS profits drive dividends to SLA plc

Cash generation post interest and tax



Dividends not constrained by regulatory capital

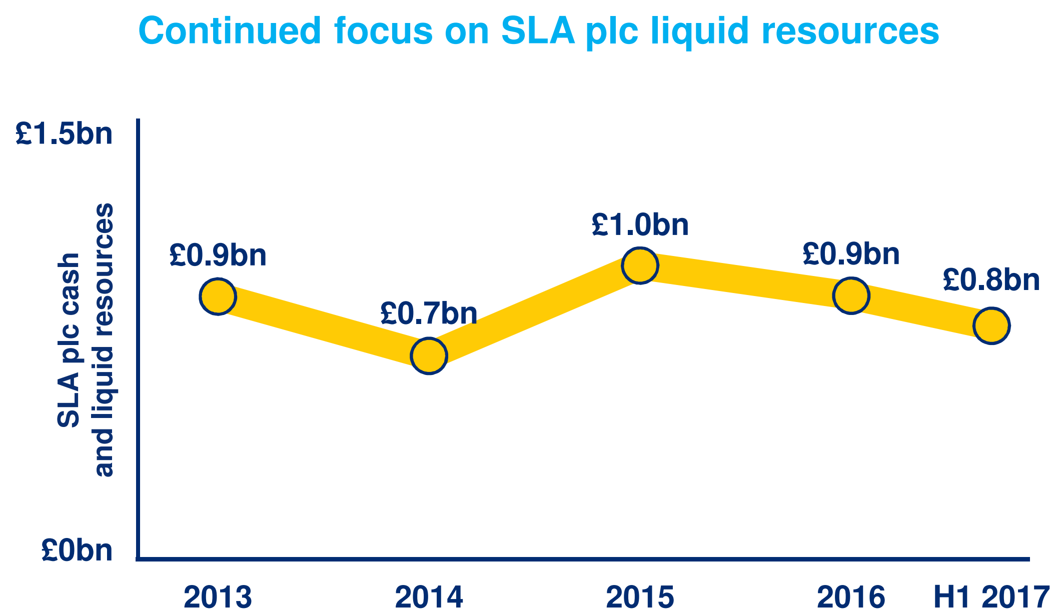


Driving dividends to shareholders:

- 95% of adjusted operating income is fee based
- Subsidiaries efficiently capitalised – regulatory strength at Group and subsidiary level not a constraint
- IFRS profits drive dividends to SLA plc and shareholders

1. Based on Standard Life underlying cash generation and Aberdeen core cash generated from operating activities. The methodologies have not been aligned. The Aberdeen core cash generation from operating activities has been adjusted for tax paid and coupon payments on perpetual securities.

Capital in SLA plc supports strategy and progressive dividend



Liquid resources supporting:

- Progressive dividend buffer
- Organic growth / bolt-on acquisitions
- Seeding and co-investment

Further strengthened in H2 2017:

- Proceeds from IPO of HDFC Life of £367m
- Proceeds of debt issue
- Helps to meet £320m of merger integration costs

Summary

- Standard Life Aberdeen is well capitalised with a stable Solvency II surplus
- Solvency II capital position reflects our focus on fee business – it is not a constraint
- Shareholders' equity is used efficiently
- Our business model and IFRS earnings support cash generation and our progressive dividend policy

Financially strong and stable business well positioned for future growth

Solvency II and how we think about capital – Q&A

Appendix

2016 Pro forma profit by business unit

Total for the Group for the year ended 31 December 2016

	Aberdeen Standard Investments £m	Pensions and Savings £m	India and China Life £m	Other £m	Eliminations £m	Total £m
Fee based revenue	1,920	861	17	-	(112)	**2,686**
Spread/risk margin	-	134	-	-	-	**134**
Total adjusted operating income	1,920	995	17	-	(112)	**2,820**
Total adjusted operating expenses	(1,231)	(655)	(22)	(57)	112	**(1,853)**
Adjusted operating profit	689	340	(5)	(57)	-	**967**
Capital management	(2)	22	-	(9)	-	**11**
Share of associates' and joint ventures' profit before tax	35	-	41	-	-	**76**
Adjusted profit/(loss) before tax	**722**	**362**	**36**	**(66)**	**-**	**1,054**
Tax on adjusted profit	(127)	(71)	-	18	-	(180)
Share of associates' and joint ventures' tax expense	(11)	-	(2)	-	-	(13)
Adjusted profit/(loss) after tax	**584**	**291**	**34**	**(48)**	**-**	**861**
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	-	13	-	-	-	**13**
Restructuring and corporate transaction expenses	(42)	(38)	(3)	(3)	-	**(86)**
Amortisation and impairment of intangible assets acquired in business combinations	(159)	(13)	-	-	-	**(172)**
Provision for annuity sales practices	-	(175)	-	-	-	**(175)**
Coupons payable on perpetual notes classified as equity	26	-	-	-	-	**26**
Other	10	6	-	(3)	-	**13**
Total adjusting items	**(165)**	**(207)**	**(3)**	**(6)**	**-**	**(381)**
Tax on adjusting items	31	46	-	2	-	**79**
Profit attributable to non-controlling interests (preference/perpetual)	(26)	-	-	-	-	**(26)**
Profit/(loss) for the year attributable to equity holders of Standard Life Aberdeen plc	**424**	**130**	**31**	**(52)**	**-**	**533**
Profit attributable to non-controlling interests:						
Profit attributable to non-controlling interests (ordinary shares)						51
Profit attributable to non-controlling interests (perpetual notes / preference shares)						26
Profit for the year						**610**

2015 Pro forma adjusted profit by business unit

Total for the Group for the year ended 31 December 2015

	Aberdeen Standard Investments £m	Pensions and Savings £m	India and China Life £m	Other £m	Eliminations £m	Total £m
Fee based revenue	1,950	808	38	-	(110)	**2,686**
Spread/risk margin	-	145	-	-	-	**145**
Total adjusted operating income	1,950	953	38	-	(110)	**2,831**
Total adjusted operating expenses	(1,194)	(610)	(36)	(56)	110	**(1,786)**
Adjusted operating profit	756	343	2	(56)	-	**1,045**
Capital management	(27)	14	-	(14)	-	**(27)**
Share of associates' and joint ventures' profit before tax	31	-	25	-	-	**56**
Adjusted profit/(loss) before tax	**760**	**357**	**27**	**(70)**	**-**	**1,074**

Perpetual note coupons will be treated as an expense in adjusted profit

Aberdeen perpetual notes

- Nominal $500m Perpetual Cumulative Capital Notes
- Tier 2 notes with first call date in March 2018
- Coupon of 7.0%
- Interest cost of £26m in 2016 and £23m in 2015

Coupons payable on perpetual notes classified as equity

- Were not treated as an expense within Aberdeen underlying profit
- Were included as an appropriation of profits when arriving at profit attributable to equity holders of Aberdeen

Standard Life Aberdeen will include these coupons payable as an expense within adjusted profit

- 2016 adjusted profit before tax reduced by £26m with expense included within capital management line
- No impact on profit attributable to equity holders
- No impact on adjusted earnings per share

Short-term fluctuations in investment return and economic assumption changes

Previous policy

- Difference between expected returns on investments backing equity holder funds and the actual return on investment was excluded from operating profit before tax and included in non-operating items as "Short-term fluctuations in investment return and economic assumption changes"

Updated policy

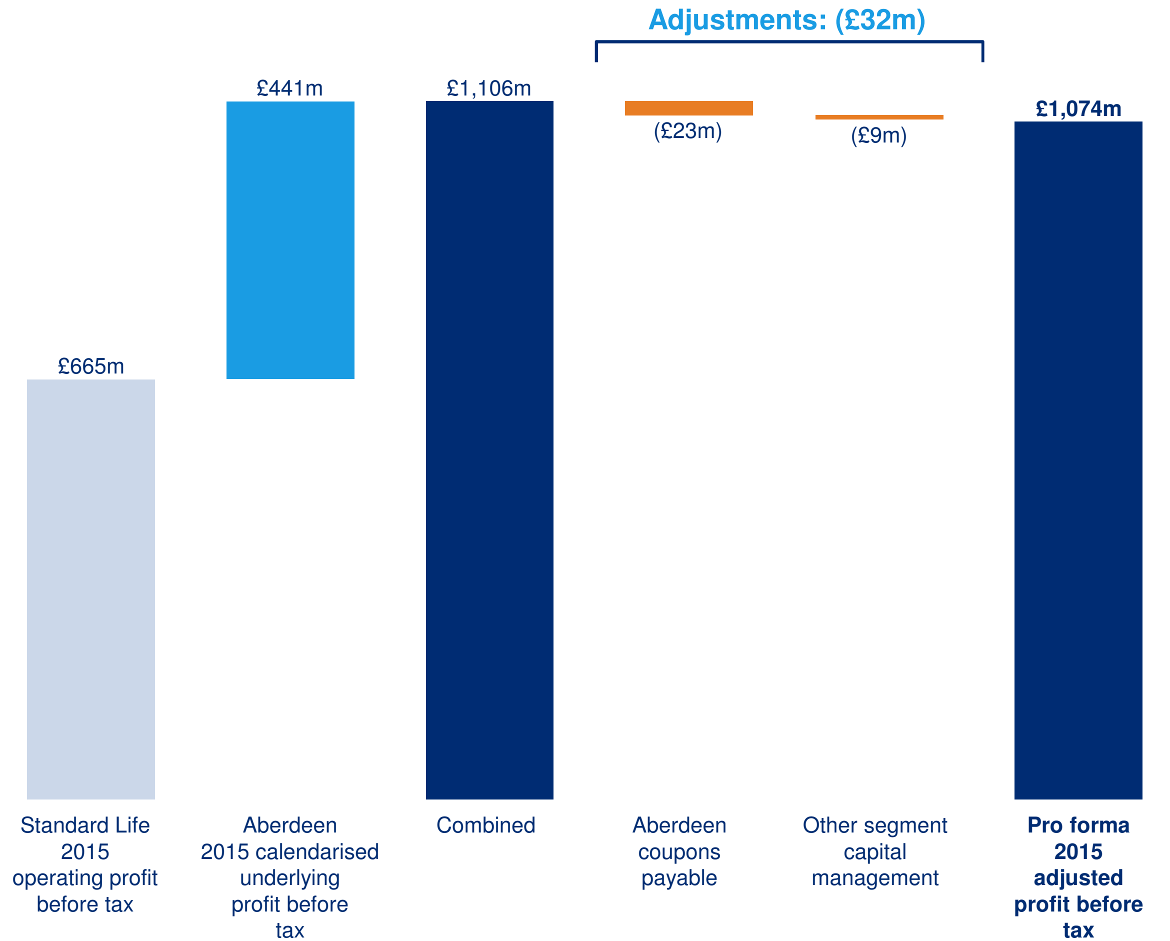
- Short-term fluctuations in investment return and economic assumption changes now only excluded from adjusted profit for Pensions and Savings[1]

Impact on adjusted profit before tax

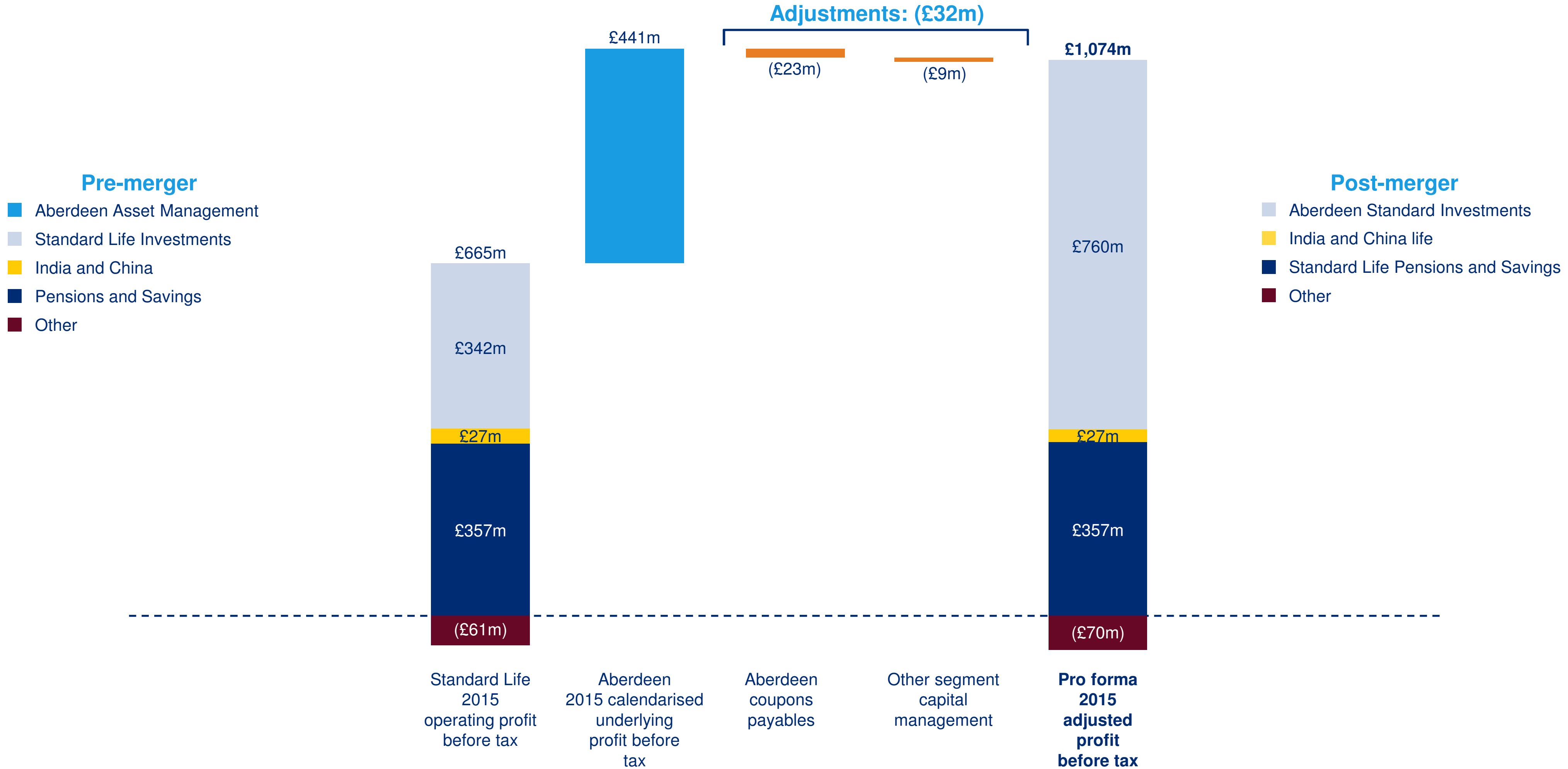
- Standard Life Investments: £3m increase in adjusted profit as previously stripped out gain on FX is reinstated (2015: no change) within the operating expenses line
- Other segment: £8m reduction in adjusted profit as actual rather than expected return is used (2015: £9m reduction) within the capital management line

1. Also applies to Hong Kong included within India and China life.

Reconciliation of operating profit to adjusted profit for 2015

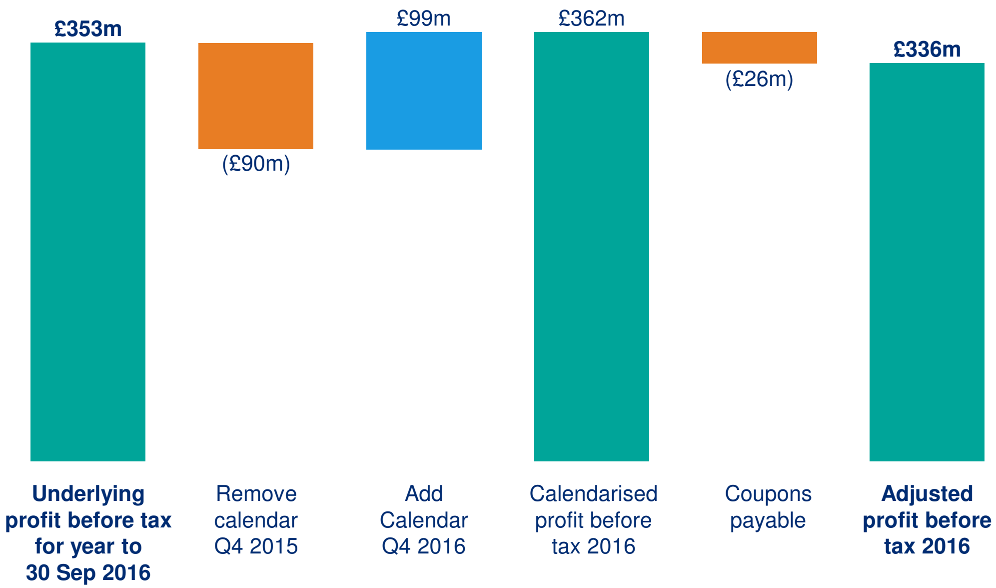


Adjusted profit by business unit for 2015



Adjustments to Aberdeen Asset Management profit before tax for 2016

Reconciliation of underlying profit before tax to adjusted profit before tax



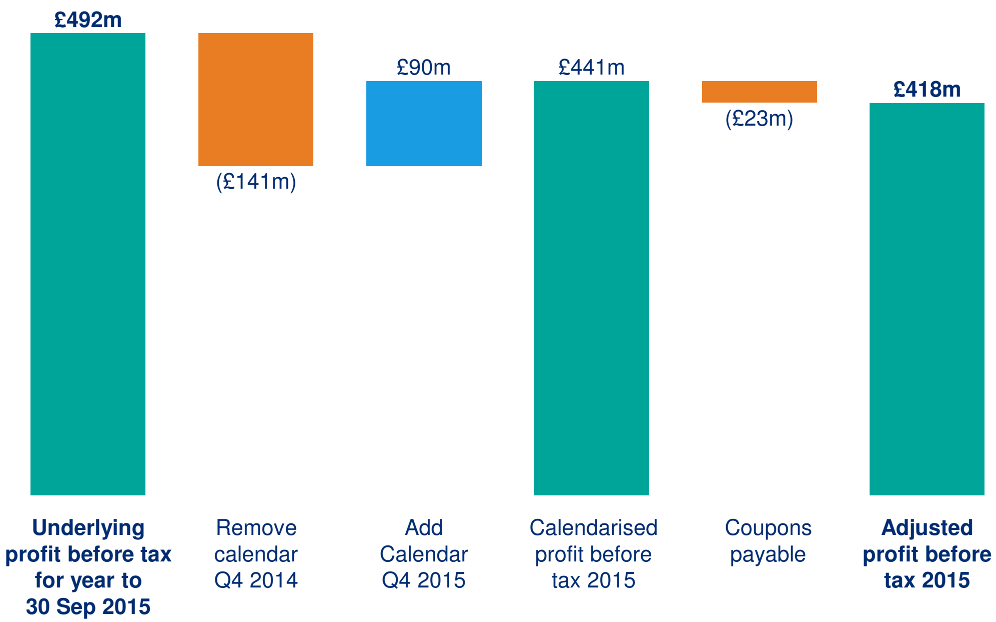
Analysis of Aberdeen adjusted profit before tax

	Aberdeen profit methodology				Adjusted profit
	Year ended 30 Sep 2016 £m	Calendar adjustments £m	Year ended 31 Dec 2016 £m	Coupon payments £m	Year ended 31 Dec 2016 £m
Fee based revenue	1,007	28	1,035		1,035
Spread/risk margin	-	-	-		-
Total adjusted operating income	1,007	28	1,035		1,035
Total adjusted operating expenses	(679)	(18)	(697)		(697)
Adjusted operating profit	328	10	338		338
Capital management	25	(1)	24	(26)	(2)
Share of associates' and JV's profit before tax	-	-	-		-
Adjusted profit before tax	**353**	**9**	**362**	**(26)**	**336**

Aberdeen will be combined with SLI in 2017 reporting as Aberdeen Standard Investments

Adjustments to Aberdeen Asset Management profit before tax for 2015

Reconciliation of underlying profit before tax to adjusted profit before tax



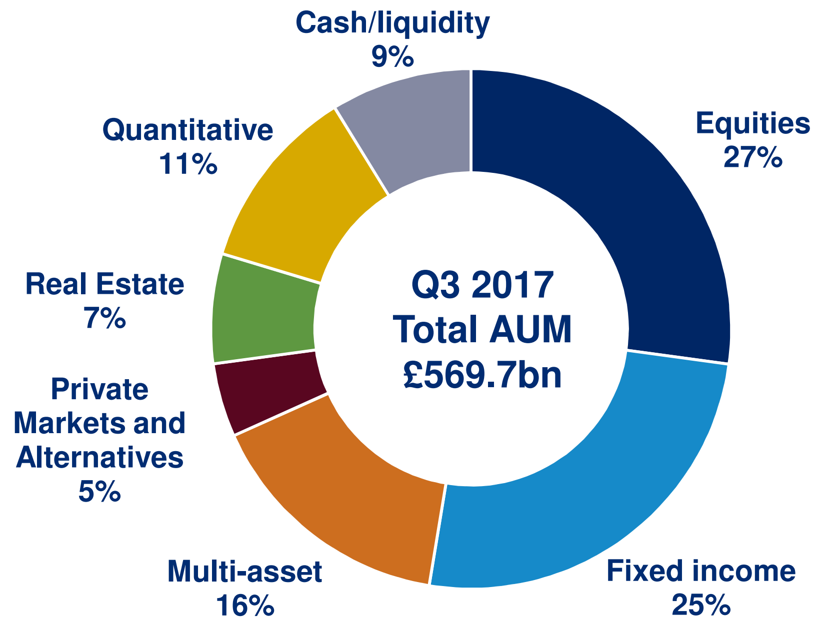
Analysis of Aberdeen adjusted profit before tax

	Aberdeen profit methodology				Adjusted profit
	Year ended 30 Sep 2015 £m	Calendar adjustments £m	Year ended 31 Dec 2015 £m	Coupon payments £m	Year ended 31 Dec 2015 £m
Fee based revenue	1,169	(62)	1,107		1,107
Spread/risk margin	-	-	-		-
Total adjusted operating income	1,169	(62)	1,107		1,107
Total adjusted operating expenses	(670)	8	(662)		(662)
Adjusted operating profit	499	(54)	445		445
Capital management	(7)	3	(4)	(23)	(27)
Share of associates' and JV's profit before tax	-	-	-		-
Adjusted profit before tax	**492**	**(51)**	**441**	**(23)**	**418**

Aberdeen will be combined with SLI in 2017 reporting as Aberdeen Standard Investments

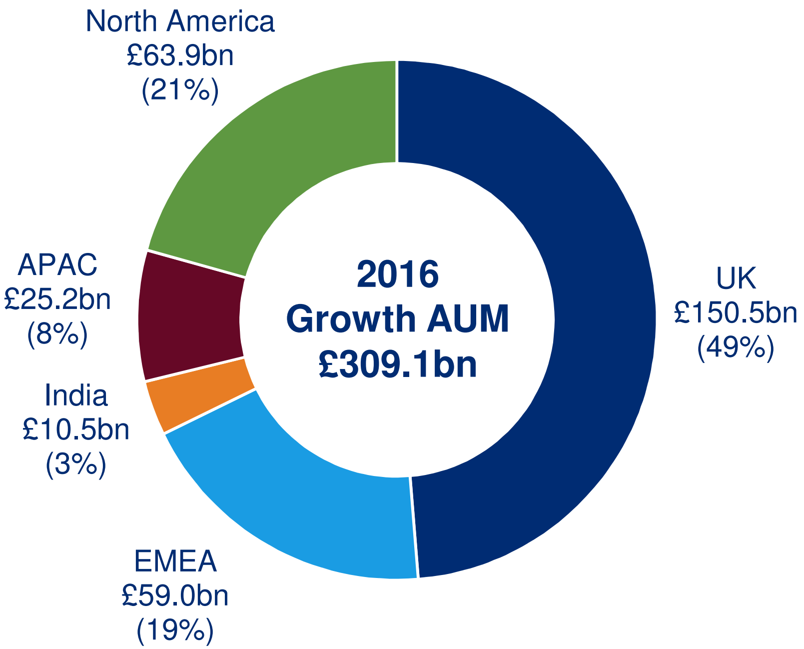
Well diversified by asset class

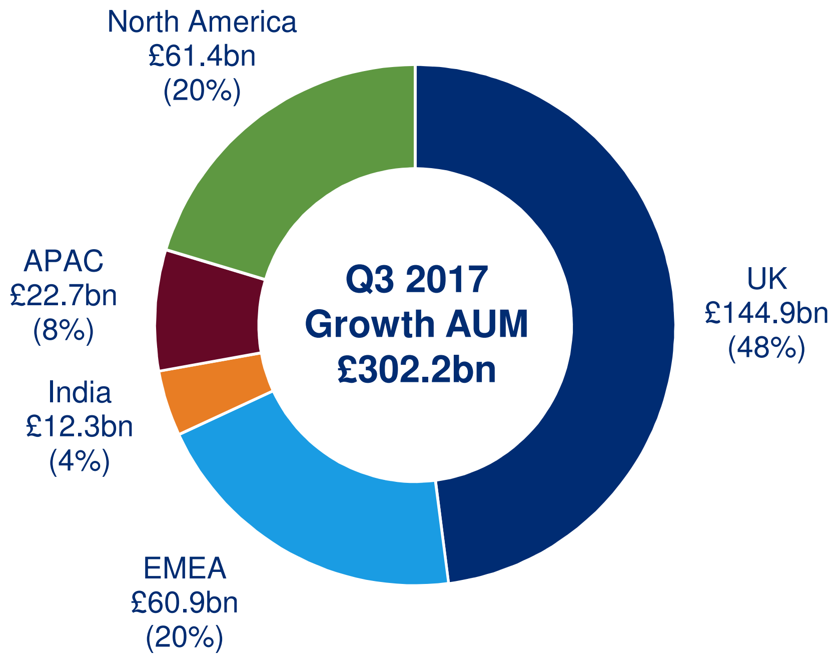
As at 30 Sep 2017	Growth £bn	Mature £bn	Total £bn
Equities	102.8	52.0	**154.8**
Fixed income	50.6	94.1	**144.7**
Multi-asset	72.0	17.4	**89.4**
Private Markets and Alternatives	24.8	1.3	**26.1**
Real Estate	28.2	10.7	**38.9**
Quantitative	2.1	63.6	**65.7**
Cash/liquidity	21.7	28.4	**50.1**
Total assets under management	**302.2**	**267.5**	**569.7**



Broad range of investment capabilities to meet client needs

Well diversified by geography





With opportunities for further international expansion

Note: geography of AUM by client domicile.

Annuities – SLA facts

Total annuity best estimate liabilities: £15bn

- Reinsured to Canada Life in 2008: £5bn
- Shareholder exposure includes:
  - £5bn of annuities outside WPF; and
  - Longevity risk on £5bn of annuities inside WPF

SCR: £0.9bn

- Relating largely to longevity risk and investment/credit risk
- Backed largely by surplus VIF generated by SL fee business of £1.6bn
- Net of diversification benefit

Adjusted profit contribution in H1 2017: £49m

- Existing business: £31m (including £7m from periodic annuitant verification)
- New business: £1m
- Asset liability management (ALM): £17m

Annuities – capital and economic considerations

What makes SLA different to other annuity providers:

- Our book is in run-off as we no longer sell new annuities[1]
- Therefore transitional arrangements run off as the book runs off – Solvency II does not give rise to significant additional capital strain for SLA
- Unique balance of business – large fee business generates capital from VIF which can be used to back our smaller annuity book

Economic impact of disposal could be unfavourable to shareholders, resulting in:

- Day one loss under IFRS (market pricing of liabilities > IFRS liabilities > SII best estimate liabilities)
- Loss of annual profit contribution running into tens of millions
- Loss of hundreds of millions of future profits embedded in prudent IFRS reserves
- Loss of opportunity for further asset liability management actions
- Loss of diversification benefit recognised in overall SCR
- Release of capital which is not tangible assets but Solvency II VIF and may not be distributable

What factors would make a disposal more favourable:

- Change to market's view of longevity
- Long-term interest rates increasing
- Balance of demand and supply in the market shifting (less supply)

1. In November 2016 we announced that we would close some of our annuity products and would withdraw from the UK annuities open market and only offer annuity products to existing customers.

www.standardlifeaberdeen.com