Standard Life

Proposed merger of Standard Life and Aberdeen Asset Management

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Todd Leland, Goldman Sachs

Good morning. My name is Todd Leland with Goldman Sachs. On behalf of Goldman Sachs, JP Morgan, Credit Suisse, and all the other advisory group, it's our great pleasure to introduce the management team to you today to introduce the intended and recommended merger between Standard Life and Aberdeen Asset Management.

I'd like to acknowledge some special people in the audience, if I could: Gerry Grimstone, who will be the Chairman of the combined organization; Simon Troughton, who will be the Deputy Chairman; obviously, Keith Skeoch and Martin Gilbert, who will be the Co-CEOs; and Bill Rattray, who will be the CFO. There are other members of the Board – I see Kevin in the front row; other members of the Board of Management in the audience.

I won't belabor this. It's our great privilege to host this today, and with that, I will turn it over to Keith Skeoch for the presentation.

Keith Skeoch, Chief Executive, Standard Life plc

Thank you, Todd, and what a great pleasure to be here this morning. Good morning, welcome to our presentation on the recommended merger between Standard Life and Aberdeen Asset Management.

We'd be grateful if you could switch off your phones and other devices to silent, and once you've digested the legal disclaimer, we'll get the presentation underway.

First, I'm going to talk about the rationale for the merger, which we are clear; it's strategic, and it's long term. Then Martin will talk about the benefits we see from the merger that will drive value for clients and for shareholders. And then after that, together, we'll do our level best to answer your questions.

Let me be very clear and repeat. From the start, the rationale that Martin and I see for this deal is strategic. That's what excites us. It's the complementary nature of what we do that creates an opportunity to create a world-class investment company that delivers for our clients, our people, and for shareholders.

It delivers for clients because we bring together the combined strength of Aberdeen in Emerging Markets and Asia with Standard Life's strengths in Developed Markets and Multi-assets. Our strengths are complementary because our investment philosophies are aligned.

It will deliver for our people because together, we'll have the scale to generate opportunity as we continue to enhance a broad and compelling offering to meet what are clearly evolving client needs. That provides the foundation for generating continued global growth and for deeper and stronger client relationships.

We also believe it delivers for shareholders because the financial benefits are equally compelling. Because we have complementary investment capabilities and clients, they bring increased diversification to revenues and to earnings.

We also have a very experienced management team that's not only built very successful asset management businesses in their own right, but have also successfully integrated acquisitions into their own businesses.

No one should be in any doubt that our focus will be on delivering the financial benefits. The £200 million of synergies should be delivered within three years of completion. A strong balance sheet and cash generation will support continued investment in growth and innovation, as well as a progressive dividend policy.

The terms of the transaction, which are listed here on this slide, of course are subject to the usual regulatory approvals.

One of the most important aspects of any successful merger, but particularly strategic deals, is leadership. We will have the benefit of a very strong and experienced leadership team with well over 30 years' experience in asset management and financial markets from the individuals involved.

The Board will be led by Sir Gerry Grimstone with Simon Troughton as his deputy. The executive team, as we said, will be led by Martin and myself, with Bill Rattray as CFO and Rod Paris as CIO leading the investment team. Unfortunately, Rod's not with us today because he's where he belongs with the investment teams.

One of the reasons leadership is important is we are operating in an environment where major headwinds continue to buffet the savings and investment marketplace and, therefore, affect the asset management industry.

Four big trends that I've talked about previously. The democratisation of financial risk in which people are more responsible for their own financial futures. The need to rebuild trust in financial institutions means that people want to look through to their assets, not somebody else's balance sheet. Both are global trends, and so what we are experiencing, as Aberdeen have pointed out in their strategic output, is a global – the globalization of client needs.

Of course, we've also got innovation and technology and digitalisation which are reducing the returns to the sales process, but actually at the same time increasing the return from great client service.

The slow-growth, low-inflation, compressed-return environment has increased medium-term market volatility, and in my view, and I think in Martin's as well, actually increases the client's need for active management solutions, especially absolute return with low volatility. This reinforces the need, as Aberdeen has pointed out, for innovative product and product innovation.

Finally, these are not local trends, these are global trends, and that reinforces the need to build scale. Scale is not just about size and bulk. It's about a compelling offering that helps meet clients' evolving needs. Bringing together our investment componentry will provide scale across the combination's product suite. So we can deliver innovative investment solutions that meet those evolving client needs, whether they're de-risking defined benefit schemes, or insurance companies who need liability-aware solutions; whether they're providers of post-retirement solutions who need income or yield; or indeed, whether they are more traditional clients whose risk budget needs strong but well-diversified asset returns.

The reason we believe that we can deliver this and create such a broad and compelling offering is the complementary strengths of our investment capabilities.

Our investment capabilities are complementary because our investment philosophies and the processes we use to deliver the associated return are aligned. We are both long-term, we are both research-based, active managers. We believe that fundamentals drive return, either macro in multi-asset or fixed income, or pure stock selection in equities and in credit. Perhaps most importantly, we both recognize that the day job is about operating as a team to deliver investment performance and service to clients.

You can see from the chart that's up that the investment expertise of 1,000 investment professionals is highly complementary and brings global scale with investment performance manufactured in what will be 24 locations around the world.

Distribution, arguably, is even more global, with 50 unique distribution locations, clients in 80 countries, and an enhanced spread of strategic partners around the world. We will also be very strong in the UK, on top of that global diversification.

We shouldn't forget the distribution strengths that comes from our strong position in the UK Pensions and Savings market that provide regular and steady flows through regular Workplace contributions, whether that comes through Standard Life, Phoenix, or indeed the relationship with Lloyds, or indeed the Wrap, Elevate and Parmenion platforms that benefit from the accelerated shift from defined benefit to defined contribution in the wake of pensions freedom.

So from my perspective, this is a merger with a strong strategic rationale. Our strategy for some time has been to create a world-class investment company. The complementary strengths in investment distribution, investment management, as you would expect in a merger, accelerates that strategy, which in turn brings with it significant financial and brand benefits which I am now going to hand over to Martin to talk about.

Martin Gilbert, Chief Executive, Aberdeen Asset Management PLC

Thank you, Keith.

Can I just reiterate and confirm everything Keith has said that this is a strategic combination that excites us very much at Aberdeen.

So just on the next slide, if I can get it up, yes, this slide really shows the demand for next-generation products is significant. The opportunity for active managers is huge, and we'll be well placed to capture our share of the revenue opportunity going forward. And we've great strengths in these areas with the combined operation, especially in the multi-asset where we have very complementary offers together.

The next slide shows the growing demand for outsourced management of insurance assets. We will be the world's largest manager of third-party insurance assets, and the combination of investment and insurance expertise at both firms will be very, very strong. We'll have the full suite of product offerings to meet insurers' needs.

Then scale in our home market, as Keith said, is vital. We'll have a very strong base to expand globally, and the benefits of scale are really obvious to both of us. It gives us the chance to retain and attract talent, it gives us the chance to innovate in the product space. We'll have very complementary distribution channels, as Keith said, with offices around the world; and we'll be able to invest more in our platform and technology businesses.

Then on the next slide, this is our approach to brands. As you can see, we both have very strong brands across the globe. It's always been one of my ambitions to sponsor Andy Murray, so we now finally achieve that. And for those who want tickets to the Lions, you know where to come now. You just have to get to New Zealand.

On branding, the aim is to call the holding company, or put the Aberdeen brand within the holding company. The very important life company will not change its name. It will be Standard Life, which is a fantastic brand globally. And on the asset management side, it will be something along the lines of Aberdeen Standard Life Investments, Aberdeen Standard Life Investment Company Asset Management, or whatever.

We obviously have a bit of work to do on that because I did receive one text this morning saying that you – naming your Emerging Market equity fund, the Aberdeen Standard Life emerging equity product would not be a good news because that stands for SLEEP (laughter). So as I say, we have a bit of work to do on branding just to make sure that we don't trip ourselves up in that area. But as I say, look, you can see the global reach we're going to have in brands is fantastic.

So we'll obviously be highly diverse by assets and by revenue. We've got scaled franchises across the business. We'll have world-class equities, world-class solutions business. Combining the property businesses is great; very good fixed income business; very good alternatives. And also, a good passive business with smart beta.

And clearly, with this highly diverse business across the world, it improves operating leverage, and of our top 50 clients, importantly, we only overlap on four of them. So it gives us a real opportunity to cross-sell across the world.

Just on integration, it's one thing we are both good at. We've done a lot. We've both done – we both have a very strong record of delivery, and actually producing the synergies that we say we will.

So we've got – we've done Ignis, we've done SWIP, Credit Suisse, Deutsche Asset Management. So between us, we have a very strong record of delivering this, and we'd be disappointed if we didn't deliver the synergies that we've said we would. And if we do and we get revenue synergies as well, this will be materially earnings per share enhancing for shareholders.

Cash flow. The combined Group is going to have an excess of £900 million of free cash flow a year. You can see that that will give a well-covered dividend, and we will continue Standard Life's policy of a progressive dividend – of paying a progressive dividend.

The pro-forma Group will be well capitalized with liquid assets in excess again of £900 million, with a strong balance sheet to meet our strategic objectives.

So let me just conclude on the last slide, which is the same as the first, to say customers and clients will be at the heart of everything we do, and that is very, very important. The merger is a significant step towards our goal of creating a world-class investment company. It brings scale; it brings diversity and creates a strong platform for growth. This is a great deal for clients, for the staff, and if it's a good deal for them, it's also a good deal for shareholders.

So I'm just going to go back to my seat, and open up for questions.

Question and Answer Session

Question 1: Chris Turner, Goldman Sachs

Chris Turner, Goldman Sachs. In terms of revenue synergies, you're not targeting any formal revenue synergies, but presumably, if you get Aberdeen and plug it into the strong distribution of Standard Life, presumably there's some upside there.

And then conversely, in terms of the revenue dis-synergies, you mentioned there's very little overlap in the clients, but what about the potential for consultants to put you on watch or those kind of revenue dis-synergies short/medium term?

Thank you.

Answer: Martin Gilbert

Well, I'll kick off first and then hand over to Keith.

I think one of the key things is that Standard Life were not big in Emerging Market equities or Asian equities or – especially those asset classes, because those were the two or three that we could see the consultants putting us on hold. And if you recall, when we did the Scottish Widows, the SWIP transaction, the good thing is their assets were passive in those areas. So again, it allowed us to do the mergers – to do that transaction.

As to revenue synergies, I think we were more also trying to point out that the – we don't think there's going to be massive revenue dis-synergies, if you follow me, that we're suddenly going to be both managing Emerging Market equities for a US pension fund, or something, where they might say we've got too many assets with you. We see it as an opportunity that we only have four of the top 50. And certainly speaking from our clients, I know that they would welcome access to the GARS-type, solutions-type product, because that is the new generation of products going forward.

Answer: Keith Skeoch

Yes, I agree. So there's very little client crossover to revenue synergies. Dis-synergies are minimal, we believe.

There's a huge amount of opportunity out there from a broader and more compelling product offering to work with that through each other's clients and consultants. And as Martin was pointing out, you should also remember that we will be one of the world's largest managers of insurance assets, so we'll be managing for Standard Life, Phoenix, and the Scottish Widows.

Actually, one of the things that the investment capabilities coming together does is that allows more breadth to go into the propositions that serve not just clients but customers. So one of the things I'm most excited about is actually getting a broader set of alpha pots to drive a new set of what are called new active solutions, and I think we'll be broadening-out our revenue opportunities. It will take time, but that's, I think, in part the strategic benefit.

<u>Question 2: Andy Hughes, Macquarie Research</u>

Andy Hughes, Macquarie. A couple of questions, if I could.

The first is on the £200 million of synergies. So I'm not an expert on Aberdeen, but I read that 40% of Aberdeen's costs are non-sterling. So does this mean the synergies depend on FX rates? So, for example, if sterling were to fall, the synergies would increase; or are they largely sterling-based synergies? I'm just quite interested in what happens there.

And the second question is about India. Obviously, you've got these attractive assets in Standard Life in India, both the asset management business and the life business. Does this change anything in relation to the asset management business, particularly in India? Are you going to be competing against HDFC in India?

Thanks.

Answer: Martin Gilbert

Just on the synergies, no, that's on constant currency. So you're quite right. If – I can never get the dollar/pound ratio right, but if the dollar increases, whatever, it will change the level of (multiple speakers).

Answer: Keith Skeoch

Should we hand over -- should we ask Bill? (laughter)

Answer: Martin Gilbert

And then on India, I don't think we're competing with HDFC there. We're a big shareholder, oddly enough in HDFC – I think we're one of the largest shareholders of HDFC oddly enough, but we don't (multiple speakers).

Answer: Keith Skeoch

Actually, on the asset management side, I think that what this will do is actually improve potentially the competitive offering. At the moment, for those that are not aware, Standard Life owns 40% of HDFC Asset Management, one of India's most successful mutual fund companies. At the moment, by and large, Indians buy Indian products. We have the opportunity to put an enhanced suite of global products, now including Emerging Markets and Asia, onto the HDFC mutual fund platform. So it's a very good example, Andy, of opportunity opening up for us.

Question 3: Jon Hocking, Morgan Stanley

Jon Hocking, Morgan Stanley. Two questions, please.

Have you had the opportunity to speak to any of the distribution partners? Particularly thinking of some of the Asian distribution that Standard Life has with Manulife and some of the Japanese distribution.

And then secondly, what are you going to do specifically with the administration platforms of both companies? Is there an obvious target platform, and what are the complexities around that?

Thank you.

Answer: Martin Gilbert

I'll take the second one first, and then you can deal with the first one.

Yes, look. We're both on Charles River. I think it's fair to say that Standard Life are more advanced than us on Charles River, so there will be a saving certainly from us having to upgrade our systems onto that.

And then on the back office, we haven't made the decision as to what we're going to do on that. That will be part of the team that are looking at the integration.

And I think it's very important to say there will be a separate integration team here so that we can leave the rest of the business running as business as usual. So we don't want any disruption on what's happening at the fund management side. But there's certainly – there's complementarity on the front office systems.

Answer: Keith Skeoch

In terms of the strategic partners, clearly, we're under code rules. So those conversations with them will be taking place post 7 o'clock this morning. I would say where we have really deep relationships, what our strategic partners are really interested is the strength and depth of investment capability and our ability to provide high-quality service. And certainly, we don't compete with each other on those platforms, so that's something again which could bring opportunity.

Question 4: Oliver Steel, Deutsche Bank

Oliver Steel, Deutsche Bank. Two questions.

The first is Aberdeen's net outflows over the last few quarters. I don't know to what extent you've talked in Aberdeen meetings about the outlook for those flows, but obviously, it's a pretty serious thing from a Standard Life shareholder perspective given that I think you only need to lose another £30 billion of the equity flows to offset the cost savings that you're targeting.

So that's question 1.

Second question is I appreciate you both have an awful lot of experience in asset management, so then how are you going to split the responsibilities as co-CEOs?

Answer: Martin Gilbert

Just on the flows, you're quite right. If there were £30 billion of equity outflows we would be very worried as well. So I think that what we're seeing, as you've seen – I'm sure you've looked at the analysis – what we're actually seeing is a very marked slowdown on the equity outflows. And if you look at the third quarter of last year, third quarter calendar last year, you'll have seen that actually, we had actually inflows virtually in Emerging Market equities. And then, of course, we had the election of Donald Trump which then put a stop to Emerging Market flows coming in.

What is hasn't done is we haven't seen a rise in Emerging Market outflows though. So I think that – I've got to be careful because we're not allowed to give any forward guidance here, but if we do see any change in sentiment in Emerging Markets, we'll see pretty significant inflows, I would say. And those are at higher margin, I'm sure you know, than the, say, flows of fixed income or whatever.

So the interesting thing we look at is the revenue effect of flows. And again, I've got to be careful what I say, but I would say that towards the end of last year, beginning of this year, we saw a significant reduction on the revenue effect, which is what we look at. You never know. It might be the bottom of the market. You know?

Sorry. That's not a projection, by the way (laughter).

Answer: Keith Skeoch

On the co-CEO thing, a couple of points. The first is £660 billion of assets under administration with clients in 80 countries around the world, there's a lot to do. So there's no shortage of things to do.

Second thing is, Martin and I have had to clear an awful lot of stuff over the last six weeks. I think the one thing that's encouraged us both – despite the fact we've known each other for a very long time, we are very, very, different people, and that's why we like each other – actually, we've cleared that stuff pretty quickly. It hasn't mattered whether it's been on the phone, sat in a room together, or sat in a room with our teams. So that suggests to us, from experience of doing things at pace over a pretty short period of time that actually, we not only can do this, but we enjoy each other's company. And the fact we're here today I think speaks volumes. So there is plenty to do.

Answer: Martin Gilbert

It's tough to get deals like this over the line, believe me. These are – the difficult bit is doing this. The next difficult bit is the integration, obviously. But, as I say, we've got a dedicated team that can do that, and now what Keith and I have to do is just make sure we travel to these 80 countries round the world visiting our clients. So as I say, look, there's plenty for both of us to do.

Answer: Keith Skeoch

Just to echo what Martin said, this is a people business and the people are really important. And that's why we're really trying to connect. And actually, we both recognize, I think it’s fair to say, this is not about personalities. It’s about clients, it’s about our people, and it’s about shareholder value. And actually, there is a huge opportunity out there we think through this merger.

<u>Question 5: Gordon Aitken, Royal Bank of Canada</u>

Gordon Aitken, RBC. A couple of questions, please.

First, you put up a projection of one consultant on global net flows over the next few years. I saw one from BCG which was quite different which talked about the global growth being in two areas really: 51% solutions which includes LDI; and the second one being 42% in index tracking, which pretty much covers all the global growth. I'm just wondering how the merger positions you for those two areas of growth.

And the second question is on – when you did the Ignis deal three years ago, the very first slide you put up appreciating why that was a good deal was it was called complement Standard Life Investment strong organic growth. And you made a point of showing that you and Ignis were on the left-hand side of the chart. And also, you made a point that Aberdeen was on the right-hand side of that chart with large net inflows.

So I'm just wondering. That was obviously very important to you three years ago and what's changed now?

Answer: Keith Skeoch

I think one of the things that came out of the Ignis deal was we wanted to position ourselves as one of the asset managers of choice for the insurance industry. And actually, one of the things that does result from this is we strengthen our strategic position because to Standard Life and Phoenix we add Lloyds. Actually, that’s not just about running the money. That's about connecting and making sure we can understand how customers and benefits change.

I think on the first question, the real thing about complementarity is actually, you look at the breadth of what Aberdeen does and what Standard Life Investments does, and you see product throughout the risk return spectrum. Because it's product throughout the risk return spectrum, that allows us to offer more attractive solutions to both insurance companies, to institutional clients around the world.

So coming together I think really does strengthen the capability throughout that risk return spectrum, because I know there’s a lot of noise about active versus passive. Actually, I think that’s far too black and white. You actually need to be able to deliver throughout that risk return spectrum to grow a global business.

<u>Question 6: Haley Tam, Citi</u>

Haley Tam, Citi. Two questions, please.

First of all, I think we are hearing your confidence about improving the breadth of your offering, especially in the insurance side of things. Could you clarify for us how much of that £130 billion of AUM Aberdeen has in insurance assets is actually managed for Lloyds, and how much of that might be subject to termination rights in 18 months – or six months, I should say?

And the second question just in terms of the cost synergies. I think in the press release you’ve written that 42% of those will come from property, marketing and investment professionals. I just wonder whether we’d be right in interpreting the investment professional part is the bulk of that numbers.

Thank you.

Answer: Martin Gilbert

Yes. On the first question about – I think about £100 billion is Scottish Widows, and that's the big contract we have obviously with Lloyds.

Let me be clear. Lloyds welcome this deal and they have publicly stated that they think this is an excellent deal for Aberdeen. I think that what we now do is sit down and work out what strategic advantages there might be in working with – more closely with Lloyds or whatever it might be.

The Holy Grail is to get access to that retail client base of Lloyds, that 25% of the market, plus all the new credit card clients they've just got with this most recent purchase. And certainly, António Horta-Osório, he really is very, very keen to expand his wealth business in his retail network. So I think we have a very close relationship with Lloyds and they welcome this deal wholeheartedly, I think.

Answer: Keith Skeoch

I think on the synergies, where they're going to fall, we obviously know where they are; but to be honest, when it comes to the componentry, as I said before, this is a people business and we'll talk to our people first.

<u>Question 7: David McCann, Numis Securities</u>

David McCann, Numis. A couple of questions.

Firstly, on the dividend policy, this is thinking mostly from an Aberdeen perspective. If you look at the 19.8p for Standard Life applied to the merger ratio, that implies about 15p per share for Aberdeen, which obviously is an effective cut from the 19.5p. And correct me if I'm wrong on the math on this. I just wondered maybe if we could get a bit of colour on the rationale as to why that was stated as the combined dividend policy rather than obviously taking into account where Aberdeen was coming from as well.

And just on the synergies, you've made reference a number of times today; a good track record of delivery on this in the past. I just wondered how conservative we should think about that £200 million as a number given the previous track record of success in beating that in the past.

Thank you.

Answer: Keith Skeoch

Well, perhaps I could do the last one and say we are very, very focused on making sure that we can not only deliver those synergies, but obviously make sure the financial benefits are there for shareholders.

Answer: Martin Gilbert

Just on the dividend, clearly, you can see that the Aberdeen shareholders will get one dividend, then two dividends, if you follow me. So that will cushion the blow, if you might want to use that word of a dividend cut. And then it's back to a progressive dividend policy again.

So I think long term, long-term Aberdeen shareholders are going to be better off rebasing and getting a progressive dividend than a flat dividend, and we think in about two – I can't remember. It's about two years or something we think it will be back up, and then a growing dividend again. So again, we think that's a good outcome for the shareholders.

<u>Question 8: Lance Burbidge, Autonomous</u>

Lance Burbidge, Autonomous. A couple of questions.

Just going back to Lloyds agreement in terms of the Scottish Widows assets, you do seem very sure that you're going to be keeping them. So I just wanted to explore a bit further as to why that is.

And then just a technical question in terms of the amortization of the intangible contracts. I assume that you'll be taking that over in terms of amortizing through the P&L in your operating profit.

And then on capital, SLI has capital in the SLI numbers in terms of only £100 million, which is a fraction of what Aberdeen has, and a very small proportion of what Schroders has. So I just wondered why you think there may be capital synergies on the asset management side in particular.

Answer: Martin Gilbert

Yes, look. I'm basing it on the relationship with Lloyds. Both myself and the Chairman, Gerry Grimstone, have a close relationship with António Horta-Osório. So it's strategically this is what they want. They want a bigger --

He believes in consolidation of the asset management sector. He thinks this is an excellent deal for him as a shareholder. And as I said, the Holy Grail for us, the upside is, if we can get access – if we could get a suite of products that we could put through that retail network, it's upside for us.

And on the second question, I think when we say capital, there should be regulatory capital synergies; i.e. we won't -- we're at about [£500 million] -- I'm looking at Bill Rattray.

£475 million. You can see I'm not the Finance Director, can't you?

£475 million plus, say, £200 million and something for Standard Life on the asset management side. We won't need all of that. But let's not count on any release of regulatory capital. Regulatory capital is only going one way and it's not going down.

But this, again, with the strong cash we have on the balance sheet will give us the ability to seed products on the seeding side. So I don't see any release of capital on the seeding side; in fact, if anything, probably.

Answer: Keith Skeoch

So just coming back to the regulatory capital issue, I think over time, I think in the short run, Martin's absolutely right. Over time, if you look at the strategic benefits, what you're doing here is you're widening the diversification benefits. You're enhancing the resilience of business model, which through time should lead to a much more efficient utilization of your regulatory capital. There's a lot of work to be done before we get there.

Question 10: Katherine Ward, Goldman Sachs

Katherine Ward, Goldman Sachs. I was just wondering to what extent, if at all, will the increase in scale on your part change your approach to MiFID II, impending MiFID II negotiations, and the discussions in that area?

Answer: Martin Gilbert

I'll let you handle that.

Answer: Keith Skeoch

I don’t think it will at all. I think we both have a pretty good, strong, robust approach to implementing MiFID II; and we both have SICAVs, we have a good position there. So to be honest, I don’t think there’s anything particularly material from MiFID II that falls out of this.

Question 11: Anil Sharma, Morgan Stanley

Anil Sharma, Morgan Stanley. Just picking up on that capital/dividend question again.

Presumably, there’s going to be a fair amount of goodwill created from the transaction. So with your negotiation with the FCA, have they asked you to get to a glide path to positive tangible equity again which is influencing some of the decision, or how should we be thinking about that?

Answer: Keith Skeoch

These discussions start – everything is subject to regulatory approval, so typically, when you talk to the regulator, and we have both talked to the regulator, together, you simply get a no red flag process.

What we have to do now technically is submit – and it’s part of the process going forward – our change of controller documentation, and that’s where we enter into those kind of discussions.

Answer: Martin Gilbert

Yes. I was going to say, just relating back to an earlier question which I realised I didn’t answer, was on the goodwill. Yes, obviously, goodwill will be written off through the P&L, but we will show what – we will show the earnings per share pre and post goodwill so that you can see what the underlying cash EPS is, basically.

Further question: Anil Sharma

Is the transaction reliant on a goodwill waiver? Will you need one?

Answer: Martin Gilbert

No.

Answer: Keith Skeoch

No. We've both got excess capital, so I can’t - I can’t see how – I’m struggling to see why it would be reliant on a goodwill waiver when we've both got excess capital.

No. It doesn’t add any new goodwill.

Question 12: Arnaud Giblat, Exane BNP Paribas

Arnaud Giblat, Exane. Just one quick question, please, just to come back on the synergies.

I’m wondering. So you’re basically saying that there will be no asset attrition because of this deal. But going back on your experiences from acquiring Ignis, and you saw, I think, a 40% loss in assets, or SWIP where you saw roughly I calculate 10% loss in assets so far, or RBS 40%, I’m just wondering what’s different this time round and why you’re so confident that you’re going to retain 100% of assets.

Answer: Keith Skeoch

I don’t think we’re suggesting there will be – zero asset attrition, to be clear. What we are saying is we have complementary clients. There isn’t a great deal of overlap so we believe that we can minimize the risk of that.

Answer: Martin Gilbert

Clearly, with the closed books of business, we’re going to see, as you’ve seen, the assets leaking out and hopefully made up by market movement.

Answer: Keith Skeoch

Mature books run off naturally.

Question 13: Hubert Lam, Bank of America Merrill Lynch

Hubert Lam, Bank of America Merrill Lynch. Just one question on employee retention.

Have you thought about providing employees with incentives to get them to stay during a period of disruption like this, or is there a need to?

Answer: Keith Skeoch

No. I think we have. Yes. And that is being implemented today. I don’t know if implemented is the right word, but it’s being – yes.

Further question: Hubert Lam

Is it going to add to additional costs, or is this built in in terms of your - ?

Answer: Martin Gilbert

I think – look. It’s so marginal in the scheme of this deal, that –

Answer: Keith Skeoch

It’s built in.

Answer: Martin Gilbert

It’s built in.

Answer: Keith Skeoch

Our people are important.

Answer: Martin Gilbert

Yes. They're the most vital bit of this.

Answer: Keith Skeoch

Yes. And be clear. Any detail, we’re going to talk to our people first.

Question 14: Marcus Barnard, Numis

Just on your £200 million of synergies, if I go forward three years when you delivered them, can you give us an idea of how much is going to be reinvested back in the business in growth initiatives? Because I'm just thinking, if I did a glide path for Standard Life's dividend, what sort of step up do I see in three years' time from these synergies coming through?

Answer: Keith Skeoch

I think once the synergies are in place and we generate growth, we'll be continuing to generate good, strong, medium term cash flows, and those cash flows will be reflected in the progressive dividend policy.

Answer: Martin Gilbert

The cash flow is so strong in the combined businesses. One of the great advantages of asset management is the cash flow generation.

<u>Question 15: Andy Sinclair, Bank of America Merrill Lynch</u>

Andy Sinclair, Bank of America Merrill Lynch. Three questions, if that's okay.'

Firstly, can you give us an idea of the presence of Aberdeen in MyFolio funds and the other select funds on your platforms?

Secondly, apologies if I've missed this in the release this morning, but just on the £200 million of cost saves and the cost of achieving these, I just wondered if you could give us any idea of phasing.

And thirdly, yes, you are both active managers, but investment methodologies can differ quite materially between asset managers. I just wondered how you feel about this, and for – geographically, whether you've thought about whether you're going to have still a wider range of investment hubs than Standard Life Investments has perhaps had in the past, or whether that's going to be concentrated?

Answer: Keith Skeoch

Do we have any Aberdeen funds on MyFolio?

Answer: Martin Gilbert

No idea. [Laughter]

Answer: Keith Skeoch

We'll get back to you.

Answer: Martin Gilbert

There are bound to be some.

Answer: Keith Skeoch

Yes.

Answer: Martin Gilbert

Hopefully more.

Answer: Keith Skeoch

Yes. On the final question, I think the really important thing is we're both research-based, we believe in fundamentals, we are long term. When we look at credit and equities, we're pretty focused on stock selection. And obviously, in multi-asset, balanced and fixed income, we have good macro. So the broad-based philosophies and processes I think are aligned and in a good place, and it's something we've had a careful look at.

Sorry. I've forgotten the middle question, Andy.

Further question: Andy Sinclair

The £200 million of cost saves and the cost of achieving them, the phasing of that.

Answer: Keith Skeoch

I think that it was – from memory on the slide, growth cost was £380 million, and I think we were saying that – I think I'm right, Bill, that the bulk – sorry. It was £320 million, and the bulk of – we believe the bulk of those synergies will be completed within a couple of years. With so much complexity, there's always going to be a tail to get income.

Further question: Andy Sinclair

What we'll do is we'll show the cost of the synergies separately so you can strip them out and see the underlying earnings per share, basically.

<u>Question 16: Ravi Tanna, Goldman Sachs</u>

Ravi Tanna, Goldman Sachs. It was just one question, really. It's somewhat strategic and probably more towards Standard Life.

Clearly, you've gone through a pretty rapid transition from life insurer to investment house, and I just wonder where does that leave the UK annuity business? I appreciate there's a number of concerns in regards to solvency and cash flow that provides, but I was wondering if you could just give us a sense following the increased diversification from today's announcement where that leaves you in that regard.

Answer: Keith Skeoch

We are – yes, you're right in terms of becoming more of a world-class investment company than a life assurer. I'd argue this is a process that was put in place about 13 years ago.

In terms of the annuity book, nothing in this deal changes the guidance we gave previously. So our transitionals run off pretty much at the same speed as our annuity book. If we were to do something with that annuity book, at the moment, the capital that's backing that annuity book would by and large go with it.

So we are just sitting here being patient. If at some point interest rates rise significantly and that annuity book becomes more attractive, and most importantly were to deliver value for shareholders, then we might think about doing something. So there's no change to what we've said about that in the short run.

<u>Question 17: Gordon Aitken, Royal Bank of Canada</u>

Gordon Aitken, RBC. Just a follow-up on that question.

An argument that you used to give was that an asset manager needs captive insurance assets in order to get the scale to keep cost down. You could argue this deal gives you the scale. So do you still need an insurance business?

Answer: Keith Skeoch

Yes, we do need an insurance business because it depends on – I suppose it depends, Gordon, what you mean by an insurance business. So quite a lot of investment products are written in insurance wrappers. We have a very, very successful offering through the Wrap platform, Elevate. That's going to be added to Parmenion. Where you are putting stuff out as a SIPP it's very often wrapped in with an insurance wrapper around it. So that is incredibly important.

I think the other thing is do we – are we looking to add in any way and deploy what might be described as insurance capital on our balance sheet? No, but there's no change there, absolutely no change.

What I would say is when I look at spread/risk profits, those spread/risk profits are quite valuable having run broadly at £100 million a year with not a lot of marginal cost attached to them. So it's a very useful source of profitability and cash flow.

Andy. I think probably that's going to have to be the last question because Martin and I need to go up to Edinburgh to see the rest of our people.

Question 18: Andy Hughes, Macquarie Research

A couple of very easy, quick questions for you.

The first one is on the financial leverage on page 18 that you're saying is reducing post the transaction. Is that just goodwill, or is there something else going on that I've missed?

And the second question was on dividend growth. So following Martin's point about the dividend for shareholders getting back to the same level in two years, it sounds like you're not anticipating slowdown in the dividend growth rate that Standard Life's been having over the past few years. I know it's a progressive policy, but it's been growing rather more progressively than some others have recently so I'm just wondering. Are you saying you can maintain the same – roughly the same level of dividend growth rates going forward?

Answer: Keith Skeoch

I think on that latter one, it's absolutely the same answer that I've continually given that the strength of that progressive good dividend growth will be matched by the strength of our medium-term cash flows, broadly.

Answer: Martin Gilbert

Goodwill? Well, I'm not sure. I'm not sure we can answer that, that question. I tell you what. Have a word with Bill Rattray.

Answer: Keith Skeoch

Look, on behalf of both of us and my colleagues in the front row, thank you very much for coming along today at such short notice. Thank you for your questions and, clearly, if there are any other issues that occur or arise, our IR teams, or Martin and I, would be delighted to try and answer them. And I'd just like to end by reminding people that this is a merger with quite profound, strong, strategic rationale.

Thank you very much.

Answer: Martin Gilbert

Thank you.