Standard Life Aberdeen

Transaction and strategic update
Wednesday, 31 May 2018

Keith Skeoch, Co-Chief Executive

Good afternoon everyone and thank you for coming on the call, particularly at such short notice. I'm Keith Skeoch, and I'm joined on the call by Martin Gilbert, my Co-Chief Exec, and Bill Rattray, our Chief Financial Officer. Throughout the presentation we'll refer to some slides which were published earlier today on our website. Today is a significant milestone for Standard Life Aberdeen as we publish the sale documentation for our insurance business and provide details of our continued progress and the simplification of our business and balance sheet. This will enable us to deliver a substantial return of capital to shareholders and additional efficiency savings of at least £100 million.

As you can see from the second slide, we've made significant progress on the integration of our merged business. Our investment teams and research platforms are fully integrated and focused on investment outcomes and performance. The combined distribution teams are in place and the signs on gross flows are encouraging. We continue to drive investment innovation across our suite of new active capabilities, the partnership with Phoenix consolidates our position as a leading provider of insurance solutions to the insurance market.

Today we are also announcing a simplification of our operating model. This supports our ambition to achieve a cost/income ratio of 60% over the medium term. The combination of the £1.75 billion return of capital and the efficiency savings of at least £100 million give a clear path to EPS accretion by 2020.

You can also see, from slide three that the transaction is also significant in terms of its strategic delivery, which Martin will cover in more detail in a moment. But in the meantime, let's not forget the compelling financial benefits, including cash proceeds of £2.3 billion, as well as additional cash of £800 million which will be received on completion from a repayment by SLAL of an internal loan. This will allow us to reduce our external debt by £800 million, achieving an ongoing saving in interest payments of over £50 million per annum, also helping to deliver EPS accretion. Subject to approvals, we expect the transaction to complete in the third quarter of this year. A huge amount of work has already been done in preparation for the separation, and we are pleased to see how well our teams have worked with Phoenix, which bodes well for our enhanced strategic partnership.

At the same time, as you can see from slide four, we've made excellent progress on the merger, with the integration substantially complete across our investment and distribution teams. Campbell Fleming's distribution team came together earlier this year and are busy increasing the rate of engagement with clients and seeing good gross inflows despite some challenges in a few of our high-profile products. As Campbell likes to say, distribution is a contact sport, so it's great to see the teams out on the road and talking to clients about our relevant and broad capability.

And while we've broadened our capabilities, we've continued to increase the rate of investment, innovation and diversification. There are clear signs that we're benefiting from new ideas from new and complementary colleagues. Since the start of the year, we have launched 15 new active products, and a further 20 are approved for launch by the end of the year. This compares with 22 launches for the whole of 2017, which in itself was a good year for innovation.

One of the areas I'm particularly happy with is the progress we are making in integrating our investment teams. We now have 1,000 talented investment professionals delivering that broad range of investment capabilities. We are taking our new, combined investment beliefs and credentials to clients and consultants, and we are making good progress in connecting our research expertise. This is supported by an integrated and common research platform capturing insights from experts in 21 countries around the world, helping to deliver value through collective intelligence, resources and, critically, combining our diverse capabilities.

A lot of hard work, I can assure you, is also going on to improve the processes and the performance of those investment areas that have recently faced their own performance challenges. The global investment landscape is shifting. It's shifting not just from active to passive but more importantly, within active, from traditional benchmark-driven products to new active solutions which we believe are set to attract the lion's share of flows in the asset management market. These new active solutions are more global in nature, less asset-class-centric, more benchmark-agnostic, focus not just on public but increasingly private markets, and probably most importantly are aimed at meeting specific client needs. And it's in these solutions that the strength of Aberdeen Standard Investments' capabilities lie and where we continue to innovate and drive growth.

I'll now hand across to Martin to talk about how we're simplifying our business and the benefits it will deliver for shareholders.

Martin Gilbert, Co-Chief Executive

Thanks Keith. The transformation also presents us with an opportunity to greatly simplify our business to make it more efficient but also to ensure that we're organised to capitalise on the growth opportunities in the four regions in which we operate.

The principles behind our modern and global operating model are also very simple. Number one: ensure efficiency and financial discipline by avoiding duplication. We will therefore operate as a single business with global functions such as Investments, Risk, Finance and Communications. Number two: drive growth by ensuring proximity to clients and local markets. We will continue to adopt a more regional approach to distribution and marketing, although these functions will also be managed globally.

In most of the markets around the world we will operate across two channels, Institutional and Wholesale, while in the UK the Retail channel will provide another opportunity for growth, leveraging the strength of the Standard Life brand. Access to retail customers through partnerships with Phoenix and Virgin Money, as well as our advice capabilities and retail platforms, will also give us access to these retail customers.

Our simplified operating model will help us to achieve our goal of driving down the cost/income ratio from 70%, where it will be at completion, to 60% over the medium term. This will be helped, as Keith has already said, by at least £100 million of additional efficiency savings.

Excellent progress on the merger integration, as well as the growing profitability of the retained businesses, including our retail platforms, will help us achieve that target.

Moving to slide six, the cash proceeds from the sale of £2.3 billion, together with the repayment of the internal loan from SLAL mean that our holding company cash and liquid resources will be in excess of £4 billion following the completion of the transaction.

This, combined with much-reduced capital requirements under the expected CRD IV regime that we move onto, means that we can look forward to returning up to £1.75 billion to shareholders. This will be via a combination of a £1 billion B share scheme and subsequent share capital consolidation, as well as a share buyback of up to £0.75 billion.

As we've already mentioned, we will also look to retire £0.8 billion of the existing tier one instruments, which will use around about £1 billion of cash but will also reduce annual interest costs by over £50 million. So, on a combined basis, together with transaction and separation costs of £300 million, we will return substantially all of the cash proceeds from the transaction to shareholders and bondholders. Nevertheless, our balance sheet will remain strong, with around £1 billion of holding company cash which will continue to provide a buffer to support our progressive dividend policy, our ongoing investment in the business, the much-needed seeding and very targeted bolt-on acquisitions to build capability in strategically important areas.

Moving to slide seven of the presentation, we now see a clear path to earnings per share accretion. So, taking all that we have spoken about so far together, we can see, as I've just said, a very clear path to earnings per share accretion as a result of the proposed sale of the mature insurance business. This, combined with the strong strategic benefits such as the enhanced relationship with Phoenix, the simplification of our operating model and balance sheet as well as the existing strengths of our business mean that we are very well positioned to drive long-term growth for the benefit of shareholders.

Let us spend just a few more minutes on why Standard Life Aberdeen is so well positioned to deliver long-term growth. I am going to skip slides, nine, ten and move straight on to slide 11.

Slide 11 shows that we have three distinct ways of accessing customers, meaning that combined with our growing breadth of capabilities we are well placed to generate long-term asset growth. In Institutional we are serving clients across 80 countries from 50 global locations. We are a leading provider of asset management solutions to the insurance market, and we have 43 strategies rated by institutional investment consultants, importantly a number unaffected by the merger.

In the Wholesale space a number of strategic partnerships enhance our access to retail markets through distribution partners, such as private banks, investment platforms and discretionary fund managers globally. In addition, our strong support of the IFA community through our Wrap, Elevate and Parmenion retail platforms enhances our position in the UK Wholesale market. According to Fundscape, the size of the market for advice-led platforms will almost treble by 2022.

In addition, we have a real opportunity to build a direct Retail business in the rapidly-growing UK wealth market by providing investment solutions, advice and wealth management to individuals in the UK. Our position will be strengthened by the new relationship with Virgin Money, as well as the enhanced strategic partnership with Phoenix which will give us access to in excess of 10 million customers.

Our retained retail platforms on slide 12, together with Parmenion, make us the largest provider of adviser platforms in the UK, with £58 billion of assets serving our 3,000 advisor firms, providing access to our full range of investment capabilities. Last year net inflows in this important part of our business were in excess of £8 billion, while AUM and revenue have grown at five-year compound annual growth rate of 35% and 25% respectively. I will repeat that: growth rates of 35% and 25% respectively.

These retail platforms are highly scalable, with a clear path to growing profitability as we continue to benefit from a structurally-growing market, operational leverage and increased financial discipline.

Turning now to slide 13, while our business will be organised across three channels, the unique strategic partnership with Phoenix has the potential to become a virtual distribution channel in its own right. Underpinning the relationship is its mutually-beneficial nature. So, for Phoenix, Phoenix will benefit from our near-20% stake and ongoing support, future flows from the insured pension business, where Phoenix will provide administration and insurance wrappers as well as, of course, access to our expertise in management of insurance assets and retail investment solutions. While for us at Aberdeen Standard Investments, we will become the asset manager of choice for a growing back book consolidator of choice, targeting a potential insurance European consolidation market estimated to be in excess of £500 billion.

Phoenix is already reviewing £7 billion of existing investment mandates not currently manged by Aberdeen Standard Investments, so this will be a truly unique and mutually beneficial partnership with an opportunity to drive profitable growth for both partners.

Let me hand back to Keith to sum up before we move to questions.

Keith Skeoch, Co-Chief Executive

Thanks Martin. You can see on slide 14 that the proposed capital return is going to see us returning over £9 billion of capital to shareholders since 2006. It's important to stress, though, that our business retains the financial strength and the capacity to continue to invest in a very targeted way to help ensure we can continue to drive long-term growth in a sustainable manner. We will continue to invest in enhancing our capabilities, expanding our global reach, as well as in technology and distribution.

Before we finish, it's also worth reminding ourselves, on slide 15, that in addition to the growth opportunities that Martin has just talked about, we also have some very valuable and fast-growing investments in both China and in India. The recent IPO of HDFC Life shows just how valuable these could be and we look forward to the IPO of HDFC Asset Management in the coming months.

So, if I turn to slide 16, in summary we believe that today's update leaves you with the clear impression that the strategic progress that Standard Life Aberdeen has made in a relatively short period of time. The proposed return of capital, the optimisation of our debt, the valuable future investment in Phoenix, the growth in our retail channels, combined with our accelerated efficiency programme, which comes on top of the £250 million delivered through merger synergies, means that the sale of the insurance business will be EPS-accretive, supporting our long track record of growing our dividend.

Thank you for listening. Martin, Bill and I will now be more than happy to answer any questions you have and at that point, Operator, I'll hand back to you.

Question 1: Arnaud Giblat (Exane BNP Paribas)

Hi, good afternoon; I've got three questions please. Firstly, on your incremental £100 million of cost synergies, I'm wondering why you left the cost/income ratio target unchanged at 60% given the incremental savings. Should we read something into your targeted revenues as a consequence of that, or maybe if you could give us some more thoughts around why you haven't reduced your cost-to-income ratio target at the same time?

Secondly, could you perhaps give us an update on the current flow environment? And finally, you pointed out the value of your Indian and your JV stakes; any updated thoughts there on potential for – potentially further realising – crystallising that value? Thank you.

Keith Skeoch: Okay, if we can – thanks Arnaud – if we could take those in reverse order, I'll do India, Martin will do the flow update and then Bill, if you could do the cost synergies? As far as the Indian JV stakes are concerned, I think it's really important to understand that we're in the middle of an IPO process and that's always been the two-stage process so really we need to get through that before we update any further.

Martin, flows?

Martin Gilbert: Yeah, I mean flows are – gross flows are good, I mean we're pretty near budget on gross flows. And we're still struggling a bit on net, just on areas where – you can guess where performance has not been as strong as we would like. So, in the round, more of the same I would say but, as I said, gross are good, and that's very encouraging because we're seeing flows into areas that neither legacy businesses would have possibly foreseen or could possibly have foreseen flows in the past, especially alternatives. And I think one of the interesting things of combining businesses, it puts us in a – really a top-ten global alternatives player, real assets, and we're seeing a lot of interest in that area, Arnaud.

I'll hand over to Bill just on the cost/income ratio. We actually thought 60% was quite good but I'll let Bill confirm that.

Bill Rattray: Arnaud, just to answer your question a slightly different way, I mean our target of 60% in the medium term, we thought it would be more helpful to investors to try and be a little bit more precise on timing. And of course, as we all know, when you're precise on timing you can't be exactly sure what markets are going to be doing at that time. So, as you alluded to in your question, the income side of the equation would be, you know, clearly they are a little bit susceptible to change so we thought it was more helpful to focus on a specific number and you know, hence the figure of over £100 million by 2020.

Arnaud Giblat: Okay, thank you.

<u>Question 2: Andrew Crean (Autonomous)</u>

Good afternoon all, a couple of questions. Could I unpack a little bit – or could you unpack the £100 million of efficiency savings? I notice you don't use the word 'cost savings'. Could you just give us a bit of an inkling as to where those are coming from? Are they all costs? What is the cost base on which we should judge the £100 million and whether some of it is in fact things like trying to expand the number of national advisors you've got to make your 1825 more profitable?

And then secondly, you say it's going to be EPS-accretive; is that – how are we going to measure that? Is that against the 30p of operating EPS you reported in 2017, or is it against a number which is impossible to guess going forward, as if you hadn't done the disposal?

Keith Skeoch: I think both those questions are for you, Bill.

Bill Rattray: Okay, well answering the second one first I mean the measure of accretion is looking at effectively the financial year 2020 compared to what the business would have been expected to earn in the absence of the disposal. That's really looking like-for-like on a full year post-completion.

In terms of the efficiencies, we've been quite careful in our choice of words because I think you've got it right. I mean part of the opportunity is actually avoiding costs that we would have otherwise had to incur in future periods. So it's a combination of a substantial amount of de-duplication of activities but also cost avoidance and a variety of other, you know, cost simplification initiatives.

Martin Gilbert: I think it's also worth adding that, you know, we've talked about at least £100 million, so obviously we – as you know, in these sort of circulars you have to take a bit of a haircut on what your targets are. So we're reasonably – I would say very confident in the £100 million.

Keith Skeoch: Yeah and I think we believe that we can achieve a big chunk of the number by the end of 2019. So the numbers are appropriately haircutted, and they've been through our auditors.

Andrew Crean: Can I just follow up on that? I mean from what I can see the cost base, ex-ASI is about £250 million. Is that what you're measuring the £100 million against?

Bill Rattray: Sorry, Andrew, I should have been clearer. This is not a question of looking at the element of Pensions and Savings that remains; it's really looking across the combined group. As you've heard Martin and Keith say, we will be a single business going forward rather than attempting to look at two or three different parts. So it's – the opportunity for efficiencies comes from streamlining that overall remaining business.

Andrew Crean: Okay. Thanks.

Question 3: Haley Tam (Citi)

Hi there, three quick questions, please. Firstly, on the up to £0.75 billion buy back. Could you perhaps give us some ideas of what circumstances would make it less than £0.75 billion?

The second question: given you've announced a proposed return of £1.75 billion to shareholders before you've had a confirmed regulatory capital requirement agreed with the FCA as a pure asset manager, is there potentially scope in the future for us to think about capital again? I guess I'm trying to understand the basis on which you've reached these numbers.

And then the third question, just the right of first refusal with Phoenix: given this will be assessed on commercial conditions, I think you said, including capability and fee levels, then can you give us some more colour on how this actually will work? So, you know, is it a right to view competitor bids or is it really just the right to put in the first tender? Thank you.

Keith Skeoch: Okay, thanks Haley. I think on the up to £0.75 billion it's largely market conditions that are the issue, so we're simply being conservative on that.

Bill, do you want to do the reg cap question and then Martin can do the right of first refusal?

Bill Rattray: Yeah, I mean the regulatory capital, I mean we've done quite a lot of work with the regulators in terms of our – you know, we say in the circular it's our expectation that we will be regulated under CRD IV. The reason for the slight uncertainty in that wording is the fact that of course there is a process for the regulators to go through various formal submissions to be made and you know, various technical items to come up. So, I guess, against that backdrop you can never be absolutely certain what the requirement is going to be. We also recognise that, you know – that the evolution of regulatory requirements for asset managers has moved from time to time. So, I mean, your question, will we have further opportunity to think about capital in the future, I think it's one that we would always keep under review. But, you know, we've talked previously about what – you know, where we think the requirement will be positioned, substantially below the Solvency II requirement for the current group, and really we just need to refine that as we go forward towards completion.

Martin Gilbert: So, Haley, I think, look, obviously the FCA and the PRA approved the wording that we put in the circular, and I think it's pretty clear that it would not have been approved if it wasn't a reasonable assumption on our part. I also think it's worth noting that we'll have – still have £1 billion of cash in the PLC which will also mean we have significant excess regulatory capital, Haley.

Just going back to your final question, I think what it means is whenever an asset – if they do some sort of acquisition, if we have the capability, if we're performing well enough, that we will get first option to manage those assets as long as it's not tied to a contract to some other asset manager. So we're very confident, long-term, this is going to be a very fruitful relationship. We'll have 20% of the equity, we'll have two people on the board. We really do want them to make further acquisitions in the back book area.

Haley Tam: Okay, thank you.

Question 4: Greig Paterson (KBW)

Afternoon, gentlemen. Just slide seven of your presentation – can you hear me? Hello?

Keith Skeoch: Yeah.

Martin Gilbert: Yes, loud and clear, Greig.

Greig Paterson: Just in slide seven, when you were going through a sort of mental waterfall and how you get back to the same sort of levels as 2017, I wasn't quite sure what you meant. I assume it's Andrew's question but was – 2017 earnings EPS is what you're trying to achieve. I notice there's no headwind for the Scottish Widows loss of assets. Is that because you think that through the process you're probably going to get the economics given back to you in terms of some kind of compensation or you're going to retain assets? It's quite a confident statement that there's no headwind there for Scottish Widows; I was just trying to understand your thinking, there we are.

Martin Gilbert: I mean, I think, you know, Scottish Widows, plan for the worst and hope for the best is the maxim we've used. So the – you know, I don't want to comment too much on the Lloyds Bank situation apart from to say, as you well know, it hinges around a clause whether Standard Life were or are in material competition with the Lloyds Banking Group.

So, just to be clear, on our statement on earnings per share accretion we have assumed – we have planned for the worst and hoped for the best but, as I say, it's a delicate situation and we're still in negotiation with them at the moment.

Keith Skeoch: Yeah, so to be absolutely clear, just to echo what Martin said, the realisation of those efficiency gains is not contingent or reliant on the termination of the arrangements with Lloyds.

Martin Gilbert: It's not contingent on them remaining with us.

Keith Skeoch: Yes, that's right.

Greig Paterson: Alright. And then just – and just the accretion – I just – I wasn't that clear. I assume by accretion you mean you're going to have the same EPS in 2020 as you would have in 2017, all in, on a pro forma basis before the disposal?

Bill Rattray: No, I think what we're saying is, taking a view on we would expect, or the market would expect, EPS to have been in 2020 in the absence of a transaction. Our comment about accretion is that, post the transaction, the EPS would be slightly ahead of that 2020 figure. But once again –

Greig Paterson: We don't – we won't be able to work out – we won't be able to test it because we will – it's theoretical, we will never be able to work out what it would look like in 2020 without –

Martin Gilbert: Well, I think what we're – I think the point we're trying to get across here is the deal is – the transaction will not be dilutive because of selling, you know, a business that is earning a declining profitability but will be earnings per share enhancing if we had not done the deal. Now, obviously, you know your models will show what the revenues would have been in 2020. So what we're saying is that whatever your model figure is, or the consensus that we will – this – by returning capital to shareholders, retiring debt, doing the efficiencies make the deal earnings per share accretive over your model – your consensus number in 2020.

Greig Paterson: Alright, cool, thank you.

Question 5: Stephen Hayde (Close Brothers Asset Management)

Hi there, I was just wondering, on the bond buy back, when will that be? Will it be a tender? If so, what happens if some investors reject the tender offer? Will there be a squeeze-out percentage or will you just run with a few bonds that are left, please?

Martin Gilbert: Bill, do you want to take that?

Bill Rattray: Yeah. It will be – it will have to be a tender because the first call dates, you know, are so long away in the future; I mean one of them is in 2020; one of them is in 2027 so we will take it forward by way of a tender. Our aim to be – would be to do that as soon as practicable after completion. I think the point on whether there'll be a squeeze out is a valid one. We'll take advice on that. I mean the expectation would be that we try to pitch the tender at a level which is fair to the bondholders and fair to our shareholders so that we get the result we require.

On a technical point, I mean what we would expect to have to achieve is to get 75% acceptance to then get the right to retire the whole 100%.

Stephen Hayde: Okay, thanks very much.

Martin Gilbert: Just to be clear, it will not be done at par.

Question 6: Gordon Aitken (RBC):

Great, thanks very much; three questions please. First, on the Indian life business; it obviously stands out as being your only life business left in the group. I know you have a – you have a one-year sort of lock up in terms of what you can't sell and you've got a three-year sort of deal where you have to sell a little bit more but what are your thoughts there on what you might do with that Indian life business, because I mean it's – the share price has held up incredibly well since listing?

The second question, on the Indian asset management IPO: just that's been running for a while now with the process; where are we with that in expected timings?

And third, GARS has underperformed some of its large peers quite heavily, year to date. What are consultants saying to you and, you know, what, if any, is the impact on flows there? Thanks.

Keith Skeoch: Hi Gordon, thanks I think on the Indian life business, actually it's not our only insurance business because obviously we'll have the 20% shareholding in Phoenix and we'll also have the 50% stake in Heng An Standard Life. We continue to believe that there is very, very strong value in this business, and basically we need to get through, I think, the IPO process.

As far as the AMC is concerned, I've really got nothing to add after the roadshow that's been done. It's simply that it is, I think, still expected in – over the course of the next couple of months.

As far as GARS is concerned, it's had, as I'm sure everybody is aware, a difficult couple of months on performance. It remains, however, in these volatile markets, well within its risk envelope and therefore continues to deliver its return with relatively low volatility and, you know, there are conversations with consultants and clients that are ongoing, and I don't think we've got anything to add from the update that we gave earlier in the year because little has changed.

Question 7: Ben Bathurst (Société Générale):

Afternoon everyone, I've got a couple of questions, thanks. Firstly, I wondered, do you have a target range for debt leverage for the retained business going forwards and does retiring the two on paper alone get you to where you want to be in that respect?

And then secondly, of the £7 billion of existing Phoenix assets that you've said are already under review, is that all in relation to one mandate or is it spread over a number of different ones? And if it is just one, when do you think you might get a decision on that? Thanks.

Keith Skeoch: Bill, do you want to do the debt leverage?

Bill Rattray: Yeah, I mean the debt leverage, I mean our desired level, I guess, is probably closer to one times EBITDA than two times. I mean we'll make a distinction, I guess, in terms of debt which is structed as regulatory capital, you know, we would regard slightly differently to senior debt, which we probably wouldn't see any great value in.

Second part of your question: retiring the £800 million of tier one wouldn't quite get us to the one times EBITDA. It would probably take us to somewhere about 1.2, 1.3 times.

Martin Gilbert: I think it's worth adding, isn't it, that would be a pretty conservative balance sheet, Bill.

And right, just going to your second question on Phoenix, it's a number of mandates. And look, we're not making any projections on when it would come in. Again, it's – it falls into the plan for the worst, hope for the best category, so we've been pretty conservative on how we've looked to the future.

Ben Bathurst: Okay, thank you very much.

Keith Skeoch: Okay, next question.

<u>Question 8: David McCann (Numis):</u>

Hi there guys, just a couple of questions please. So when you talk about simplifying the business, I think you referenced a couple of times in the slide, can we read into that that this means you're potentially no longer, or rather – perhaps less interested in doing some of the larger deals which obviously you have been linked with in the past, notably in the US, or does that ambition, you know, particularly in the medium term, not change?

And the second question, just on the dividend, obviously note the comment in the circular around – you've made in the past around defending dividend per share. Just can you clarify? Does that mean you will be adjusting the base dividend per share upwards for the effect of the consolidation or will, potentially, shareholders be, I guess, worse off after you take into account the consolidation if you held the dividend per share amount flat in pence terms? Obviously, if you are holding fewer shares you are going to get less for your holdings; will you be defending that as well? Just – that would be useful just to clarify. Thank you.

Keith Skeoch: Okay, thanks. On simplifying the business and whether we're going to do M&A – substantial M&A over the medium term, I think that's quite right it goes to Martin.

Martin Gilbert: Yeah, no I mean look we've no plans to any significant M&A over the foreseeable future. We've got enough to do simplifying the business and de-duplicating a large number of functions, really making the business easier to manage. Look, we'd still like to be bigger in the US. We're the total opposite from all the other big asset managers globally in that we're 90% plus outside the US and as you've heard me say, David, many times half the world is in the US; we'd like to grow there organically. And we will be putting more resource into the US, more resource into Asia, where we're seeing fantastic opportunities in Japan at the moment. And as I said, gross sales are fine; it's just – so the answer is, to your question, no, we don't see anything really happening in the foreseeable future.

Keith Skeoch: And Bill, on the dividend per share?

Bill Rattray: On the dividend per share, you know, we don't believe there would be a need to defend – you know, to adjust the figure upwards to adjust for the reduced number of shares because clearly the other side of the equation is that investors will be getting a capital repayment on the B share scheme.

David McCann: Okay, so in theory your actual return on – from the ongoing dividend could, in theory, fall; you're not planning to defend that. It's just a per share amount that you will defend, just so I'm clear on that?

Martin Gilbert: I think, David, what we're trying to do is reduce the number of shares in issue.

Keith Skeoch: We're reducing –

Martin Gilbert: The number of shares.

Keith Skeoch: Yeah, we reduced the number of shares in issue and the share count so the dividend per share you receive remains the same.

Martin Gilbert: Remains the same.

Keith Skeoch: So it's progressive in that sense.

David McCann: But I guess if you're a pure income investor you would be potentially worse off if you kept the dividend per share amount the same but you consolidated the number of shares?

Martin Gilbert: Well but you're getting a capital return, so theoretically you could reinvest your capital return if you wanted to keep the same amount of – if you wanted to keep your income the same, David, yeah. But you're – we're buying out a certain – we're trying to reduce the number of shares we have to pay the dividend on, if that makes sense?

Keith Skeoch: Yeah and so for an income fund, Martin is absolutely right, the choice is whether you reinvest.

Martin Gilbert: You reinvest, you take the capital and reinvest it – reinvest in something else or whatever but you will have a reduced number of shares but you will be getting an increasing dividend on each share you still retain.

Keith Skeoch: So, ceteris paribus, the yield will remain the same.

Martin Gilbert: Yeah. Does that explain it, David, or have I confused you even more?

David McCann: I'll have a think about it, thank you.

Keith Skeoch: Okay, we're happy to take it offline.

Martin Gilbert: Yeah. Put a cold towel around your head and...

Question 9: Gordon Aitken (RBC):

Thanks very much, just a couple of quick ones. Can you just talk to us, tell us a bit about what the IFA sort of attitude has been to the disposal of SLAL and maybe any impact on the business since you made the announcement?

And second, just to also update on flows on the workplace business. I mean this is still very much open to new business and auto-enrolment rates obviously picking up. Thanks.

Keith Skeoch: The feedback from IFAs is – when Barry has been out on the road actually has been pretty positive because they can see that, you know, we'll continue to invest in Wrap, in Elevate and let's not forget Parmenion, so they can see a good way forward.

And as far as the workplace flows are concerned, we are so close to our half-year that's something we'll do at the interims.

Gordon Aitken: Great, thanks.

Keith Skeoch: A pleasure.

Operator: At this time we have no further questions, I would now like to turn back to Mr – apologies, Mr Keith Skeoch for any additional or closing remarks.

Martin Gilbert: Sorry, it's a strange name.

Keith Skeoch: It's very strange. I'm used to being called many things. Look, thank you everybody for coming on the call at relatively short notice. The publication of today's circular I think is a big day for us. It signals the start of our transformation to a capital-light world-class investment company, and I hope this call has left you with a clear impression of the strategic progress that Standard Life Aberdeen has made in a relatively short period of time and the progress that we're looking to make sure we make over the next couple of years to continue to deliver value for shareholders.

So, on behalf of Martin, Bill and I, thank you very, very much.

Martin Gilbert: Thanks.

[END OF TRANSCRIPT]