Delivering growth across the cycle

Revenue growth against a challenging backdrop

Peter Harrison
Group Chief Executive

- Evolution of business model to meet client demand
- Delivering strategy through diversified business model
- Growth in key areas of strategic investment
- Strong gross flows and positive net new business
### Annual Results 2017

<table>
<thead>
<tr>
<th></th>
<th>H1 2018</th>
<th>H1 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net income</strong>¹</td>
<td>£1,086.1m</td>
<td>£974.4m</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Ratio of total costs to net income</strong>¹</td>
<td>63%</td>
<td>63%</td>
<td>–</td>
</tr>
<tr>
<td><strong>Profit before tax</strong>¹</td>
<td>£397.1m</td>
<td>£361.5m</td>
<td>10%</td>
</tr>
<tr>
<td><strong>AUMA</strong>²</td>
<td>£449.4bn</td>
<td>£417.5bn</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Net new business</strong></td>
<td>£1.2bn</td>
<td>£0.8bn</td>
<td>–</td>
</tr>
<tr>
<td><strong>Basic EPS</strong>¹</td>
<td>114.0p</td>
<td>103.5p</td>
<td>10%</td>
</tr>
</tbody>
</table>

¹Before exceptional items.
²Assets under administration was restated at the Q3 results announcement to exclude assets from which we only derive transactional non-recurring revenues.

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Peter Harrison
Group Chief Executive

Delivering strategy through diversified business model

Evolution of business model to meet client demand

Growth in key areas of strategic investment

Strong gross flows and positive net new business
Industry headwinds impacting client demand

Strong client demand in Wealth Management

Net inflows in Institutional offset by redemptions in Intermediary

£1.2bn net new business

Excludes Friends Life mandate win of £12bn in December 2014.
Net flows by asset class

£bn

Encouraging growth in Private Assets & Alternatives

£0.8bn net inflows

Continued strong Multi-asset demand

£5.0bn net inflows

Equities
Multi-asset
Fixed Income
Private Assets & Alternatives
Wealth Management

1Excludes Friends Life mandate win of £12bn in December 2014.
Positive UK net inflows, despite outflows from large UK insurance client

Net flows by region

- Positive net new business in most regions
- NNB across North and Latin America
- Asia Pacific flat, due to Australian redemptions

£3.9bn

Excludes Friends Life mandate win of £12bn in December 2014.
### Profit before tax and exceptional items

<table>
<thead>
<tr>
<th>Period</th>
<th>Profit before tax and exceptional items (£m)</th>
<th>Net income (£m)</th>
<th>Compensation costs (£m)</th>
<th>Non-compensation costs (£m)</th>
<th>Profit before tax and exceptional items (£m)</th>
<th>Tax (£m)</th>
<th>Profit after tax and before exceptional items (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2017</td>
<td>310.6</td>
<td>111.7</td>
<td>(43.7)</td>
<td>(32.4)</td>
<td>361.5</td>
<td>48.7</td>
<td>315.7</td>
</tr>
<tr>
<td>H1 2018</td>
<td>347.4</td>
<td></td>
<td></td>
<td></td>
<td>397.1</td>
<td>(81.4)</td>
<td>315.7</td>
</tr>
</tbody>
</table>

**Profit before tax and exceptional items up 10% to £397.1m**
Net income up 11% to £1,086.1m
Institutional net operating revenue

**Average AUM up**

£23bn from H1 2017

**Net operating revenue margin**

31 bps (FY 2017: 32bps)

**Closing AUM of**

£257.2bn

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Annualised revenue on net new business

<table>
<thead>
<tr>
<th>Quarter</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3</td>
<td>(0.7)</td>
<td>5.0</td>
<td>11.5</td>
</tr>
<tr>
<td>Q4</td>
<td>(0.6)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td>(3.5)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td>(0.7)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q3</td>
<td></td>
<td></td>
<td>(1.6)</td>
</tr>
<tr>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Intermediary net operating revenue

<table>
<thead>
<tr>
<th>Period</th>
<th>Intermediary net operating revenue (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 2017</td>
<td>436.5</td>
</tr>
<tr>
<td>H2 2017</td>
<td>472.9</td>
</tr>
<tr>
<td>H1 2018</td>
<td>478.6</td>
</tr>
</tbody>
</table>

Annualised revenue on net new business

- Q3 2016: £19.9 m
- Q4 2016: £18.6 m
- Q1 2017: £6.6 m
- Q2 2017: £12.8 m
- Q3 2017: £19.9 m
- Q4 2017: £18.6 m
- Q1 2018: £6.6 m
- Q2 2018: £12.8 m

Other highlights:
- Average AUM up £10bn from H1 2017
- Net operating revenue margin¹ 72bps (FY 2017: 72bps)
- Closing AUM of £132.1bn

¹Excluding performance fees
Wealth Management net operating revenue

- Net operating revenue up 7% from H1 2017
- Net operating revenue margin 62bps (FY 2017: 61bps)
- Closing AUM of £46.4bn

Annualised revenue on net new business

<table>
<thead>
<tr>
<th></th>
<th>Q3 2016</th>
<th>Q4 2016</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
<th>Q4 2017</th>
<th>Q1 2018</th>
<th>Q2 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>£m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management fees</td>
<td>(0.1)</td>
<td>-2.5</td>
<td>0.0</td>
<td>2.5</td>
<td>5.0</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transaction fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net banking interest income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance fees</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1Excluding performance fees
Operating expenses

Ratio of total costs to net income

63% H1 2017: 63%

Total compensation ratio

43.5% H1 2017: 44.0%

- Compensation costs
- Non-compensation costs
- Exceptional items
### Group Capital

#### Capital base

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital surplus</td>
<td>1,146</td>
<td>1,311</td>
</tr>
<tr>
<td>Dividend¹</td>
<td>216</td>
<td>96</td>
</tr>
<tr>
<td>Overall regulatory capital requirement</td>
<td>1,146</td>
<td>1,311</td>
</tr>
<tr>
<td>Other items²</td>
<td>944</td>
<td>976</td>
</tr>
<tr>
<td></td>
<td>3,471</td>
<td>3,522</td>
</tr>
</tbody>
</table>

#### Capital allocation

<table>
<thead>
<tr>
<th></th>
<th>31 December 2017</th>
<th>30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working capital – Other</td>
<td>1,090</td>
<td>917</td>
</tr>
<tr>
<td>Working capital – Seed and co-investment</td>
<td>696</td>
<td>565</td>
</tr>
<tr>
<td>Investment capital – Liquid</td>
<td>147</td>
<td>149</td>
</tr>
<tr>
<td>Investment capital – Illiquid³</td>
<td>1,146</td>
<td>1,311</td>
</tr>
<tr>
<td>Other items²</td>
<td>392</td>
<td>580</td>
</tr>
</tbody>
</table>

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¹2017 final dividend/2018 interim dividend proposed.

²Comprises goodwill, intangible assets, pension scheme surplus, other associates and joint ventures, and deferred tax.

³Includes RWC Partners Limited and Schroder Ventures Investment Limited associates.
Summary
A growing business delivering on strategy

Net income up 11% to £1,086.1m

Ratio of total costs to net income 63%

Profit before tax and exceptional items up 10% to £397.1m

Basic EPS up 10% to 114.0p

Interim dividend up 3% to 35p

All figures quoted are before exceptional items.
Peter Harrison
Group Chief Executive

Schroders
Key areas of strategic growth
Investing in future growth drivers

Product innovation and Solutions
Fixed Income and Multi-asset
North America
Asia Pacific
Technology
Private Assets & Alternatives
Wealth Management
Continued momentum in North America

Strong client demand in key strategic area

£2.8bn
of net new business

£2.4bn
net inflows from Institutional clients

£5.1bn
Hartford range
AUM

£0.6bn
net inflows from Canada

Institutional
Intermediary branded
Intermediary sub-advised

2012 2013 2014 2015 2016 2017 H1 2018
Growth in Private Assets & Alternatives

£35.8bn assets under management

£0.8bn Client demand in first half of

Expanding investment expertise
Wealth Management
Continued organic growth

Strong financial performance

Diversified client base driving net inflows

Reinforced management team
Outlook

Growth through investment in key opportunities

- Continued evolution of business towards areas of client demand
- Driving revenue growth through investment in key strategic areas
- Delivering strategy through diversified business model
Thank you
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