Schroders
2016 Half-Year Results

28 July 2016
H1 results

Good results in difficult markets

- Net operating revenue of £794.9 million, despite challenging market conditions (H1 2015: £798.6 million)
- Profit before tax of £282.3 million (H1 2015: £290.3 million)
- Profit before tax and exceptional items £293.7 million (H1 2015: £305.7 million)
- Interim dividend 29.0 pence per share (interim dividend 2015: 29.0 pence)
- 70% of assets outperforming their benchmark or peer group over 3 years (31 March 2016: 74%)
- Assets under management of £343.8 billion (31 March 2016: £324.9 billion)
H1 results
Global diversification

- Positive flows from UK and continental Europe, despite political concerns
- Asia Pacific outflows from Australia
- Small Wealth Management redemptions

The chart shows the flow of funds from different regions and segments from H1 2013 to H1 2016.
H1 results
Macro concerns subdue Intermediary demand

Market volatility impacted global retail demand

Positive sales in Fixed Income
- European credit

Redemptions to risk assets
- Global & UK equities
- Multi-Asset Income
H1 results
Strong flows in Institutional

- Good levels of new business, driven by first quarter
- Continued demand for Multi-asset and Fixed Income
- De-risking and diversifying manager exposure led to Equity outflows
Brexit
Well placed to respond to changing dynamics

- Globally diversified business
- Broad fund ranges in UK and Luxembourg
- Significant presence in Luxembourg and across Europe
- Net beneficiary of weaker sterling
Drivers of future growth
Addressing structural headwinds

Growth drivers

Product Innovation and Solutions
Fixed Income
North America
Asia Pacific
Investing in Technology
Wealth Management
Private Assets and Alternatives
Product innovation and solutions

- New Product function, distinct from Investment and Distribution
- Improving product innovation and client engagement
- Separation of Multi-asset investments and Portfolio solutions
- Broadening talent base and diversity
Fixed Income

- Structural and regulatory growth drivers
- £12 billion of net new business from start of 2015
- Success in Global and US aggregate strategies, European Credit
- Institutional opportunities in illiquid Fixed Income:
  - Safe Harbor
  - ABS/MBS
North America

- 48% of global investible assets

- Objective to reach 20% of group assets under management

- Strategic relationship with Hartford Funds
Asia Pacific

- More than £17 billion net inflows since 2013
- Market leading positions
  - Hong Kong
  - Singapore
  - Australia
  - Indonesia
- Structural drivers of growth
Investing in Technology

- Further investment in data science
  - Investment insights from non-traditional data sources

- Driving efficiencies and insights through technology
  - Front office systems upgrade to Aladdin
  - Global Technology moving to agile working
  - Digital First initiative improving client experience
Wealth Management

- £34 billion AUM, 10% of group
- Largest wealth manager for charities in UK
- Provide family office services to more than 80 families
Private Assets & Alternatives

- Strong growth and accelerating
- Good fee margins and longevity

Initial steps already underway:
- Real Estate
- NEOS Business Finance
- Insurance Linked Securities
- Infrastructure Finance
Schroders
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Financial highlights

Net income, including performance fees (£m)

<table>
<thead>
<tr>
<th></th>
<th>H1-14</th>
<th>H1-15</th>
<th>H1-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>731.2</td>
<td>820.5</td>
<td>835.9</td>
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<tr>
<td>Diluted</td>
<td></td>
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Profit before tax (£m)

<table>
<thead>
<tr>
<th></th>
<th>H1-14</th>
<th>H1-15</th>
<th>H1-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>233.9</td>
<td>290.3</td>
<td>282.3</td>
</tr>
<tr>
<td>Diluted</td>
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Basic and diluted earnings per share before exceptional items (pence)

<table>
<thead>
<tr>
<th></th>
<th>H1-14</th>
<th>H1-15</th>
<th>H1-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>77.1</td>
<td>88.5</td>
<td>84.5</td>
</tr>
<tr>
<td>Diluted</td>
<td>74.5</td>
<td>86.1</td>
<td>82.8</td>
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</table>

Dividend per share (pence)

<table>
<thead>
<tr>
<th></th>
<th>H1-14</th>
<th>H1-15</th>
<th>H1-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic</td>
<td>24</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Diluted</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Net income

Net income up 2% to £844m

£m

Net income
826

Wealth Management
105

Asset Management
702

Group segment
19

H1-15

Net new business
3

Markets
(33)

FX
25

Other
2

Associates and JVs
(2)

Net gains on financial instruments and other income
23

Net income
844

Wealth Management
108

Asset Management
718

Group segment
18

H1-16

Net operating revenue
Currency profile of AUM
72% in non-sterling currencies

*USD includes other currencies pegged to USD, including HKD.
Currency profile by segment and channel
72% in non-sterling currencies

Institutional £203.6bn

- USD*: 34%
- GBP: 25%
- EUR: 9%
- AUD: 7%
- JPY: 5%
- CNY: 4%
- TWD: 2%
- KRW: 2%
- CHF: 2%
- Other: 10%

Intermediary £106.4bn

- USD*: 32%
- EUR: 19%
- GBP: 18%
- JPY: 7%
- CNY: 4%
- AUD: 3%
- IDR: 3%
- SGD: 3%
- CHF: 2%
- Other: 2%

Wealth Management £33.8bn

- GBP: 73%
- USD*: 18%
- EUR: 6%
- CHF: 2%
- Other: 1%

*USD includes other currencies pegged to USD, including HKD.
Average AUM up £9 billion from H1 2015

Net operating revenue margin 32bps (FY 2015: 34bps)

Closing AUM at record high of £203.6 billion

Institutional net operating revenue

- Average AUM up £9 billion from H1 2015
- Net operating revenue margin 32bps (FY 2015: 34bps)
- Closing AUM at record high of £203.6 billion
Intermediary net operating revenue

- Average AUM down £3 billion from H1 2015
- Net operating revenue margin 74bps (FY 2015: 74bps)
- Closing AUM at record high of £106.4 billion
Wealth Management net operating revenue

- Net banking interest up £2.5 million
- Net operating revenue margin 65bps (FY 2015: 65bps)
- Closing AUM at record high of £33.8 billion
## Operating expenses

Cost control in line with projections

<table>
<thead>
<tr>
<th>£m</th>
<th>2016</th>
<th>H1 2016 versus H1 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>H1 2015</td>
<td>H2 2015</td>
</tr>
<tr>
<td>Compensation costs</td>
<td>365.9</td>
<td>368.1</td>
</tr>
<tr>
<td>Non-compensation costs</td>
<td>154.8</td>
<td>160.0</td>
</tr>
<tr>
<td><strong>Operating expenses (excluding exceptional items)</strong></td>
<td>520.7</td>
<td>528.1</td>
</tr>
<tr>
<td>Exceptional expenses</td>
<td>14.3</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>Operating expenses (including exceptional items)</strong></td>
<td>535.0</td>
<td>532.3</td>
</tr>
</tbody>
</table>

| Headcount              | 3,685   | 3,784   | 3,241      | 625  | 3,866 | +5%                   |

<table>
<thead>
<tr>
<th>Total compensation ratio</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total compensation ratio</td>
<td>44%</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Total cost ratio</td>
<td>63%</td>
<td>63%</td>
<td>65%</td>
</tr>
</tbody>
</table>
Profit before tax and exceptional items

£m

Profit before tax and exceptional items 305.7

Net income 17.8
Compensation costs (19.1)
Other costs (10.7)
Profit before tax and exceptional items 293.7
Tax (61.4)
Profit after tax and before exceptional items 232.3

Exceptional items (9.2)
Profit after tax and exceptional items 223.1

Asset Management 271.0
Wealth Management 30.0
Wealth Management 32.4
Asset Management 257.6

H1-15
Group segment 4.7
H1-16
Group segment 3.7
### Analysis of Group Capital
Increase of £133m as at 30 June 2016

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulatory capital</td>
<td>695</td>
<td>653</td>
<td>687</td>
</tr>
<tr>
<td>Other operating capital</td>
<td>116</td>
<td>253</td>
<td>165</td>
</tr>
<tr>
<td>Investment capital*</td>
<td>957</td>
<td>942</td>
<td>1,070</td>
</tr>
<tr>
<td>Seed capital*</td>
<td>154</td>
<td>229</td>
<td>246</td>
</tr>
<tr>
<td>Other items**</td>
<td>688</td>
<td>719</td>
<td>761</td>
</tr>
<tr>
<td>Statutory Group capital</td>
<td>2,610</td>
<td>2,796</td>
<td>2,929</td>
</tr>
</tbody>
</table>

- **Strong capital position**
- **Continued investment in seed capital**

*Not included in AUM
**Comprises goodwill, intangible assets, pension scheme surpluses, other associates and joint ventures, and deferred tax.
Summary and outlook

- Market volatility likely to continue
- Schroders well positioned
- Diversified by client, asset class and geography
- Strategy to address industry headwinds
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