Standard Life Aberdeen

Half year results 2019

7 August 2019

Building on our resilience

- Assets under management and administration up 5% to £577.5bn with assets on our platforms up 11% to £66.0bn
- Net outflows have reduced and remain concentrated in a small number of strategies with gross inflows well diversified
- Improvement in investment performance with 65% (FY 2018: 50%) of AUM above benchmark over three years
- Delivery of cost efficiencies on track with actions taken to date to deliver £234m of the £350m per annum targeted
- IFRS profit after tax of £636m, benefiting from sale of 6.21% of HDFC Life, with adjusted profit before tax of £280m
- Adjusted diluted EPS up to 8.9p (H1 2018: 8.2p)
- Unchanged interim dividend of 7.3p

Positioning our business for long-term growth

- Strengthened position in 'new active' with 16 new fund launches, four new consultant rated strategies, a new direct real estate presence in Asia, as well as a joint venture in infrastructure with Investcorp in the Gulf
- Further progress made in building UK savings 'ecosystem', securing £3.5bn of assets from Virgin Money and partnering with Skipton Building Society to provide their customers with access to our £15bn MyFolio range
- Continued to expand our UK advice business, 1825, by announcing the acquisitions of the wealth advisory businesses of BDO Northern Ireland and Grant Thornton UK – these will increase assets under advice by c40% to c£6bn
- Retained £35bn of Lloyds Banking Group assets
- Heng An Standard Life became the first foreign joint venture to be granted a pensions license in China while HDFC AMC and HDFC Life maintained their leading positions in asset management and life insurance in India

	H1 2019	H1 2018
IFRS profit after tax attributable to equity shareholders (£m)	636	111
Diluted EPS (including discontinued operations)[1] (p)	27.0	6.2
Adjusted profit before tax (£m)	280	311
Adjusted diluted EPS[1] (p)	8.9	8.2
Gross inflows (£bn)	36.5	37.4
Net flows (£bn)	(15.9)	(16.9)
Assets under management and administration (£bn)	577.5	551.5*

* Comparative as at 31 December 2018.

Keith Skeoch, Chief Executive Officer, commented:

"We have made good progress in reshaping our business so that it is set up to take advantage of the trends impacting our industry both globally and in the UK. We are encouraged by an improvement in our investment performance and a growing number of strategies with positive ratings from investment consultants. We are seeing inflows that are more diverse and are pleased to have retained £35bn of Lloyds Banking Group assets.

"This, combined with lower redemptions and better markets, has helped us to increase assets by 5% to £577bn. Our focus on efficiency has delivered more cost savings, which combined with the benefits of share buybacks, has helped to increase earnings per share to 8.9p.

"We are also building for the future, with our business in China securing a license to develop a pensions business and our financial advisory business 1825 announcing two acquisitions that will significantly increase its assets, number of advisers and national reach. With a strong balance sheet, our drive for efficiency and ability to invest in innovation, technology and our people, we are well placed to deliver value and sustainable returns for our shareholders."

Unless otherwise stated, all figures in this release are on a continuing operations basis excluding the UK and Europe insurance operations sold to Phoenix on 31 August 2018.

Positioning our world-class investment company

We are an investment company bringing together a global asset management business with clients in around 80 countries and a unique savings and investments 'ecosystem' in the UK, as well as valuable strategic investments in the UK, India and China. We are investing to build a modern and dynamic global business which has the talent, scale and high-performing investment solutions to compete against the leading investment companies across the world. We do it to invest for a better future – to make a difference to our clients, the lives of our customers, our people and our shareholders.

AUMA

Assets under management and administration (AUMA)	H1 2019 £bn	H2 2018 £bn	H1 2018 £bn
Opening AUMA	**551.5**	**592.1**	**608.1**
Gross inflows	36.5	37.8	37.4
Redemptions	(52.4)	(61.8)	(54.3)
Net flows	(15.9)	(24.0)	(16.9)
Market and other movements	41.2	(16.6)	(3.9)
Corporate actions[2]	0.7	-	4.8
Closing AUMA	**577.5**	**551.5**	**592.1**

Total AUMA increased by 5% to £577.5bn (FY 2018: £551.5bn) benefiting from positive market and other movements, partly offset by improving net outflows. Assets managed by Aberdeen Standard Investments were £525.7bn (FY 2018: £505.1bn) while assets under administration (AUA) on our Wrap and Elevate platforms increased to £59.8bn (FY 2018: £54.2bn).

Net outflows remained concentrated in a narrow range of strategies and reduced to £15.9bn (H1 2018: £16.9bn; H2 2018: £24.0bn). Encouragingly this was helped by an improvement in the investment performance of key strategies with reduced net outflows from Absolute Return compared to H2 2018. However, despite this improvement in investment performance, demand for equities remains low across the wider market and we continued to see elevated equity net outflows. Our industry leading platforms continued to attract net inflows however these were lower given weaker investor sentiment caused by ongoing political uncertainty in the UK and a reduction in defined benefit to defined contribution pension transfer activity.

Gross inflows remain well diversified across our broad range of 'new active' capabilities and we have seen improved traction in Institutional and Wholesale with gross inflows of £22.8bn, up 7% on H1 2018 and up 40% on H2 2018. Momentum improved across a broad range of propositions and we continue to see strong interest in Credit, EM Fixed Income, Chinese Equities, Private Equity, Real Estate, Alternatives and Multi-asset solutions including the MyFolio range which is now over £15bn.

We continue to enhance our range of 'new active' investment capabilities and launched 16 new funds during the period. The build-out of our capabilities in key areas of future market demand was accelerated with the acquisition of a direct real estate business in Asia, Orion Partners, and a new infrastructure joint venture with Investcorp in the Gulf. We also entered into a new joint venture with Gresham House applying a private equity like approach to small and medium-sized listed companies. We have also forged a new strategic partnership with Skipton Building Society, providing portfolio solutions to their customers with the launch of a new MyFolio Index range of funds.

Looking ahead, we have a good pipeline of new business across a broad range of capabilities. We continue to broaden out our investment capabilities with new product launches as well as making further progress in building our UK savings 'ecosystem'. This includes the further expansion of our UK advice business, 1825, where we have announced the acquisitions of the wealth advisory businesses of BDO Northern Ireland and Grant Thornton UK. These deals will result in a c40% increase in assets under advice to around £6bn.

Profitability

Profitability	H1 2019 £m	H1 2018 £m
Fee based revenue	815	966
Adjusted operating expenses	(673)	(712)
Adjusted operating profit	142	254
Capital management	22	(3)
Share of associates' and joint ventures' profit before tax[3]	116	60
Adjusted profit before tax	**280**	**311**
IFRS profit after tax attributable to equity shareholders	**636**	**111**

Adjusted profit before tax of £280m (H1 2018: £311m) reflects lower revenue partially offset by a reduction in operating expenses as well as the inclusion of our share of Phoenix adjusted profits in H1 2019.

Fee based revenue of £815m (H1 2018: £966m) reflects the impact of lower AUMA combined with a reduction in overall revenue margin to 28.0bps (H1 2018: 31.5bps) reflecting the mix effect of outflows from higher margin products including GARS and equities.

Adjusted operating expenses reduced by 5% to £673m (H1 2018: £712m). This included continued delivery against previously announced targeted annual cost savings of at least £350m (by the end of 2020). The targeted cost savings reflect merger synergies and the benefits from simplifying our operating model following the sale of the UK and Europe insurance business. To date, we have undertaken actions to deliver £234m of the targeted annual cost savings. These actions have benefited H1 2019 adjusted operating expenses by £103m (H1 2018: £40m) with further benefits still to come. Our cost/income ratio of 72% (H1 2018: 69%) reflects the reduction in revenue offset by lower expenses and the inclusion of our share of Phoenix profit in H1 2019.

Capital management resulted in a profit of £22m (H1 2018: loss £3m) due to the positive impact of markets on seed capital and shareholder funds in pooled investment funds, reversing market losses experienced in H2 2018.

IFRS profit after tax attributable to equity shareholders increased to £636m (H1 2018: £111m). This was mainly due to a profit of £442m arising on disposal of 6.21% of HDFC Life, as well as the reversal of an impairment relating to our associate business, Phoenix. The market value of Phoenix has recovered strongly in H1 2019 and as a result the impairment recognised in H2 2018 has been reversed.

Delivering returns to shareholders

The Board has declared an unchanged interim dividend of 7.3p per share (H1 2018: 7.3p). This will be paid on 24 September 2019 to shareholders on the register at close of business on 16 August 2019.

As outlined in the Annual Report and Accounts 2018, it is the Board's current intention that the total annual dividend per share will be held at the 2018 level of 21.6p while the business is restructured, cost synergies are delivered and future financial performance confirms the sustainability of this level of distribution and provides line of sight to its future growth.

The General Meeting on 25 June 2018 approved the return of up to £1.75bn in aggregate to shareholders. This included a return of capital of £1.0bn via a B Share Scheme with an ordinary share consolidation, which took place in October 2018, and a return of up to £750m through a share buyback programme. As at 6 August 2019, we have bought back £550m of shares through the share buyback programme with the final £200m phase of the £750m programme expected to commence this quarter.

Strong capital position

We remain strongly capitalised with surplus regulatory capital of £0.9bn (FY 2018: £0.6bn). The regulatory capital position is stated after a deduction of £173m for the 2019 interim dividend which will be paid in September 2019. The vast majority of the value of our shareholdings in listed associates of £5.2bn[4] is not recognised in our total capital resources.

Events after the reporting date

On 24 July 2019, the Group announced that it had agreed a final settlement with Lloyds Banking Group / Scottish Widows (LBG) in relation to an arbitration which found that LBG was not entitled to terminate investment management arrangements under which assets are managed by members of the Group for LBG entities.

Under the terms of the settlement:

- The SLA Group will continue to manage approximately one third of the total AUM (c£35bn as at 30 June 2019) on behalf of LBG entities until at least April 2022 (the end of the initial term under the original investment management agreements) subject to applicable investment management arrangements. This AUM comprises c£30bn in passive portfolios as well as c£5bn in real estate funds.
- Approximately two thirds of the total AUM (the "Transferring AUM") will be transferred to third-party managers appointed by LBG through a series of planned tranches over the next nine months. During this period, the SLA Group will continue to be remunerated for its services in relation to the Transferring AUM.
- In addition, the SLA Group will receive an upfront payment of £140m from LBG as final settlement to compensate for loss of profit in relation to the Transferring AUM. The receipt will be recognised in profit for the second half of the year.

Outlook

With our broad and diverse range of capabilities and relationships with customers, we are well placed to take advantage of the opportunities and to deal with the challenges that ongoing changes in our industry present. However, the current environment for asset management remains tough as macroeconomic and political uncertainties continue to affect investor sentiment.

As we look ahead we will maintain our focus on operational and strategic delivery. This includes delivering for our clients and customers by focusing on our investment performance and continuing to innovate in areas of market growth. We will also remain focused on driving operational efficiency and cost control as we move closer to completing the integration and the implementation of our simplified global operating model.

This, combined with our strong balance sheet, allows us to invest for growth to deliver on our strategy and generate sustainable dividends and returns for shareholders.

For further information please contact:

Institutional equity investors		**Retail equity investors**	
Jakub Rosochowski*	0131 245 8028 / 07515 298 608	Link Market Services*	0345 113 0045
Neil Longair*	0131 245 6466 / 07711 357 595		
Media		**Debt investors**	
James Thorneley*	0207 463 6323 / 07768 556 334	Nick Mardon*	0131 245 6371
Iain Dey, John Kiely (Smithfield)	0203 047 2528 / sla@smithfieldgroup.com		

*Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

Media

A conference call for the media will take place on Wednesday 7 August 2019 at 8.15am (BST). Participants should dial +44 (0) 844 493 3857 followed by the pass code 2961836. A replay facility will be available. To access the replay please dial +44 (0) 871 700 0471 followed by the pass code 2961836.

Investors and analysts

A presentation for analysts and investors will take place via live audiocast at 9.00am (BST) on Wednesday 7 August 2019. To join the live audiocast visit www.standardlifeaberdeen.com. There is also the facility to join the presentation via conference call. Participants should dial +44 (0) 203 009 5710 and quote Standard Life Aberdeen.

Notes to editors

1. In accordance with IAS 33, earnings per share have not been restated following the share consolidation in 2018 as there was an overall corresponding change in resources. As a result of the share consolidation and share buyback, earnings per share from continuing operations for the period ended 30 June 2019 is not directly comparable with the prior period. Refer to Note 4.7 of the Half Year Results 2019 for information relating to the calculation of diluted earnings per share.
2. H1 2019 corporate actions relates to the acquisition of Orion Partners, a direct real estate business in Asia.
3. Share of associates' and joint ventures' profit before tax comprises the Group's share of results of HDFC Life, HDFC AMC, Phoenix and Heng An Standard Life Insurance Company Limited.
4. As at 6 August 2019.

Analysis of profit

	6 months ended 30 June 2019				6 months ended 30 June 2018			
	Continuing operations	Discontinued operations	Eliminations	Total	Continuing operations	Discontinued operations	Eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Fee based revenue	**815**	-	-	815	966	395	(69)	1,292
Spread/risk margin	**-**	-	-	-	-	55	-	55
Adjusted operating income	**815**	-	-	815	966	450	(69)	1,347
Adjusted operating expenses	**(673)**	-	-	(673)	(712)	(280)	69	(923)
Adjusted operating profit	**142**	-	-	142	254	170	-	424
Capital management	**22**	-	-	22	(3)	(3)	-	(6)
Share of associates' and joint ventures' profit before tax	**116**	-	-	116	60	-	-	60
Adjusted profit before tax	**280**	**-**	**-**	**280**	**311**	**167**	**-**	**478**
Tax on adjusted profit	**(31)**	-	-	(31)	(48)	(29)	-	(77)
Share of associates' and joint ventures' tax expense	**(27)**	-	-	(27)	(18)	-	-	(18)
Adjusted profit after tax	**222**	**-**	**-**	**222**	**245**	**138**	**-**	**383**
Total adjusting items	**348**	25	-	373	(166)	(74)	-	(240)
Tax on adjusting items	**41**	-	-	41	35	10	-	45
Share of associates' and joint ventures' tax expense on adjusting items	**28**	-	-	28	-	-	-	-
Profit attributable to non-controlling interests (preference shares)	**(3)**	-	-	(3)	(3)	-	-	(3)
Profit for the period attributable to equity shareholders of SLA plc	**636**	**25**	**-**	**661**	**111**	**74**	**-**	**185**

Investment performance

% of AUM ahead of benchmark as at 30 June 2019	1 year		3 years		5 years	
	H1 2019	FY 2018	**H1 2019**	FY 2018	**H1 2019**	FY 2018
Equities	**46**	40	**27**	31	**35**	29
Fixed income	**76**	50	**88**	76	**65**	64
Multi-asset	**21**	20	**70**	35	**55**	62
Alternatives	**90**	77	**96**	82	**97**	79
Real estate	**69**	71	**58**	56	**51**	61
Quantitative	**34**	69	**61**	59	**56**	67
Cash/Liquidity	**86**	81	**84**	81	**85**	82
Total	**53**	47	**65**	50	**60**	62

Flows of assets under management and administration

6 months ending 30 June

	Gross inflows		Redemptions		Net flows	
	H1 2019 £bn	H1 2018 £bn	H1 2019 £bn	H1 2018 £bn	H1 2019 £bn	H1 2018 £bn
Equities	4.3	7.1	(13.6)	(14.7)	(9.3)	(7.6)
Fixed income	4.0	3.2	(5.7)	(5.3)	(1.7)	(2.1)
Multi-asset	4.0	5.0	(10.0)	(9.4)	(6.0)	(4.4)
Private markets	0.9	0.6	(2.1)	(1.3)	(1.2)	(0.7)
Alternatives	1.5	0.4	(0.5)	(0.6)	1.0	(0.2)
Real estate	1.4	1.6	(1.9)	(1.8)	(0.5)	(0.2)
Quantitative	3.6	0.1	(0.3)	(0.1)	3.3	-
Cash/Liquidity	4.6	4.8	(1.8)	(3.2)	2.8	1.6
Institutional/Wholesale and Wealth	**24.3**	**22.8**	**(35.9)**	**(36.4)**	**(11.6)**	**(13.6)**
Strategic insurance partners	9.7	11.0	(15.4)	(16.6)	(5.7)	(5.6)
Total AUM flows	**34.0**	**33.8**	**(51.3)**	**(53.0)**	**(17.3)**	**(19.2)**
Platforms – Wrap and Elevate	3.4	4.7	(2.3)	(2.2)	1.1	2.5
Eliminations	(0.9)	(1.1)	1.2	0.9	0.3	(0.2)
Total AUMA flows	**36.5**	**37.4**	**(52.4)**	**(54.3)**	**(15.9)**	**(16.9)**

	Gross inflows		Redemptions		Net flows	
	H1 2019 £bn	H1 2018 £bn	H1 2019 £bn	H1 2018 £bn	H1 2019 £bn	H1 2018 £bn
Institutional	13.9	10.9	(20.8)	(21.5)	(6.9)	(10.6)
Wholesale	8.9	10.5	(14.0)	(13.8)	(5.1)	(3.3)
	22.8	21.4	(34.8)	(35.3)	(12.0)	(13.9)
Wealth	1.5	1.4	(1.1)	(1.1)	0.4	0.3
Institutional/Wholesale and Wealth	**24.3**	**22.8**	**(35.9)**	**(36.4)**	**(11.6)**	**(13.6)**
Strategic insurance partners	9.7	11.0	(15.4)	(16.6)	(5.7)	(5.6)
Total AUM flows	**34.0**	**33.8**	**(51.3)**	**(53.0)**	**(17.3)**	**(19.2)**
Platforms – Wrap and Elevate	3.4	4.7	(2.3)	(2.2)	1.1	2.5
Eliminations	(0.9)	(1.1)	1.2	0.9	0.3	(0.2)
Total AUMA flows	**36.5**	**37.4**	**(52.4)**	**(54.3)**	**(15.9)**	**(16.9)**

Assets under management and administration

6 months ending 30 June 2019

	1 Jan 2019 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	30 Jun 2019 £bn
Equities	72.9	4.3	(13.6)	(9.3)	9.1	-	72.7
Fixed income	46.7	4.0	(5.7)	(1.7)	3.2	-	48.2
Multi-asset	53.9	4.0	(10.0)	(6.0)	5.0	-	52.9
Private markets	16.0	0.9	(2.1)	(1.2)	0.4	-	15.2
Alternatives	12.3	1.5	(0.5)	1.0	(0.1)	-	13.2
Real estate	29.7	1.4	(1.9)	(0.5)	-	0.7	29.9
Quantitative	2.1	3.6	(0.3)	3.3	0.6	-	6.0
Cash/Liquidity	16.5	4.6	(1.8)	2.8	(1.5)	-	17.8
Institutional/Wholesale and Wealth	**250.1**	**24.3**	**(35.9)**	**(11.6)**	**16.7**	**0.7**	**255.9**
Strategic insurance partners	255.0	9.7	(15.4)	(5.7)	20.5	-	269.8
Total AUM	**505.1**	**34.0**	**(51.3)**	**(17.3)**	**37.2**	**0.7**	**525.7**
Platforms – Wrap and Elevate	54.2	3.4	(2.3)	1.1	4.5	-	59.8
Eliminations	(7.8)	(0.9)	1.2	0.3	(0.5)	-	(8.0)
Total AUMA	**551.5**	**36.5**	**(52.4)**	**(15.9)**	**41.2**	**0.7**	**577.5**

	1 Jan 2019 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions £bn	30 Jun 2019 £bn
Institutional	166.7	13.9	(20.8)	(6.9)	10.1	-	169.9
Wholesale	72.5	8.9	(14.0)	(5.1)	5.4	0.7	73.5
	239.2	22.8	(34.8)	(12.0)	15.5	0.7	243.4
Wealth	10.9	1.5	(1.1)	0.4	1.2	-	12.5
Institutional/Wholesale and Wealth	**250.1**	**24.3**	**(35.9)**	**(11.6)**	**16.7**	**0.7**	**255.9**
Strategic insurance partners	255.0	9.7	(15.4)	(5.7)	20.5	-	269.8
Total AUM	**505.1**	**34.0**	**(51.3)**	**(17.3)**	**37.2**	**0.7**	**525.7**
Platforms – Wrap and Elevate	54.2	3.4	(2.3)	1.1	4.5	-	59.8
Eliminations	(7.8)	(0.9)	1.2	0.3	(0.5)	-	(8.0)
Total AUMA	**551.5**	**36.5**	**(52.4)**	**(15.9)**	**41.2**	**0.7**	**577.5**