Standard Life Aberdeen

Half year results 2018 **7 August 2018**	**H1 2017** Pro forma[1] (pre-merger)	**H2 2017** Pro forma[1]	**H1 2018**
Total:			
Adjusted profit before tax (£m)	521	518	478
Adjusted diluted EPS (p)	15.3	13.6	12.8
Interim dividend per share (p)	7.00	N/A	7.30
Continuing operations:			
Adjusted profit before tax (£m)	355	305	311
Adjusted diluted EPS (p)	9.7	7.5	8.2
Assets under management and administration (£bn)	627.0	626.5	610.1
Total gross inflows (£bn)	39.5	36.0	38.0
Total net flows (£bn)	(12.4)	(17.9)	(16.6)

Accelerating the share buyback programme

- Initial tranche of £175m to commence in the next few days, as part of the capital return[2] of up to £1.75bn

Sale[2] of insurance operations completes transformation to a capital light investment company

- Enhancing our strategic partnership with Phoenix Group ("Phoenix")

Improving momentum in gross inflows diversified across asset classes and channels

- Gross inflows of £38.0bn (H1 2017: £39.5bn, H2 2017: £36.0bn) including increase in flows from Phoenix
- Net outflows remain a challenge in a tough market but were concentrated in a narrow range of strategies
- Increased pace of innovation in "new active" investment solutions with the launch of 20 new funds (FY 2017: 22) and targeted bolt-on acquisitions strengthening our capabilities in private markets, ETFs and closed ended funds
- We have a good and diverse pipeline including further significant business transitioning from Phoenix

Profitability supported by cost control

- Adjusted profit before tax from continuing operations of £311m with improvement in the cost/income ratio to 69.4% (FY 2017: 70.6%) and continued focus on reducing the ratio to 60% over the medium term
- Now targeting a total of over £350m of savings including merger related cost synergies of £250m as well as efficiency savings from a simplified global operating model in excess of £100m

Financial strength supporting investment for growth and progressive dividend policy

- Strong holding company cash position of £1.0bn (FY 2017: £1.2bn) excluding net cash proceeds of c£180m to be received following the successful IPO of HDFC AMC
- Interim dividend up 4.3% to 7.30p

Martin Gilbert and Keith Skeoch, Chief Executive Officers, commented:

"Conditions for the asset management industry continue to be challenging. However, our gross inflows remain robust and are spread across a diverse range of investment capabilities, and our market-leading adviser platforms continue to grow. Our investment and distribution teams are winning new mandates and we have a good and diverse pipeline of business from around the world. We are actively taking steps to improve our investment performance in key areas and are encouraged by the impact of these initiatives.

"We are also pleased by progress on the integration programme and achievement of cost synergies. The sale of our UK and European insurance operations will complete our transformation to a capital light business and enhances our strategic partnership with Phoenix. Our financial strength allows us to return up to £1.75 billion of capital to shareholders and we will commence the first tranche of £175m in the next few days. We will still have one of the strongest[3] balance sheets in the sector, which enables us to continue to develop and broaden our areas of strength and focus on delivering long-term performance for our clients."

Unless otherwise stated, all figures in this release are on a continuing operations basis and 2017 comparatives are also provided on a pro forma[1] basis.

Building a diversified world-class investment company

On 23 February 2018, we announced the proposed sale[2] of our UK and European insurance operations to Phoenix, completing our transformation to a fee based capital light business. The proposed sale was approved by shareholders on 25 June 2018 and, subject to certain regulatory approvals, we expect the transaction to complete later in Q3 2018. We have therefore classified the UK and European insurance business as a discontinued operation.

As part of the transaction we will enter into an enhanced strategic partnership with Phoenix, providing us with an additional source of earnings, dividends and AUM growth. We have retained our valuable and fast growing UK retail platforms Wrap and Elevate, as well as our financial planning and advice business 1825.

Resilient AUMA with well diversified gross inflows and a good pipeline of opportunities

Assets under management and administration (AUMA)	H1 2017 £bn	H2 2017 £bn	H1 2018 £bn
Opening AUMA from continuing operations	**623.0**	**627.0**	**626.5**
Gross inflows	39.5	36.0	38.0
Redemptions	(51.9)	(53.9)	(54.6)
Net flows	(12.4)	(17.9)	(16.6)
Markets and performance	20.1	18.0	(4.6)
Corporate actions[4]	(3.7)	(0.6)	4.8
Closing AUMA from continuing operations	**627.0**	**626.5**	**610.1**

Total AUMA from continuing operations decreased to £610.1bn (FY 2017: £626.5bn). Assets managed by Aberdeen Standard Investments were £557.1bn (FY 2017: £575.7bn) while Standard Life Pensions and Savings assets under administration increased to £56.3bn (FY 2017: £54.0bn).

Net flows remain a challenge, but it is encouraging that these are concentrated in a narrow range of strategies. However, gross inflows are well diversified across our broad range of "new active" capabilities and our integrated distribution team is fully focused on serving clients and engaging in an encouraging volume of new opportunities. We continue to see strong interest in Credit, Private Equity, Real Estate and multi-asset solutions including MyFolio.

Our industry-leading retail platforms, including Wrap, Elevate and Parmenion, continue to grow assets, attracting strong net flows of £3.1bn representing an annualised 11% of opening assets, with AUA now in excess of £61bn (FY 2017: £58bn).

We continue to enhance our range of "new active" investment capabilities and have increased the pace of innovation with 20 new funds (FY 2017: 22) launched in H1 2018. The build out of our capabilities in key areas of future market demand was accelerated by targeted bolt-on acquisitions in private markets, closed ended funds and ETF capabilities in the US. We have also forged new strategic partnerships with Virgin Money and Phoenix. Looking ahead, we have a good pipeline of new business across a broad range of capabilities including further significant business transitioning from Phoenix.

Profitability – lower revenue offset by reduced costs

Profitability	H1 2017 £m	H2 2017 £m	H1 2018 £m
Adjusted operating income	1,041	1,058	966
Adjusted operating expenses	(739)	(812)	(712)
Adjusted operating profit	302	246	254
Capital management	-	13	(3)
Share of associates' and joint ventures' profit before tax	53	46	60
Adjusted profit before tax from continuing operations	**355**	**305**	**311**
IFRS profit before tax on a reported basis	**94**	**344**	**127**

Adjusted profit before tax from continuing operations of £311m (H1 2017: £355m) is lower than the same period last year but up on H2 2017 as we start to see the benefit of improved operational efficiency.

Adjusted operating income of £966m (H1 2017: £1,041m) reflects lower AUMA combined with a modest reduction in overall revenue margin to 32.5bps[5] (H1 2017: 33.7bps[6]). This is reflected principally in Aberdeen Standard Investments, with fee revenue of £871m (H1 2017: £950m). Revenue margins on the strategic partner life business were stable at 13.5bps (H1 2017: 13.3bps), margins across the growth book reduced to 48.7bps (H1 2017: 50.7bps[6]) reflecting the mix effect of outflows from higher margin GARS and equities products. Pension and Savings fee revenue of £89m (H1 2017: £84m) reflects continuing growth in our highly scalable retail platform business. The revenue margin was broadly stable at 34.4bps[5] (H1 2017: 36.0bps) reflecting growth in the Wrap platform.

We continue to focus on reducing the cost/income ratio to 60% over the medium term, with a target of achieving over £350m of annualised efficiencies from merger related cost synergies (£250m) and simplification of our operating model (£100m) following completion of the sale to Phoenix.

We expect to deliver these efficiencies by the end of 2020 and, to date, we have implemented actions to deliver £135m of the targeted merger synergies benefiting H1 2018 adjusted operating expenses by c£40m with the majority of benefits still to come.

Generating cash and delivering returns to shareholders

Adjusted cash generation after tax of £199m (H1 2017: £222m) reflects lower adjusted profit. The Board has proposed an interim dividend of 7.30p per share, an increase of 4.3% maintaining our progressive dividend policy.

The general meeting on 25 June 2018 approved the return of up to £1.75bn in aggregate to shareholders, subject to necessary regulatory approvals. This includes a return of capital of £1bn via a B Share Scheme with an ordinary share consolidation, and a return of up to £750m by a share buyback programme. We are commencing the first tranche of £175m of the share buyback programme in the next few days. Completion of the proposed sale to Phoenix is expected in Q3 and the B Share Scheme will commence soon after completion.

Strong capital position and expected move to CRD IV regulatory regime

Following completion of the sale[2] of our UK and European insurance business to Phoenix, and subject to regulatory approval, we expect to be regulated under the CRD IV regime for group-level prudential regulatory capital purposes and that the business will remain strongly capitalised on that basis.

We remain strongly capitalised on the Solvency II basis which currently applies, with an investor view surplus of £3.4bn[7] (FY 2017: £3.8bn), representing solvency cover of 195%[7] (FY 2017: 206%). The movement in the surplus mainly reflects the payment of the final dividend for 2017 of £0.4bn.

Outlook

Market conditions remain challenging, as macroeconomic and political uncertainties continue to affect investor sentiment. These uncertainties are driving investors to look for innovative and outcome orientated “new active” investment solutions and these will continue to grow in importance in meeting the needs of both institutional and increasingly retail customers. With our broad and diverse range of capabilities, Standard Life Aberdeen is well placed to take advantage of the opportunities and to deal with the challenges that these trends present.

We are making good progress on our integration programme. Our investment and distribution teams are fully integrated and focused on generating positive client outcomes. While net outflows remain a challenge in a tough market, they are concentrated in a narrow range of strategies and we remain focused on supporting our teams and improving performance in GARS, Emerging Markets and Global Equities, while remaining true to our investment style. However, we recognise that a turnaround in performance of these products may take some time and will depend partly on market conditions.

We will maintain our focus on operational efficiency and cost control, including the delivery of merger synergies and the implementation of a simplified global operating model, so that we continue to meet evolving client and customer needs while generating sustainable returns for our 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		
Chris Stewart*	0131 245 2176 / 07525 149 377		

Media		Debt investors	
Katy Hetherington*	0131 245 2283 / 07841 344 374	Nick Mardon*	0131 245 6371
James Thorneley*	0207 463 6323 / 07768 556 334		
Tulchan Communications	0207 353 4200		

*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 Tuesday 7 August at 7.30am (UK time). Participants should dial +44 (0)330 336 9125 and quote 'Standard Life Aberdeen half year results media call'. A replay facility will be available for seven days after the event. To access the replay please dial +44 (0)207 660 0134 followed by the pass code 3269063.

Investors and analysts

The half year results 2018 analyst and investor presentation will take place on Tuesday 7 August at 8.30am (UK time). The presentation will take place at Standard Life Aberdeen plc, Bow Bells House, 1 Bread Street, London, EC4M 9HH. There will also be a live webcast starting at 8.30am. To access the webcast visit www.standardlifeaberdeen.com.

Notes to editors

1. Pro forma results are prepared as if Standard Life plc and Aberdeen Asset Management PLC had always been merged.
2. Subject to certain regulatory approvals.
3. Including certain listed investments of £4.5bn.
4. H1 2018 corporate actions include bolt-on acquisitions in private markets, closed ended funds and ETF capabilities in the US.
5. Adjusted to exclude the one-off impact in Pensions and Savings of adopting the new revenue recognition accounting standard IFRS 15 which reduced revenue by £5m in H1 2018.
6. Adjusted to exclude non-recurring impact from deferred revenue of £7m received in H1 2017.
7. Based on draft regulatory returns.

Standard Life Aberdeen plc is registered in Scotland (SC286832) at Standard Life House, 30 Lothian Road, Edinburgh EH1 2DH.

Analysis of profit by segment

6 months ended 30 June 2018

	Aberdeen Standard Investments £m	Standard Life Pensions and Savings £m	India and China life £m	Other £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Fee based revenue	871	89	6	-	**966**	395	(69)	**1,292**
Spread/risk margin	-	-	-	-	**-**	55	-	**55**
Total adjusted operating income	871	89	6	-	**966**	450	(69)	**1,347**
Total adjusted operating expenses	(580)	(102)	(5)	(25)	**(712)**	(280)	69	**(923)**
Adjusted operating profit	291	(13)	1	(25)	**254**	170	-	**424**
Capital management	-	14	-	(17)	**(3)**	(3)	-	**(6)**
Share of associates' and joint ventures' profit before tax	26	-	34	-	**60**	-	-	**60**
Adjusted profit before tax	**317**	**1**	**35**	**(42)**	**311**	**167**	**-**	**478**
Tax on adjusted profit	(56)	3	-	5	**(48)**	(29)	-	**(77)**
Share of associates' and joint ventures' tax expense	(11)	-	(7)	-	**(18)**	-	-	**(18)**
Adjusted profit after tax	**250**	**4**	**28**	**(37)**	**245**	**138**	**-**	**383**
Total adjusting items	(142)	(16)	(2)	(6)	**(166)**	(74)	-	**(240)**
Tax on adjusting items	33	2	-	-	**35**	10	-	**45**
Profit attributable to non-controlling interests (preference shares)	(3)	-	-	-	**(3)**	-	-	**(3)**
Profit for the period attributable to equity holders of Standard Life Aberdeen plc	**138**	**(10)**	**26**	**(43)**	**111**	**74**	**-**	**185**

6 months ended 30 June 2017

	Aberdeen Standard Investments £m	Standard Life Pensions and Savings £m	India and China life £m	Other £m	Total continuing operations £m	Discontinued operations £m	Eliminations £m	Total £m
Fee based revenue	950	84	7	-	**1,041**	382	(66)	**1,357**
Spread/risk margin	-	-	-	-	**-**	49	-	**49**
Total adjusted operating income	950	84	7	-	**1,041**	431	(66)	**1,406**
Total adjusted operating expenses	(609)	(97)	(7)	(26)	**(739)**	(258)	66	**(931)**
Adjusted operating profit	341	(13)	-	(26)	**302**	173	-	**475**
Capital management	(9)	13	-	(4)	**-**	(7)	-	**(7)**
Share of associates' and joint ventures' profit before tax	20	-	33	-	**53**	-	-	**53**
Adjusted profit before tax (pro forma[1] basis)	**352**	**-**	**33**	**(30)**	**355**	**166**	**-**	**521**
Adjust for Aberdeen results pre-merger completion (14 August 2017)	(163)	-	-	-	**(163)**	-	-	**(163)**
Adjusted profit before tax (reported basis)	**189**	**-**	**33**	**(30)**	**192**	**166**	**-**	**358**
Tax on adjusted profit	(33)	(3)	-	5	**(31)**	1	-	**(30)**
Share of associates' and joint ventures' tax expense	(5)	-	(2)	-	**(7)**	-	-	**(7)**
Adjusted profit after tax	**151**	**(3)**	**31**	**(25)**	**154**	**167**	**-**	**321**
Total adjusting items	(18)	(8)	(24)	(41)	**(91)**	55	-	**(36)**
Tax on adjusting items	3	2	-	16	**21**	(14)	-	**7**
Profit attributable to non-controlling interests (preference shares)	-	-	-	-	**-**	-	-	**-**
Profit for the period attributable to equity holders of Standard Life Aberdeen plc	**136**	**(9)**	**7**	**(50)**	**84**	**208**	**-**	**292**

Assets under management and administration flows

6 months ending 30 June

	Gross inflows		Redemptions		Net flows	
	H1 2018 £bn	**H1 2017 £bn**	**H1 2018 £bn**	**H1 2017 £bn**	**H1 2018 £bn**	**H1 2017 £bn**
Aberdeen Standard Investments:						
Equities	7.1	8.2	(14.7)	(11.6)	(7.6)	(3.4)
Fixed income	3.2	3.7	(5.3)	(5.3)	(2.1)	(1.6)
Multi-asset	5.0	7.2	(9.4)	(11.0)	(4.4)	(3.8)
Private markets and Alternatives	1.0	0.9	(1.9)	(1.4)	(0.9)	(0.5)
Real estate	1.6	1.9	(1.8)	(2.6)	(0.2)	(0.7)
Quantitative	0.1	0.1	(0.1)	(0.5)	-	(0.4)
Cash/Liquidity	4.8	4.5	(3.2)	(3.1)	1.6	1.4
	22.8	26.5	(36.4)	(35.5)	(13.6)	(9.0)
Standard Life Pensions and Savings	1.6	1.7	(2.7)	(3.1)	(1.1)	(1.4)
Third party strategic insurance partners	9.4	6.5	(13.9)	(12.5)	(4.5)	(6.0)
Strategic insurance partners	11.0	8.2	(16.6)	(15.6)	(5.6)	(7.4)
Aberdeen Standard Investments	**33.8**	**34.7**	**(53.0)**	**(51.1)**	**(19.2)**	**(16.4)**
Retail (incl. Wrap, Elevate and advice)	**4.7**	**5.5**	**(2.2)**	**(1.8)**	**2.5**	**3.7**
India and China life	**0.6**	**0.6**	**(0.3)**	**(0.3)**	**0.3**	**0.3**
Eliminations	(1.1)	(1.3)	0.9	1.3	(0.2)	-
Total from continuing operations	**38.0**	**39.5**	**(54.6)**	**(51.9)**	**(16.6)**	**(12.4)**
Discontinued operations	**4.4**	**4.8**	**(5.6)**	**(6.2)**	**(1.2)**	**(1.4)**
Discontinued eliminations	**(2.3)**	**(2.3)**	**3.0**	**3.4**	**0.7**	**1.1**
Total including discontinued operations	**40.1**	**42.0**	**(57.2)**	**(54.7)**	**(17.1)**	**(12.7)**

	Gross inflows		Redemptions		Net flows	
	H1 2018 £bn	**H1 2017 £bn**	**H1 2018 £bn**	**H1 2017 £bn**	**H1 2018 £bn**	**H1 2017 £bn**
Analysis of flows from continuing operations:						
Institutional	10.9	13.1	(21.5)	(20.6)	(10.6)	(7.5)
Wholesale	10.5	12.3	(13.8)	(14.2)	(3.3)	(1.9)
Wealth/Digital	1.4	1.1	(1.1)	(0.7)	0.3	0.4
	22.8	26.5	(36.4)	(35.5)	(13.6)	(9.0)
Strategic insurance partners	11.0	8.2	(16.6)	(15.6)	(5.6)	(7.4)
Aberdeen Standard Investments	**33.8**	**34.7**	**(53.0)**	**(51.1)**	**(19.2)**	**(16.4)**
Retail (incl. Wrap, Elevate and advice)	**4.7**	**5.5**	**(2.2)**	**(1.8)**	**2.5**	**3.7**
India and China life	**0.6**	**0.6**	**(0.3)**	**(0.3)**	**0.3**	**0.3**
Eliminations	(1.1)	(1.3)	0.9	1.3	(0.2)	-
Total from continuing operations	**38.0**	**39.5**	**(54.6)**	**(51.9)**	**(16.6)**	**(12.4)**

Assets under management and administration

6 months ending 30 June 2018

	1 Jan 2018 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Markets and performance £bn	Corporate actions £bn	30 Jun 2018 £bn
Aberdeen Standard Investments:							
Equities	104.5	7.1	(14.7)	(7.6)	(4.0)	1.2	94.1
Fixed income	51.4	3.2	(5.3)	(2.1)	(0.3)	0.9	49.9
Multi-asset	72.4	5.0	(9.4)	(4.4)	(1.4)	-	66.6
Private markets and Alternatives	24.5	1.0	(1.9)	(0.9)	1.5	2.1	27.2
Real estate	28.5	1.6	(1.8)	(0.2)	-	0.6	28.9
Quantitative	2.2	0.1	(0.1)	-	-	-	2.2
Cash/Liquidity	20.4	4.8	(3.2)	1.6	0.1	-	22.1
	303.9	22.8	(36.4)	(13.6)	(4.1)	4.8	291.0
Standard Life Pensions and Savings	92.2	1.6	(2.7)	(1.1)	(0.9)	-	90.2
Third party strategic insurance partners	179.6	9.4	(13.9)	(4.5)	0.8	-	175.9
Strategic insurance partners	271.8	11.0	(16.6)	(5.6)	(0.1)	-	266.1
Aberdeen Standard Investments	**575.7**	**33.8**	**(53.0)**	**(19.2)**	**(4.2)**	**4.8**	**557.1**
Retail (incl. Wrap, Elevate and advice)	**54.0**	**4.7**	**(2.2)**	**2.5**	**(0.2)**	**-**	**56.3**
India and China life	**4.8**	**0.6**	**(0.3)**	**0.3**	**(0.2)**	**-**	**4.9**
Eliminations	(8.0)	(1.1)	0.9	(0.2)	-	-	(8.2)
Total from continuing operations	**626.5**	**38.0**	**(54.6)**	**(16.6)**	**(4.6)**	**4.8**	**610.1**
Discontinued operations	134.1	4.4	(5.6)	(1.2)	0.3	-	133.2
Discontinued eliminations	(105.7)	(2.3)	3.0	0.7	1.0	-	(104.0)
Total including discontinued operations	**654.9**	**40.1**	**(57.2)**	**(17.1)**	**(3.3)**	**4.8**	**639.3**

	1 Jan 2018 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Markets and performance £bn	Corporate actions £bn	30 Jun 2018 £bn
Analysis of continuing operations:							
Institutional	192.5	10.9	(21.5)	(10.6)	0.5	-	182.4
Wholesale	100.2	10.5	(13.8)	(3.3)	(4.6)	4.8	97.1
Wealth/Digital	11.2	1.4	(1.1)	0.3	-	-	11.5
	303.9	22.8	(36.4)	(13.6)	(4.1)	4.8	291.0
Strategic insurance partners	271.8	11.0	(16.6)	(5.6)	(0.1)	-	266.1
Aberdeen Standard Investments	**575.7**	**33.8**	**(53.0)**	**(19.2)**	**(4.2)**	**4.8**	**557.1**
Retail (incl. Wrap, Elevate and advice)	**54.0**	**4.7**	**(2.2)**	**2.5**	**(0.2)**	**-**	**56.3**
India and China life	**4.8**	**0.6**	**(0.3)**	**0.3**	**(0.2)**	**-**	**4.9**
Eliminations	(8.0)	(1.1)	0.9	(0.2)	-	-	(8.2)
Total from continuing operations	**626.5**	**38.0**	**(54.6)**	**(16.6)**	**(4.6)**	**4.8**	**610.1**