abrdn plc

Full year results 2023

27 February 2024

Building a modern investment company

Growth in ii and Adviser offsets profit reduction in Investments
Exceeded cost saving target in 2023; new transformation programme underway
Strong balance sheet, with dividend maintained at 14.6p

Summary results

Performance indicators	2023	2022	Change
Net operating revenue	**£1,398m**	£1,456m	(4%)
Cost/income ratio	**82%**	82%	-
Adjusted operating profit	**£249m**	£263m	(5%)
Adjusted capital generation	**£299m**	£259m	15%
IFRS loss before tax[1]	**(£6m)**	(£612m)	
IFRS profit/(loss) for the year[1]	**£12m**	(£546m)	
Adjusted diluted earnings per share	**13.9p**	10.5p	32%
Diluted earnings per share[1]	**0.1p**	(26.6p)	
AUMA	**£494.9bn**	£500.0bn	(1%)
Net outflows excluding LBG and liquidity[2]	**(£13.9bn)**	(£10.3bn)	(35%)
Investment performance (AUM) – 3 years[3]	**42%**	65%	(23ppts)
Full year dividend per share	**14.6p**	14.6p	-

1. Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements.
2. Excludes Institutional/Retail Wealth liquidity net outflows of £3.7bn (2022: £3.2bn) and LBG tranche withdrawals in 2022 of £24.4bn relating to the settlement of arbitration with LBG.
3. Percentage of AUM above benchmark. Calculations for investment performance use a closing AUM weighting basis and are made gross of fees except where the stated comparator is net of fees.

Stephen Bird, Chief Executive Officer of abrdn plc, said:

"Over the past three years we have reshaped the business to fit the modern investment landscape. We now have content and distribution aligned to the products and services clients need, and we are better positioned for future growth."

"The investment industry faced further structural and macroeconomic challenges during 2023 with a 'higher for longer' rate environment across developed economies adding sustained pressure on most asset classes."

"The diversity of our group supported financial results in 2023. ii and Adviser are delivering, and we are scaling up these market-leading platforms to benefit from the long-term structural growth in UK savings and wealth. We are taking action to rebuild and grow profit in our Investments business. We have sharpened our focus on improving investment performance, streamlined our fund range, reduced costs by £102m in 2023, exceeding our £75m target, and we announced a new cost saving programme of at least £150m on the 24th January."

"Our balance sheet remains strong which enables us to fund our cost transformation while continuing to strategically invest in growth areas and maintain our dividend. There is significant work ahead, but we are confident we will be successful in delivering future growth."

Our diversified business creates resilience

- Net operating revenue 4% lower at £1,398m, reflecting the impact of outflows and adverse markets partly mitigated by the diversification in sources of revenue, including the benefit from higher treasury income.
- Adjusted operating expenses decreased by 4% reflecting management actions to reduce costs, mostly offset by the inclusion of a full 12 months of ii expenses. Excluding ii, expenses were 9% lower.
- Adjusted operating profit 5% lower at £249m largely due to the revenue impact of continued net outflows and adverse market movements which particularly impacted high yielding equities.
- IFRS loss before tax of £6m (2022: loss £612m), reflects adjusting items of £336m including losses of £178m relating to the fall in share prices of our listed stakes and £152m of restructuring and corporate transaction expenses.
- Cost/income ratio was stable at 82%.
- AUMA at £494.9bn, 1% lower with net outflows in Investments and Adviser partly offset by positive market movements and continued net inflows in ii.
- Adjusted diluted EPS increased to 13.9p (2022: 10.5p) owing to the higher adjusted profit after tax and the benefit from share buybacks in 2022 and 2023.

Action to build and grow profitability

- The transformation programme targets an annualised cost reduction of at least £150m by the end of 2025, compared to 2023, with approximately 80% of the savings benefiting the Investments business.
- Designed to restore our core Investments business to an acceptable level of profitability.
- Expected to result in the reduction of approximately 500 roles.
- Implementation expected to take place primarily in 2024, and will be completed by the end of 2025.
- Total implementation costs are estimated to be around £150m.
- Expect group adjusted operating expenses to be c. £60m lower in 2024.

Investments: Refocusing to capitalise on areas of strength

- Adjusted operating profit reduced by £80m (62%) to £50m, reflecting 17% lower revenue, partly offset by 11% lower costs.
- We exceeded the £75m cost reduction target, with expenses reducing by £102m.
- Gross flows were £50.3bn, £9bn lower (2022: £59.3bn) reflecting the client response to the uncertain market environment which impacted the wider industry.
- Insurance Partners continued to benefit from the Phoenix bulk purchase annuity and pensions growth.
- Net outflows of £15.3bn (ex. LBG and liquidity) (2022: £13.4bn), represented (4%) of opening AUM.
- Investment performance weakened to 42% of AUM above benchmark over 3 years (2022: 65%). This reflects a challenging period for active managers and in particular Equities were impacted by our AUM bias towards Asia and Emerging Markets and the quality growth style.

interactive investor: The UK's leading subscription based D2C investment platform

- Significant benefit to the Group of full 12 months of ii (excluding Personal Wealth) which has continued to perform well against an uncertain market environment.
- Net operating revenue 43% higher to £287m (2022: £201m) and adjusted operating profit 58% higher to £114m (2022 £72m). Treasury income of £134m (2022: £58m) benefited from higher interest rates.
- Average cash margin of 236bps. Indicative average cash margin for 2024 is expected to be broadly in line.
- Net customer growth for 2023 was 4% (excluding run-off from historic acquisitions), taking total customers to 407k with 21% growth in SIPP customers, reflecting successful focus on this key growth segment.
- Average AUA per customer increased to £152k (2022: £134k).
- Net flows were £2.9bn, reflecting continued positive flows in interactive investor.

Adviser: Leveraging technology to create value for our clients

- Delivered the largest and most advanced technology release we have ever completed on the Adviser platform.
- Net operating revenue in Adviser 21% higher to £224m (2022: £185m) supported by higher treasury income.
- Average cash margin of c.228bps. Indicative average cash margin for 2024 is expected to be broadly in line.
- Adjusted operating profit 37% higher at £118m (2022: £86m).
- Inflow activity (including MPS) reduced by 12% in 2023, reflecting muted client activity across the industry.
- Net outflows of £2.1bn reflect the points noted above and the short-term impact in 2023 resulting from the technology upgrade.
- 12% AUA market share with customer satisfaction score of 90%.

Retaining a strong balance sheet

- CET1 capital of £1.47bn (coverage of 139%), total coverage ratio of 184% (2022: 168%).
- Further balance sheet strength from Phoenix stake and staff pension scheme surplus.
- Returned £0.6bn to shareholders in dividends and buybacks in 2023.
- Final dividend of 7.3p, total 14.6p per share in 2023.
- Annual dividend cost reduced through buybacks to £267m; 1.12x covered by adjusted capital generation in 2023.

Outlook

- We expect inflation to moderate slowly, and we have assumed a stable interest rate environment.
- We expect the average cash margin for 2024 to be broadly in line with 2023.
- While market conditions, structural and cyclical, remain challenging for active asset managers we continue to expect headwinds arising from changing client demand and preferences.
- Within Insurance Partners in particular, we expect the asset rotation from active equity and fixed income strategies to passive quantitative strategies to continue into 2024. This together with related pricing changes, may result in a further contraction of revenue margin.
- The work to achieve at least £150m of annualised cost savings is now underway. 80% of the cost savings is expected to benefit Investments.
- We anticipate cost growth in ii and Adviser to be approximately 3-5% per annum over 2024-2026 reflecting continued growth and reinvestment in these businesses.
- We expect total restructuring costs of less than £150m in 2024, to support the cost transformation programme, and further investment in the Adviser platform.
- The strength of our balance sheet allows us to fund restructuring.
- Our balance sheet strength includes our Phoenix stake and the staff pension scheme which has a significant surplus.
- Our aim remains the disciplined allocation of our capital to drive growth and reduce costs, to improve net capital generation in the medium-term.

Annual report and accounts 2023

The Annual report and accounts 2023 has been published today and is available at www.abrdn.com/fyresults

This press release contains certain information that has been extracted from the Annual report 2023.

Investors and analysts

A presentation for analysts and investors will take place 09:00am (GMT) on 27 February 2024. To view the webcast live please go to www.abrdn.com/corporate

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* Calls may be monitored and/or recorded. Call charges will vary.

CEO statement

Building a modern investment company

We have continued with our determination to build a modern investment company that is capable of thriving in a changing marketplace. In January of 2024, we took the next step in that process, announcing a £150m cost transformation programme to accelerate the delivery of a more sustainable cost base that can support appropriate long-term profitability. The need to continue applying downward pressure on costs was underlined by another challenging year. Throughout 2023, the 'higher for longer' rate environment across developed economies put sustained pressure on most asset classes, and while the market now expects a reversal over 2024, there is no doubt that we have felt the effects in our Investments business. The upside is the impact higher rates have had on income in Adviser and ii, underscoring the benefits of our diversified business model, which delivers through the economic cycle.

When we embarked on our transformation journey back in 2021, not many would have foreseen the level of global economic and geopolitical turmoil we have since experienced. That has inevitably hindered our progress, and directly impacted performance. Nonetheless, we have moved at pace to evolve the business and create a model that is better suited to the modern investment landscape, better aligned to the products and services clients will want in the coming years and better positioned for future growth.

A platform for growth

As we look ahead, we now have a platform to build on, connecting our investment content capabilities on the one hand, with our market leading wealth platforms on the other. We are able to identify where demand is going and react more quickly than ever, using data sharing between businesses to design better products and creating tailor-made solutions in Investments that meet the needs of clients and customers in Adviser, ii, and the wider market.

Sensitivity to rates and markets has been mitigated by our more diverse business model. We are also well positioned to take advantage across the group when rates do start to come down, with a move to risk-on giving oxygen to Investments, an easing of the cost-of-living pressures that have impacted Adviser, and a return of investor confidence supporting an increase in subscriptions and trading volumes for ii.

Our new transformation programme will deliver an annualised cost reduction of at least £150m by the end of 2025. Approximately 80% of the cost reduction benefits will be in our core Investments business. The programme is targeting the removal of management layers, increasing spans of control, and reducing overheads. We will implement this programme with minimal impact to client service and at all times focusing on investment performance.

2023 performance

At £249m (2022: £263m), adjusted operating profit is down 5% on the previous year. While Adviser and ii both increased profitability, this was more than offset by falling revenue in Investments where market conditions had a substantial impact, as seen across the sector. Overall, we are reporting an IFRS profit for the year of £12m (2022 restated: loss £546m), this improvement reflects a reduction in impairment of intangible assets and restructuring costs.

Our determination to manage our cost base is evident in a 4% reduction in adjusted operating expenses, even including a full 12 months of ii (compared to 7 months in 2022). We exceeded our target to remove £75m in cost from the Investments business, delivering savings of £102m in the year, and we have since set out plans for a new transformation programme that will deliver a material improvement to our cost/income ratio.

As detailed below, we have maintained our disciplined approach to capital allocation in 2023. Jason outlines our performance in detail in the Chief Financial Officer's overview.

A leaner and more relevant Investments business

After another year of substantial change, we finished 2023 with a leaner, more relevant Investments business. With the sale of our US Private Equity franchise and agreement to sell our European Private Equity franchise, and having continued to deliver on our fund rationalisation programme with the closure of a further c60 funds in 2023, our more focused offering is based upon areas of real strength and scale across public markets and alternatives.

This simplification enabled us to go beyond our £75m cost reduction target.

Investment performance over the three and five-year time periods has weakened, with 42% (2022: 65%) and 52% (2022: 58%) of AUM covered by this metric ahead of benchmark respectively. The drop in the three-year performance reflects a challenging period for active managers, particularly those with a quality equity investment style with a bias towards Asia and Emerging Markets. Our new Chief Investment Officer, Peter Branner, who joined us in 2023, is leading a wide-ranging programme of work to review and strengthen our investment processes.

The creation of a more focused Investments business has been accompanied through the careful deployment of capital in select areas where we see good growth opportunities. Our acquisition of the fund management capabilities of Boston-based Tekla Capital Management has added specialist knowledge in the healthcare and biotech sector, an area we have identified as one of a small number of megatrends that are expected to offer exciting investing opportunities in the future. Alongside Tekla, the acquisition of other closed-end funds from Macquarie and the proposed acquisition of funds from First Trust, would collectively add £3.6bn in AUM and strengthen abrdn's position as one of the world's leading players in closed-end funds.

Leading positions in the structurally attractive UK savings and wealth market

With an ageing population and the ongoing shift toward individuals having to take a greater amount of responsibility for their own financial futures, the long-term structural growth factors underpinning the UK savings and wealth market are well known. In that context, owning two of the leading platform businesses in the sector puts abrdn in a strong position, and the work we have done this year to strengthen those businesses for the future only adds to that potential.

While the continuation of difficult market conditions through 2023 undoubtedly had some impact across both our Adviser and ii businesses, this was mitigated by increased treasury income that supported improved adjusted operating profit in both Adviser and ii. We note that the FCA has been considering the retention of interest earned on cash balances and we have been working with them to ensure they understand our approach. We are confident that both Adviser and ii offer clients and customers fair and transparent fee structures.

In Adviser, 2023 saw the largest and most advanced platform technology upgrade that we have undertaken. As expected, this caused some disruption to service, but by year-end service levels were returning to normal, and we can now offer, and build upon, a far superior user experience for our clients. As announced back in May 2023, this will also see us roll out adviserOS this year – a new way of delivering platform services to clients that will enhance our proposition, extend client capacity, and differentiate abrdn from the wider market.

The year saw our Managed Portfolio Services (MPS) team shift to Adviser from our ii business. We anticipate strong demand from advisers and believe there is a significant opportunity for further growth here. The same applies to the launch of our own on-platform SIPP and Junior SIPP in 2024.

ii also benefited from a significant technology update in 2023 that allowed the platform to remain ahead in what is a rapidly developing sector. While market conditions dampened customer acquisition and trading activity, we enjoyed the comparative resilience afforded by our subscription model and proved our strength by increasing our share of market trades over the year. ii also delivered the highest net AUA inflows across UK D2C platforms in 2023, according to Direct Matters.

Important work to optimise the business model within ii was also delivered. The sale of our discretionary fund management business to LGT in September underlined our disciplined approach to capital allocation. The simplification and integration of our Financial Planning and ii teams showed that we can cut cost while creating a model we can better leverage for our customers.

Another customer-led development was the launch of our Investor Essentials and Pension Essentials products, offering lower prices to customers with smaller investment pots and widening out the breadth of the market for whom ii becomes the best choice on price. We expect these innovations, and investment in our brand, will support higher customer acquisition over time, especially as conditions begin to support improved investor confidence.

Disciplined capital management

The indicative CET1 resources at 31 December 2023 were £1.5bn (2022: £1.3bn) with a coverage of 139% (2022: 123%). This was facilitated by another year of disciplined capital management, during which we carefully balanced non-core divestments with a combination of targeted investment in the business and continued returns to shareholders.

Organic cash generation and efficient stake sales generated £875m. Consistent with the previous year, we returned c£600m to shareholders in the form of dividends and share buybacks, and reinvested £152m largely to continue growing our closed-end fund business.

We plan to deploy surplus capital to fund the delivery of the £150m cost savings we have outlined and may use the proceeds from divestments to support bolt-on acquisitions within key thematic markets. The Board's current intention is to pay a total annual dividend of 14.6p until it is covered at least 1.5 times by adjusted capital generation, at which point the Board will seek to grow the dividend in line with its assessment of the underlying medium-term growth in profitability.

Playing our part in creating a more sustainable world

The unfortunate sequence of global crises we have experienced in recent years may have drawn some attention away from the challenges we face on climate change but the urgency around the need to respond is only intensifying. Our Sustainable Investing team were present for the COP28 meeting in the UAE in November where we were encouraged by agreement for the first time on a transition away from fossil fuels, which we believe can be a catalyst for meaningful action. We continue to contribute from two angles; careful management of our own operations to limit our climate impact, where we are exceeding our objective of a 50% reduction in reported operational emissions by 2025 with currently a 69% reduction versus our 2018 base year; and a deeply embedded approach to sustainable investing that we have cultivated over many years with an ongoing reduction being reported for 2023 in the carbon intensity of in-scope public market and real estate assets, meaning we are also on track to meet our targets in this area. Another key aspect of our sustainability agenda is our commitment to offering an inclusive and supportive working environment.

We have specific approaches in place to address gender, ethnicity and social mobility imbalances and recorded another successive year of reducing our gender pay gap..

At a headline level, we saw overall employee engagement remain at similar levels to last year, despite a backdrop of challenging market conditions and ongoing change within the business. The external environment, coupled with the scale of change as we transform our business, have undoubtedly been challenging for our colleagues. Across the company they have shown deep commitment to our clients and a huge will to rebuild the firm's success. On behalf of the Board and the management team, I'd like to thank everyone across the business for their hard work, skill and determination.

The next phase of our progress

Over the last three years we have moved at pace to reshape the company and create a business model that is fit for the future. We now have more ways to win, particularly through our enhanced exposure to the highly attractive UK savings and wealth market, but also with a more focused and more efficient Investments business. This means we are already far better equipped to address the well-known challenges facing active asset management. However, we have also recognised the need to go further still in transforming our Investments business. The transformation programme set out in January will deliver a leaner, more profitable Investments business to go alongside our two leading platform businesses. We are clear that there is more work to do and we are confident in the trajectory that we have created and the progress that we are making. Our goal is for all three businesses to make their appropriate contribution to Group earnings and in doing so, createa sustainably profitable abrdn.

Stephen Bird

Chief Executive Officer

CFO commentary

Taking action to rebuild profitability and growth

"Our diversified business and strong balance sheet are clear strengths but we need to deliver a step change in our cost base in order to lay the foundation for future growth.

I am proud to join a company with a strong conviction to enable clients at all financial stages to be better investors."
Jason Windsor

Overview

2023 was a challenging macro environment for the investment industry. This is evident in lower adjusted operating profit, largely reflecting lower revenues in Investments, which is closely related to the market context.

Despite this, the advantage of our three business model is clear in these results. We have built resilience into the Group and the benefits of diversification are already evident with Adviser and ii on a stronger trajectory of growth, with more efficient operating margins and clear opportunities for the future. We exceeded expectations on our net £75m cost reduction target, with savings of £102m achieved.

In addition to this £102m reduction, we are now targeting further annualised cost savings of at least £150m across the Group by the end of 2025, with the majority of actions to be taken this year.

We have undertaken a comprehensive review of our operating model. The programme is targeting the removal of management layers, increasing spans of control, and reducing overheads particularly from Group functions and support services. Approximately 80% of the cost reduction benefits will be seen in the Investments business. The total implementation costs are estimated to be around £150m.

This transformation programme will drive improved profitability and allow for reinvestment into growth areas, which is fundamental to improving performance. Initial work to deliver these efficiencies is already well underway and we will provide further updates over the course of the programme.

In 2023, we delivered on our commitment to return a significant proportion of capital generated from our Indian stake sales to shareholders: £300m by way of share buybacks and the remainder via dividends. We also generated capital following the sales of our discretionary fund management and US private equity businesses which supported the strategic moves to acquire closed-end funds from Macquarie, Tekla, and First Trust to further strengthen our capabilities in this area.

Our balance sheet remains strong, and this enables us to fund the implementation costs of our transformation programme from our balance sheet. We will continue to be disciplined in our allocation of capital to invest in the business in order to drive growth and to support continued returns to shareholders.

I believe the actions that we have taken to build resilience into our business and move towards improved profitability, despite industry headwinds, combined with the significant additional cost savings we are now targeting, will put us in a stronger position to deliver on our commitment to enable our clients to be better investors.

Profit

Adjusted operating profit for 2023 was down 5% to £249m (2022: £263m). This includes a reduction of £80m in Investments principally due to a significant decline in revenue in this business. This was partly offset by an increase in adjusted operating profit in both our Adviser and ii businesses, to £118m (2022: £86m) and £114m (2022: £72m) respectively. ii includes the benefit of a full 12 months contribution compared to 7 months in 2022.

The IFRS loss before tax was £6m (2022: loss £612m[1]) including adjusting items of £336m (2022: £865m[1]), with a decrease in the impairment of intangible assets and restructuring costs compared to 2022. The goodwill impairments in 2023 of £62m (2022: £340m) include the impact of lower projected revenues as a result of adverse markets and macroeconomic conditions, and for Finimize the impact of lower short-term projected growth following a strategic shift that prioritises profitability over revenue growth.

The cost/income ratio was stable at 82% (2022: 82%) reflecting the benefit from the efficient Adviser and ii cost models, offset by lower revenue in Investments.

Net operating revenue

Net operating revenue of £1,398m (2022: £1,456m) was down 4%, including the impact of the challenging market conditions in Investments. This was partially offset by increases in revenue in both Adviser and ii, reflecting higher treasury income for both businesses, and the benefit of a full 12 months of ii.

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1 Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements.

In Investments, net operating revenue was 17% lower than in 2022 largely due to net outflows and lower market performance impacting average AUM, and changes to the asset mix. While redemptions were lower, gross flows were also lower reflecting the client response to the uncertain market environment, particularly in equities and multi-asset. Net outflows and market performance in multi-asset and equities resulted in a reduction in average AUM of 16% and 14% respectively. Our Phoenix partnership continues to produce results with £6.0bn (2022: £2.9bn) of gross inflows from their bulk purchase annuity business, reflecting our insurance asset management capabilities and proprietary techniques.

In our Adviser business, net operating revenue was 21% higher than 2022 at £224m (2022: £185m) comprising £167m Platform charges (2022: £174m), £31m treasury income (2022: £11m) and £26m other (2022: £nil). The higher revenue included the c£15m benefit of a revised distribution agreement with Phoenix and c£11m from threesixty/MPS following the transfer from the Personal Wealth business.

In our ii business (excluding Personal Wealth), net operating revenue increased to £230m (2022: £114m), largely reflecting the benefit of a full 12 months of revenue. Revenue continues to benefit from diverse streams. Treasury income on client cash balances contributed £134m, benefiting from the continued rise in interest rates. Trading revenue of £48m was impacted by muted levels of customer activity given the uncertain market conditions. Revenue from subscriptions was £54m.

In Personal Wealth, net operating revenue of £57m (2022: £87m) reduced by £30m due to a c£19m impact from the transfer of the MPS business to Adviser and the sale of abrdn capital to LGT, c£6m from the transfer of threesixty to Adviser, and the impact of adverse market movements.

Adjusted operating expenses

Adjusted operating expenses decreased by 4% to £1,149m (2022: £1,193m), reflecting management actions to reduce costs, mostly offset by the inclusion of £103m (2022: £47m) of ii[1] expenses for the full 12 month period. Excluding ii[1], expenses were 9% lower at £1,046m (2022: £1,146m).

In the Investments business, we exceeded the targeted £75m reduction that we outlined previously. The £102m cost reduction in Investments was driven by lower staff costs reflecting 8% lower front/middle office FTEs and reduced market data and outsourcing costs, partly offset by the impact of staff cost inflation.

In Adviser, the cost/income ratio improved to 47%, benefiting from higher treasury income and the revised distribution agreement with Phoenix.

For ii overall, expenses increased reflecting the full 12 months of ii (excluding Personal Wealth). The cost/income ratio improved from 64% to 60%, despite the impact on profitability in Personal Wealth due to the revenue impacts on this business outlined above.

As I have touched on already, further significant cost savings across the business are targeted to improve efficiency and profitability.

Capital

Our capital position provides us with resilience during periods of economic uncertainty and volatility.

In 2023, we have been disciplined in our allocation of capital with a combination of investment in the business to drive growth and continued returns to shareholders.

We generated a total of £713m capital from the sales of our listed Indian stakes (£576m), and the disposals of our discretionary fund management and US private equity businesses (£137m). We have now completed the sale of our remaining stakes in HDFC Life and HDFC Asset Management, which further simplifies our group structure.

We have continued to invest in the business through strategic bolt-on acquisitions, building out our global top three position in closed-end funds. In 2023, we completed the acquisition of four closed-end funds from Macquarie and acquired the healthcare fund management capabilities of Tekla for a total of £152m. We also used the proceeds from our non-core disposals to support restructuring costs of £121m, including the reshaping of the Investments business.

We returned £300m by way of share buybacks in line with our commitment to return a significant proportion of the proceeds of our stake sales. As we outlined in our FY 2022 results, we returned £0.6bn of capital in total to shareholders in 2023 by way of dividends and share buybacks.

Going forward, we will continue to have a disciplined approach to generation and allocation of our capital:

– We are committed to taking significant cost actions to restore our core Investments business to a more acceptable level of profitability. To achieve the desired simplification and cost savings, total implementation costs are estimated to be around £150m. We will deploy CET1 surplus capital to fund this restructuring over 2024 and 2025.
– We will continue to scan the market for bolt-on acquisitions within key thematic markets, such as the most recent acquisition of the healthcare fund management capabilities of Tekla.

1 Relates to ii (excluding Personal Wealth).

- As part of our approach to allocating capital, we hold a buffer over regulatory capital to provide a level of management flexibility and capital strength and resilience during periods of volatility.
- It remains the Board's current intention to pay a total annual dividend of 14.6p (with the interim and final both at 7.3p per share), until it is covered at least 1.5 times by adjusted capital generation. Over the short term, the dividend will largely be supported by adjusted capital generation and our surplus capital.

Outlook

As demonstrated in our 2023 results, we have reshaped the business. The resulting diversification in sources of revenue and inherent cost efficiency within Adviser and ii partly offset the revenue impact from net outflows and adverse market movements within Investments. Looking forward, we expect inflation to moderate slowly, and we have assumed a stable interest rate environment. This will continue to benefit ii and Adviser where we expect the average cash margin for 2024 to be broadly in line with 2023. The outlook for global markets remains uncertain. Where market conditions, structural and cyclical, remain challenging for active asset managers we continue to expect headwinds arising from changing client demand and preferences. Within Insurance in particular, we expect the asset rotation from active equity and fixed income strategies to passive quantitative strategies experienced in 2023 to continue into 2024. This together with related pricing changes, may result in a further contraction of revenue margin.

Notwithstanding this backdrop we are taking action to restore profitability and to transform the way we operate, through simplification and leveraging technology across the Group, particularly in Investments. As we have said, the work to achieve at least £150m of cost savings is now underway. While 80% of the cost savings is expected to benefit Investments, we anticipate cost growth in ii and Adviser to be approximately 3-5% per annum over 2024-2026 reflecting continued growth and reinvestment in these businesses. Implementation of the transformation programme is expected to take place primarily in 2024, with c£60m benefit from lower adjusted operating expenses expected in 2024, and will be completed by the end of 2025.We expect total restructuring costs of less than £150m in 2024, to support the group cost transformation programme, and further investment in the Adviser platform.

The strength of our balance sheet allows us to fund these restructuring expenses, and to maintain the dividend. Our balance sheet is further strengthened by our Phoenix stake and the staff pension scheme which has a significant surplus. Our focus remains to be disciplined in our allocation of capital to drive growth, and to maintain the dividend payment until capital generation improves.

Results summary

Analysis of profit	2023 £m	2022[1] £m
Net operating revenue	**1,398**	1,456
Adjusted operating expenses	**(1,149)**	(1,193)
Adjusted operating profit	**249**	263
Adjusted net financing costs and investment return	**81**	(10)
Adjusted profit before tax	**330**	253
Adjusting items including results of associates and joint ventures	**(336)**	(865)
IFRS loss before tax	**(6)**	(612)
Tax credit	**18**	66
IFRS profit/(loss) for the year	**12**	(546)

The IFRS loss before tax was £6m (2022: loss £612m) including an adjusted operating profit of £249m (2022: £263m). Adjusting items were £336m (2022: £865m) including:

- Losses of £178m (2022: losses £187m) from the change in fair value of significant listed investments (HDFC Asset Management, HDFC Life and Phoenix) as a result of the fall in the share price of these companies in 2023.
- Restructuring and corporate transaction expenses were £152m (2022: £214m), mainly consisting of property related impairments, severance, platform transformation and specific costs to effect savings in Investments.

Adjusted operating profit was £14m lower than 2022 largely due to the revenue impact of continued net outflows and adverse market movements which particularly impacted high yielding equities. The 2023 results included a contribution from ii[2] for the full 12 months (2022: seven months) which benefited net operating revenue by £230m (2022: £114m) and adjusted operating profit by £127m (2022: £67m). Removing ii[2], adjusted operating profit was 38% lower than 2022 at £122m (2022: £196m).

Net operating revenue

Net operating revenue decreased by 4% reflecting:

- Impact from net outflows[3] of c4%, and adverse Investments margin movements.
- Although the market declines seen in 2022 began to reverse in 2023, the lower average AUMA compared with 2022 impacted revenue by c4%.
- Benefit of £116m from the full 12 months of ii[2] in 2023.
- Performance fees reduced by £16m mainly within real assets, where 2022 saw a number of funds coming to the end of their natural lifecycle, triggering performance fees at maturity.

The diversification that now drives our sources of revenue has helped to mitigate the impact of market volatility, including the benefit from ii's subscription model and the higher total treasury income of £165m (2022: £69m). Net operating revenue reduced by 13% excluding ii[2].

Adjusted operating expenses

	2023 £m	2022 £m
Staff costs excluding variable compensation	**511**	527
Variable compensation	**75**	85
Staff and other related costs[4]	**586**	612
Non-staff costs	**563**	581
Adjusted operating expenses	**1,149**	1,193

Adjusted operating expenses decreased by 4% reflecting management actions to reduce costs, mostly offset by the inclusion of £103m (2022: £47m) of ii[2] expenses for the full 12 month period. Excluding ii[2], expenses were 9% lower at £1,046m (2022: £1,146m) reflecting:

- 7% lower staff costs (excluding variable compensation), with the benefit of lower FTEs (13%), partly offset by wage inflation.
- Lower variable compensation reflecting business performance.
- 9% lower non-staff costs, with cost savings partly offset by the impact of inflation.

The Group cost/income ratio was stable at 82% (2022: 82%) reflecting the benefit from the efficient Adviser and ii cost models, offset by lower revenue in Investments.

1 Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements.

2 Relates to ii (excluding Personal Wealth).

3 Reflects estimated impact on net operating revenue as a result of net outflows in both the current and prior period, as a percentage of prior period revenue.

4 See Supplementary information for a reconciliation to IFRS staff and other employee related costs.

Investments

	Total		Institutional and Retail Wealth[1]		Insurance Partners[1]	
	2023	2022	**2023**	2022	**2023**	2022
Net operating revenue[2,3]	**£878m**	£1,060m				
Adjusted operating expenses[2]	**(£828m)**	(£930m)				
Adjusted operating profit[2]	**£50m**	£130m				
Cost/income ratio[2]	**94%**	88%				
Net operating revenue yield	**23.5bps**	25.4bps	**32.6bps**	36.1bps	**10.0bps**	10.5bps
AUM	**£366.7bn**	£376.1bn	**£211.2bn**	£231.2bn	**£155.5bn**	£144.9bn
Gross flows	**£50.3bn**	£59.3bn	**£28.1bn**	£36.5bn	**£22.2bn**	£22.8bn
Redemptions	**(£69.3bn)**	(£100.3bn)	**(£46.0bn)**	(£48.1bn)	**(£23.3bn)**	(£52.2bn)
Net flows	**(£19.0bn)**	(£41.0bn)	**(£17.9bn)**	(£11.6bn)	**(£1.1bn)**	(£29.4bn)
Net flows excluding liquidity[4]	**(£15.3bn)**	(£37.8bn)	**(£14.2bn)**	(£8.4bn)	**(£1.1bn)**	(£29.4bn)
Net flows excluding liquidity and LBG[4,5]	**(£15.3bn)**	(£13.4bn)	**(£14.2bn)**	(£8.4bn)	**(£1.1bn)**	(£5.0bn)

Adjusted operating profit

- Profit reduced by £80m (62%) to £50m, reflecting 17% lower revenue, partly offset by 11% lower costs.
- Results in our Investments business reflect the challenging economic environment and market turbulence that has impacted across the industry.

Net operating revenue

- 17% lower than 2022 largely due to net outflows and lower market performance impacting average AUM, and changes to the asset mix.
- Performance fees of £14m (2022: £30m) were earned mainly from Asian equities and Insurance Partners.

Adjusted operating expenses

- Whilst there is a reduction in profitability in the year, we exceeded the £75m net cost reduction target.
- Adjusted operating expenses reduced by £102m (11%) to £828m (2022: £930m[2]) driven by lower staff costs reflecting 8% lower front/middle office FTEs and reduced market data and outsourcing costs, which was partly offset by the impact of staff cost inflation.
- Adjusted operating expenses also benefited from reduced brand marketing activity and lower project change costs compared to 2022.

Institutional and Retail Wealth

Net operating revenue

- 17% lower at £724m (2022: £868m[2]) due to a 7% reduction in average AUM to £220.0bn (2022: £236.2bn). Multi-asset and equities average AUM down 16% and 14% respectively.
- Reduction in average AUM primarily relates to net outflows and market performance.

Gross flows

- Excluding liquidity, £6.8bn (26%) lower at £19.5bn (2022: £26.3bn) mainly in equities, multi-asset and alternative investment solutions. This reflected the client response to the uncertain market environment which impacted the wider industry, as many clients delayed investment decisions.

Revenue yield

- 3.5bps lower at 32.6bps largely due to the decrease in the higher margin equities average AUM impacting the asset mix. Equities are 22% (2022: 24%) of average AUM at a yield of 60.7bps (2022: 62.5bps).
- The reduction in the multi-asset yield reflects the growing proportion of lower yielding MyFolio in this asset class.

Net flows

- Net outflows were £5.8bn higher than 2022 at £14.2bn (excluding liquidity) due to lower gross flows.
- Excluding liquidity, net outflows represent 7% of opening AUM compared with 4% in 2022.
- Redemptions (excluding liquidity) were £1bn lower than 2022 at £33.7bn due to lower real asset outflows.

1 Wholesale has been renamed Retail Wealth, Insurance has been renamed Insurance Partners.

2 Finimize and our digital innovation group have moved from Investments to Other. Comparatives have been restated.

3 Includes performance fees of £14m (2022: £30m).

4 Institutional/Retail Wealth liquidity net flows excluded.

5 Flows excluding LBG do not include the final tranche withdrawals in 2022 of £24.4bn relating to the settlement of arbitration with LBG.

Insurance Partners

Net operating revenue

- 20% lower in 2023 at £154m (2022: £192m), reflecting the impact of 13% reduction in average AUM to £147.7bn primarily due to net outflows, market declines in 2022 and the impact of the final LBG tranche withdrawal of £24.4bn in 2022.

Gross flows

- £0.6bn lower than 2022 at £22.2bn (2022: £22.8bn).
- Our Phoenix partnership continues to produce results with £6.0bn (2022: £2.9bn) of gross inflows from their bulk purchase annuity business, reflecting our insurance asset management capabilities and proprietary techniques.

AUM

- Insurance AUM increased by £10.6bn to £155.5bn with net outflows offset by positive market movements.

Revenue yield

- Net operating revenue yield decreased to 10.0bps (2022: 10.5bps). We expect the asset rotation from active equity and fixed income strategies to passive quantitative strategies experienced in 2023 to continue into 2024, this together with related pricing changes, is expected to result in a further contraction of yields.

Net flows

- Net outflows improved by £3.9bn in 2023 at £1.1bn (2022: £5.0bn outflow excluding LBG tranche withdrawals), representing (0.8%) of opening AUM compared with (2.4%) in 2022.

Investment performance

% of AUM ahead of benchmark[1]	1 year		3 years		5 years	
	2023	2022	**2023**	2022	**2023**	2022
Equities	**27**	30	**17**	63	**48**	65
Fixed income	**81**	65	**75**	72	**84**	79
Multi-asset	**12**	13	**15**	50	**22**	22
Real assets	**30**	57	**56**	63	**45**	52
Alternatives	**100**	88	**100**	100	**100**	100
Quantitative	**100**	17	**100**	27	**37**	29
Liquidity	**100**	84	**95**	97	**97**	97
Total	**44**	41	**42**	65	**52**	58

Investment performance over the three-year time period has weakened, with 42% of AUM covered by this metric ahead of benchmark (2022: 65%). The drop in the three-year performance reflects a challenging period for active managers, particularly those with a quality equity investment style with a bias towards Asia and Emerging Markets.

Performance for fixed income, quantitative, alternative investment strategies, and liquidity remains consistently strong and illustrates the resilience of our performance delivery in these asset classes. Key outperforming strategies include Emerging Market Debt, Euro Investment Grade, Euro High Yield, Money Markets, Ultra Short Munis and our full range of Quantitative Enhanced Index strategies.

Equities has been impacted by our AUM bias towards Asia and Emerging Markets and the quality growth style which have both struggled when compared to the exceptionally narrow performance of the Magnificent 7 stocks in the US. The faltering recovery in China has been a headwind for our larger Asia, Emerging Markets and China strategies due to our domestic overweight. However, there are strong areas of outperformance in Emerging Market Income, Emerging Market Small Cap, UK Value and European Small Cap strategies.

2023 was also a challenging backdrop for our multi-asset strategies. However, our Multi-Manager range, while behind long term cash based composite benchmarks used in the calculation above, is performing well versus peers with 67% ahead of peer group[2].

Real estate valuations experienced some of the sharpest corrections in history in late 2022/early 2023 which impacted returns over all periods. However, after the sharp de-rating in our favoured sectors of logistics and industrials we have seen some performance recovery coming through YTD to Q3 2023, with funds benefiting from being underweight to UK offices and continued robust performance from German Residential. Our Listed Real Estate funds are outperforming over 1, 3 and 5 years.

1 Calculations for investment performance use a closing AUM weighting basis and are made gross of fees except where the stated comparator is net of fees. Benchmarks differ by fund and are defined in the investment management agreement or prospectus, as appropriate. These benchmarks are primarily based on indices or peer groups. The investment performance calculation covers all funds that aim to outperform a benchmark, with certain assets excluded where this measure of performance is not appropriate or expected.

2 Morningstar category peer group average over 3 years to 31 December 2023.

Adviser

	2023[1]	2022
Net operating revenue	**£224m**	£185m
Adjusted operating expenses	**(£106m)**	(£99m)
Adjusted operating profit	**£118m**	£86m
Cost/income ratio	**47%**	54%
Net operating revenue yield	**30.6bps**	26.1bps
AUMA[2]	**£73.5bn**	£68.5bn
Gross flows	**£5.8bn**	£6.6bn
Redemptions	**(£7.9bn)**	(£5.0bn)
Net flows	**(£2.1bn)**	£1.6bn

Adjusted operating profit

- Strong earnings performance with profit up 37% to £118m, against a backdrop of challenging market conditions.
- Cost/income ratio improved to 47%, benefiting from higher revenue as detailed below, and outsource costs savings.

Net operating revenue

- 21% higher than 2022 at £224m, comprising £167m Platform charges (2022: £174m), £31m treasury income (2022: £11m) and £26m other (2022: £nil).
- Rise in interest rates resulted in an increase in treasury income on client balances to £31m and increase in cash interest paid to clients.
- H2 2023 includes c£15m benefit of a revised distribution agreement with Phoenix, relating to the SIPP product that we will be taking legal ownership of in 2024.
- 2023 revenue also included c£11m from threesixty/MPS following the transfer from the Personal Wealth business.
- The average margin earned on client cash balances during 2023 was c228bps and the indicative Adviser average cash margin for 2024 is expected to be broadly in line with 2023.

Revenue yield

- Increased to 30.6bps due to the higher revenue explained above, with average AUMA in line with 2022 at £70.8bn.

AUMA

- 7% increase in 2023 due to inclusion of AUM of c£2.6bn relating to our Managed Portfolio Service (MPS) business and favourable market movements.
- Our MPS business, which was part of the discretionary fund management business, has been retained and moved to the Adviser business from the Personal Wealth business in May 2023 in order to maximise opportunities available through the Adviser distribution model. Our platforms have a footprint with 50% of UK adviser firms, resulting in a significant opportunity for the MPS business.

Gross flows

- Inflow activity (including MPS) reduced by 12% in 2023, reflecting muted client activity across the industry due to ongoing market uncertainty and the cost of living impact on customers' ability to save. This has a heightened impact on our Adviser business where gross flows are primarily driven by existing customers.

Net flows

- Net outflows of £2.1bn reflect the market conditions, customer behaviours in response to the increased cost of living and the short-term impact in 2023 resulting from the technology upgrade.

1 The threesixty and MPS businesses moved from Personal Wealth to Adviser from January 2023 and May 2023 respectively. Comparatives not restated.

2 Includes Platform AUA of £70.9bn (2022: £68.5bn).

ii

	Total[1]		ii (excluding Personal Wealth)		Personal Wealth[1]	
	2023	2022	12 months to 31 Dec 2023	7 months to 31 Dec 2022[2]	2023	2022
Net operating revenue	**£287m**	£201m	**£230m**	£114m	**£57m**	£87m
Adjusted operating expenses	**(£173m)**	(£129m)	**(£103m)**	(£47m)	**(£70m)**	(£82m)
Adjusted operating profit/(loss)	**£114m**	£72m	**£127m**	£67m	**(£13m)**	£5m
Cost/income ratio	**60%**	64%	**45%**	41%	**123%**	94%
Net operating revenue yield[3]					**58.8bps**	59.2bps
AUMA	**£66.0bn**	£67.1bn	**£61.7bn**	£54.0bn	**£4.3bn**	£13.1bn
Gross flows	**£10.2bn**	£5.6bn	**£9.5bn**	£4.1bn	**£0.7bn**	£1.5bn
Redemptions	**(£7.3bn)**	(£3.7bn)	**(£6.2bn)**	(£2.5bn)	**(£1.1bn)**	(£1.2bn)
Net flows	**£2.9bn**	£1.9bn	**£3.3bn**	£1.6bn	**(£0.4bn)**	£0.3bn

Adjusted operating profit

- Higher profit reflects the inclusion of £127m for the full 12 month result for ii[4], compared to only seven months in 2022.
- ii[4] has continued to perform well against an uncertain market environment.
- Personal Wealth restructured during 2023, with transfers of business to Adviser and the sale of abrdn Capital to LGT. The loss of £13m in 2023 was mainly due to the lower revenue detailed below and the impact of inflation on expenses.

Net operating revenue

- Revenue[4] of £230m continues to benefit from diverse revenue streams. Treasury income contributed £134m (2022: £58m), benefiting from the continued rise in interest rates. Trading revenue of £48m (2022: £27m) was impacted by muted levels of customer activity in uncertain market conditions. Revenue from subscriptions was £54m (2022: £32m).
- Average cash margin was 236bps in 2023 and the indicative ii average cash margin for 2024 is expected to be broadly in line with 2023.
- Personal Wealth revenue reduced by £30m due to a c£19m impact from the transfer of the MPS business to Adviser and the sale of abrdn capital to LGT, c£6m from the transfer of threesixty to Adviser, and the impact of adverse market movements.

Revenue yield

- Personal Wealth revenue yield was broadly flat at 58.8bps with average AUMA of £9.7bn, 28% lower than 2022.

AUMA

- ii[4] AUA increased to £61.7bn (2022: £54.0bn) including £0.5bn from internal customer transfers in December 2023, with the industry leading AUA per customer up 13% to £152k.
- Personal Wealth AUMA decreased to £4.3bn (2022: £13.1bn) mainly due to the sale of abrdn Capital, (AUM of c£6bn) to LGT, which completed on 1 September 2023 and MPS AUM of c£2.5bn moving to the Adviser business in H1 2023.

Gross and net flows

- ii[1] net inflows remained strongly positive in 2023 at £3.3bn despite a subdued retail market across the year.
- Personal Wealth net outflows of £0.4bn include the impact of client uncertainty following the announcement of the sale of our discretionary fund management business.

ii[1] operational metrics	2023 12 Months	2022 12 Months
Total customers at year end	**407k**	402k
Total customers excluding EQi and Share Centre migrated customers and pension trading accounts	**310k**	299k
Customers holding a SIPP account	**62.4k**	51.5k
Customer cash balances	**£5.5bn**	£6.0bn
AUA per customer	**£152k**	£134k
New customers	**30.2k**	29.2k
Daily average retail trading volumes	**15.7k**	17.3k

1 The threesixty and MPS businesses moved from Personal Wealth to Adviser from January 2023 and May 2023 respectively. Comparatives not restated.

2 Results for interactive investor (excluding Personal Wealth) included following the completion of the acquisition on 27 May 2022.

3 Net operating revenue yield is shown for Personal Wealth only. Revenue for ii is not aligned with AUA and therefore revenue yield is not presented.

4 Relates to ii (excluding Personal Wealth).

Overall performance

Segmental summary	Adjusted operating profit 2023 £m	Adjusted operating profit 2022 £m	AUMA 2023 £bn	AUMA 2022 £bn	Net flows 2023 £bn	Net flows 2022 £bn
Investments[1,2]	**50**	130	**366.7**	376.1	**(15.3)**	(13.4)
Adviser	**118**	86	**73.5**	68.5	**(2.1)**	1.6
ii[3]	**114**	72	**66.0**	67.1	**2.9**	1.9
Other[2]	**(33)**	(25)	**-**	–	**-**	–
Eliminations	**-**	–	**(11.3)**	(11.7)	**0.6**	(0.4)
Total	**249**	263	**494.9**	500.0	**(13.9)**	(10.3)
Liquidity net flows					**(3.7)**	(3.2)
LBG tranche withdrawals					**-**	(24.4)
Total net flows (including liquidity and LBG)					**(17.6)**	(37.9)

Assets under management and administration

Assets under management reduced by 1% to £494.9bn (2022: £500.0bn):

- Net outflows excluding liquidity of (£13.9bn), with outflows in Investments and Adviser partly offset by positive flows of £2.9bn in ii.
- Market and other movements of £19.4bn mainly reflecting positive movements in Investments, driven by Insurance partners.
- Net impact of corporate actions of (£6.9bn) primarily due to the sales of the discretionary fund management and US private markets businesses, partly offset by the acquisition of the specialist healthcare fund management business of Tekla.

Analysis of profit

	2023 £m	2022[4] £m
Net operating revenue	**1,398**	1,456
Adjusted operating expenses	**(1,149)**	(1,193)
Adjusted operating profit	**249**	263
Adjusted net financing costs and investment return	**81**	(10)
Adjusted profit before tax	**330**	253
Adjusting items including results of associates and joint ventures	**(336)**	(865)
IFRS loss before tax	**(6)**	(612)
Tax credit	**18**	66
IFRS profit/(loss) for the year	**12**	(546)

Adjusted net financing costs and investment return

Adjusted net financing costs and investment return resulted in a gain of £81m (2022: loss £10m):

- Investment losses, including from seed capital and co-investment fund holdings reduced to £3m (2022: loss £34m).
- Net finance income of £50m (2022: costs £5m) reflecting a higher rate of interest on cash and liquid assets and the benefit from the redemption of the 5.5% Sterling fixed rate subordinated notes in December 2022.
- Higher net interest credit relating to the staff pension schemes of £34m (2022: £29m) reflecting an increase in the opening discount rate due to a rise in corporate bond yields.

1 Adjusted operating loss consists of net operating revenue £9m (2022: £10m) and adjusted operating expenses £42m (2022: £35m). Finimize and our digital innovation group have moved from Investments to Other. Comparatives have been restated. Refer Note 2 in the Group financial statements section.

2 Investments net flows exclude Institutional/Retail Wealth liquidity and LBG tranche withdrawals.

3 Personal has been renamed ii and includes Personal Wealth unless otherwise stated.

4 Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section.

Adjusting items

	2023 £m	2022[1] £m
Restructuring and corporate transaction expenses	**(152)**	(214)
Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts	**(189)**	(494)
Profit on disposal of subsidiaries and other operations	**79**	–
Profit on disposal of interests in associates	**-**	6
Change in fair value of significant listed investments	**(178)**	(187)
Dividends from significant listed investments	**64**	68
Share of profit or loss from associates and joint ventures	**1**	5
Reversal of impairment/(impairment) of interests in associates and joint ventures	**2**	(9)
Other	**37**	(40)
Total adjusting items including results of associates and joint ventures	**(336)**	(865)

Restructuring and corporate transaction expenses were £152m, comprising restructuring costs of £121m (2022: £169m) in property related impairments, severance, platform transformation, and specific costs to effect savings in Investments, offset in part by a £32m release of provision for separation costs, with further details provided in Note 33 of the Group financial statements. Corporate transaction costs of £31m (2022: £45m) primarily related to prior year transactions and the sale of our European-headquartered private equity business.

Amortisation and impairment of intangible assets acquired in business combinations and through the purchase of customer contracts reduced to £189m, mainly due to the lower impairments of £63m (2022: £369m). Impairments of goodwill in 2023 of £62m (2022: £340m), comprising £36m (2022: £nil) for our financial planning business and £26m (2022: £41m) for Finimize. In 2022, there was also a goodwill impairment of £299m in Investments. The impairments in 2023 include the impact of lower projected revenues as a result of adverse markets and macroeconomic conditions, and for Finimize the impact of lower short-term projected growth following a strategic shift that prioritises profitability over revenue growth. Further details are provided in Note 13 of the Group financial statements.

Profit on disposal of interests in subsidiaries and other operations relates to the sales of our discretionary fund management business and our US private equity and venture capital business. See Note 1 for further details.

Profit on disposal of interests in associates was £nil. The 2022 profit of £6m related to the sale of our stake in Origo Services Limited.

Change in fair value of significant listed investments of (£178m) from market movements is analysed in the table below:

	2023 £m	2022 £m
Phoenix	**(77)**	(44)
HDFC Asset Management	**(96)**	(105)
HDFC Life	**(5)**	(38)
Change in fair value of significant listed investments	**(178)**	(187)

The final HDFC Life and HDFC Asset Management stakes were sold on 31 May 2023 and 20 June 2023 respectively.

Dividends from significant listed investments relates to our shareholdings in Phoenix (£54m) and HDFC Asset Management (£10m).

Share of profit or loss from associates and joint ventures reduced to a profit of £1m (2022: £5m). The results for HASL have been impacted by the adoption of IFRS 17 on 1 January 2023. As required by IFRS 17, the standard has been applied retrospectively with a resulting restatement of the carrying value of the joint venture and opening retained earnings as at 1 January 2022. This change resulted in our 2022 share of HASL profit increasing from the £7m previously reported to £10m.

	2023 £m	2022[1] £m
HASL	**3**	10
Virgin Money UTM/Other	**(2)**	(5)
Share of profit or loss from associates and joint ventures	**1**	5

1 Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section.

Reversal of impairment/(impairment) of interests in associates and joint ventures was £2m in 2023 relating to a reversal of impairment on Virgin Money UTM. See Note 14 for further details. The £9m in 2022 related to an impairment of Tenet Group Ltd.

Other adjusting items in 2023 includes the £36m liability insurance recovery of the £41m single process execution event provision reflected at 2022, net of a £5m excess. Other adjusting items in 2023 also includes a £21m provision expense for a potential tax liability. See Note 11 for further details of other adjusting items and Note 33 for further details on provisions.

Tax policy

We have important responsibilities in paying and collecting taxes in the countries in which we operate. Our tax strategy is therefore guided by a commitment to high ethical, legal and professional standards and being open and transparent about what we are doing to meet those standards.

Tax expense

The tax credit attributable to the IFRS loss for the year, excluding amounts relating to prior periods, is £1m which gives rise to an effective tax rate of 17%. The overall IFRS tax credit, including tax credits relating to prior periods of £17m, is £18m (2022: credit £66m) which results in an effective tax rate of 300% (2022: 11%) due to the relative scale of the loss in the year. The difference to the UK Corporation Tax rate of 23.5% is mainly driven by:

- Dividend income and fair value movements from our investments in Phoenix not being subject to tax.
- Movements in the fair value of our investment in HDFC Asset Management being tax effected at the Indian long-term capital gains tax rate, which is lower than the UK Corporation Tax rate.
- Profit on the sale of abrdn Capital not being subject to tax.
- Goodwill impairments not deductible for tax purposes.
- Prior year adjustments to deferred tax liabilities on intangibles.

The tax expense attributable to adjusted profit is £50m (2022: £22m), an effective tax rate of 15% (2022: 9%). This is lower than the 23.5% UK rate primarily due to changes in the applicable deferred tax rates on temporary differences and pension scheme surplus movements included on a net of tax basis.

Total tax contribution

Total tax contribution is a measure of all the taxes abrdn pays to and collects on behalf of governments in the territories in which we operate. Our total tax contribution was £449m (2022: £443m). Of the total, £201m (2022: £186m) was borne by abrdn whilst £248m (2022: £257m) represents tax collected by abrdn on behalf of the tax authorities. Taxes borne mainly consist of corporation tax, employer's national insurance contributions and irrecoverable VAT. The taxes collected figure is mainly comprised of pay-as-you-earn deductions from employee payroll payments, employees' national insurance contributions, VAT collected and income tax collected on behalf of HMRC on platform pensions business.

You can read our tax report on our website www.abrdn.com/annualreport

Earnings per share

- Adjusted diluted earnings per share increased to 13.9p (2022: 10.5p) due to the higher adjusted profit after tax and the benefit from share buybacks in 2022 and 2023.
- Diluted earnings per share was a profit of 0.1p (2022: loss 26.6p[1]) reflecting the factors above, impairments and fair value losses of significant listed investments.

Dividends

The Board has recommended a final dividend for 2023 of 7.3p (2022: 7.3p) per share. This is subject to shareholder approval and will be paid on 30 April 2024 to shareholders on the register at close of business on 15 March 2024. The dividend payment is expected to be £130m.

External dividends are funded from the cumulative dividend income that abrdn plc receives from its subsidiaries and associates (see below for details of cash and distributable reserves). The need to hold appropriate regulatory capital is the primary restriction on the Group's ability to pay dividends. Further information on the principal risks and uncertainties that may affect the business and therefore dividends is provided in the Risk management section.

Return of capital

On 5 June 2023 we commenced a £150m share buyback which was extended to £300m on 8 August 2023. This completed on 19 December 2023 with a total of 161m shares repurchased at an average price of £1.86 per share.

1 Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section.

Capital and liquidity

Adjusted capital generation

Adjusted capital generation which shows how adjusted profit contributes to regulatory capital increased by 15% to £299m.

	2023 £m	2022 £m
Adjusted profit after tax	**280**	231
Less net interest credit relating to the staff pension schemes	**(34)**	(29)
Less AT1 debt interest	**(11)**	(11)
Add dividends received from associates, joint ventures and significant listed investments	**64**	68
Adjusted capital generation	**299**	259
Restructuring and corporate transaction expenses (net of tax)	**(121)**	(178)
Net capital generation	**178**	81

IFPR surplus CET1 capital

The indicative surplus CET1 capital at 31 December 2023 was £876m (2022: £711m). Disposal of our remaining HDFC Life and HDFC Asset Management stakes, in May and June 2023 respectively, benefited regulatory capital by £576m.

Key movements in surplus CET1 capital are shown in the table below.

Analysis of movements in surplus CET1 capital (IFPR basis)	2023 £m	2022 £m
Opening surplus regulatory capital	**711**	1,799
Sources of capital		
Adjusted capital generation	**299**	259
HDFC Life, HDFC Asset Management[1] and Phoenix sales	**576**	789
Disposals[2]	**137**	–
Uses of capital		
Restructuring and corporate transaction expenses (net of tax)	**(121)**	(178)
Dividends	**(267)**	(295)
Share buyback	**(302)**	(302)
Acquisitions[3]	**(152)**	(1,364)
Other	**(5)**	3
Closing surplus CET1 capital	**876**	711

The full value of the Group's significant listed investments is excluded from the capital position under IFPR.

A summary of our CET1 coverage is shown in the table below.

CET1 coverage	2023 £m	2022 £m
CET1 capital resources	**1,466**	1,301
Total regulatory capital requirements	**1,054**	1,054
CET1 coverage	**139%**	123%

Cash and liquid resources and distributable reserves

Cash and liquid resources remained robust at £1.8bn at 31 December 2023 (2022: £1.7bn). These resources are high quality and mainly invested in cash, money market instruments and short-term debt securities. Cash and liquid resources held in abrdn plc were £0.4bn at 31 December 2023 (2022: £0.3bn).

Further information on cash and liquid resources, and a reconciliation to IFRS cash and cash equivalents, are provided in Supplementary information.

At 31 December 2023 abrdn plc had £3.1bn (2022: £3.2bn) of distributable reserves.

1 Capital benefit of HDFC Asset Management sales reflects the pre-tax proceeds.

2 Discretionary fund management and US private equity businesses. Capital benefit of discretionary fund management disposal includes derecognition of related intangibles (£58m).

3 ii (excluding Personal Wealth) in 2022 and Tekla and Macquarie funds in 2023.

IFRS net cash flows

- Net cash inflows from operating activities were £221m (2022: £110m) which includes outflows from restructuring and corporate transaction expenses, net of tax, of £78m (2022: £149m).
- Net cash inflows from investing activities were £542m (2022: outflows £86m) and primarily reflected £535m net proceeds from the final HDFC Asset Management and HDFC Life stake sales.
- Net cash outflows from financing activities were £711m (2022: £761m) with the decrease mainly due to the repayment of subordinated liabilities in 2022.

The cash inflows and outflows described above resulted in closing cash and cash equivalents of £1,210m as at 31 December 2023 (2022: £1,166m).

IFRS net assets

IFRS net assets attributable to equity holders decreased to £4.9bn (2022: £5.6bn[1]) mainly due to the share buyback and dividends paid in the year:

- Intangible assets remained at £1.6bn (2022: £1.6bn) due to additions being offset by amortisation and impairments. Further details are provided in Note 13.
- The principal defined benefit staff pension scheme, which is closed to future accrual, continues to have a significant surplus of £0.7bn (2022: £0.8bn). Further details are provided in Note 31. As part of ongoing actions taken in recent years to reduce risk in abrdn's principal defined benefit pension plan, the trustee submitted a petition to the Court of Session in March 2023 seeking a direction on the destination of any residual surplus assets that remain after all plan-related obligations are settled or otherwise provided for. On 1 August 2023, the Court of Session, among other things, confirmed that if a buy-out were to be completed and sufficient provision made for: (i) any remaining liabilities; and (ii) expenses of completing the winding-up of the pension scheme, there would be a resulting trust in respect of any residual surplus assets in favour of the employer. We are continuing to work with the trustee on next steps. Any residual surplus will be determined on a different basis to IAS 19 or funding measures of the plan surplus. The timing of release of any surplus remains a matter for the trustee. The IAS 19 defined benefit plan asset is not included in abrdn's regulatory capital.
- Financial investments decreased to £2.0bn (2022: £2.9bn) primarily due to the final stake sales in HDFC Asset Management and HDFC Life, which completed in H1 2023. At 31 December 2023 financial investments included £0.6bn (2022: £1.3bn) in relation to significant listed investments (Phoenix).

1 Comparatives have been restated for the HASL implementation of IFRS 17. Refer Basis of preparation in the Group financial statements section.

Appendix

Assets under management and administration

12 months ended 31 December 2023	Opening AUMA at 1 Jan 2023 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions[4] £bn	Closing AUMA at 31 Dec 2023 £bn
Institutional	161.9	15.8	(27.7)	(11.9)	(2.0)	(4.1)	143.9
Retail Wealth[1]	69.3	12.3	(18.3)	(6.0)	1.0	3.0	67.3
Insurance Partners[1,2]	144.9	22.2	(23.3)	(1.1)	11.7	-	155.5
Investments	376.1	50.3	(69.3)	(19.0)	10.7	(1.1)	366.7
Adviser[3]	68.5	5.8	(7.9)	(2.1)	4.6	2.5	73.5
ii (excluding Personal Wealth)	54.0	9.5	(6.2)	3.3	3.9	0.5	61.7
Personal Wealth	13.1	0.7	(1.1)	(0.4)	0.2	(8.6)	4.3
ii[1]	67.1	10.2	(7.3)	2.9	4.1	(8.1)	66.0
Eliminations[5]	(11.7)	(2.2)	2.8	0.6	-	(0.2)	(11.3)
Total AUMA	500.0	64.1	(81.7)	(17.6)	19.4	(6.9)	494.9

12 months ended 31 December 2022	Opening AUMA at 1 Jan 2022 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions[6] £bn	Closing AUMA at 31 Dec 2022 £bn
Institutional	174.0	20.1	(27.3)	(7.2)	(12.4)	7.5	161.9
Retail Wealth[1]	79.1	16.4	(20.8)	(4.4)	(5.4)	-	69.3
Insurance Partners[1,2]	210.5	22.8	(52.2)	(29.4)	(28.7)	(7.5)	144.9
Investments	463.6	59.3	(100.3)	(41.0)	(46.5)	-	376.1
Adviser[3]	76.2	6.6	(5.0)	1.6	(9.3)	-	68.5
ii (excluding Personal Wealth)	-	4.1	(2.5)	1.6	(3.0)	55.4	54.0
Personal Wealth	14.4	1.5	(1.2)	0.3	(1.6)	-	13.1
ii[1]	14.4	5.6	(3.7)	1.9	(4.6)	55.4	67.1
Eliminations[5]	(12.1)	(2.5)	2.1	(0.4)	1.7	(0.9)	(11.7)
Total AUMA	542.1	69.0	(106.9)	(37.9)	(58.7)	54.5	500.0

1. Wholesale has been renamed Retail Wealth, Insurance has been renamed Insurance Partners and Personal has been renamed ii and includes Personal Wealth unless otherwise stated.
2. Insurance Partners AUM at 31 December 2023 includes £154.4bn (2022: £143.7bn) relating to Phoenix and £1.1bn (2022: £1.2bn) of other AUM.
3. Includes Platform AUA at 31 December 2023 of £70.9bn (2022: £68.5bn).
4. Corporate actions in 2023 relate to the acquisition of Macquarie closed-end funds in March and July 2023 (£0.5bn and £0.2bn) and Tekla healthcare fund management capabilities (£2.3bn) in October 2023, and the disposals of our discretionary fund management business (£6.1bn) in September 2023 and US private equity business (£4.1bn) in October 2023. Corporate actions also include the transfer of the MPS business from Personal Wealth to Adviser in May 2023 of £2.5bn, and investment share plan and ISA customers who moved on to the ii platform in December 2023 (£0.5bn), and resulting impact on eliminations.
5. Eliminations remove the double count reflected in Investments, Adviser and ii.
6. Corporate actions in 2022 relate to the acquisition of ii on 27 May 2022 and also reflect the transfer of retained LBG AUM of c£7.5bn from Insurance into Institutional (quantitatives), to better reflect how the relationship is being managed. The eliminations are to remove the double count for the assets that are reflected in both ii and Investments.

12 months ended 31 December 2023	Opening AUM at 1 Jan 2023 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions[2] £bn	Closing AUM at 31 Dec 2023 £bn
Equities	52.3	5.2	(12.4)	(7.2)	(0.1)	2.7	47.7
Fixed income[1]	35.8	5.6	(9.6)	(4.0)	2.4	0.3	34.5
Multi-asset	28.3	2.8	(6.0)	(3.2)	-	-	25.1
Private equity	12.3	0.1	(0.5)	(0.4)	(0.6)	(4.1)	7.2
Real assets	42.7	1.4	(1.7)	(0.3)	(4.1)	-	38.3
Alternative investment solutions (including private credit)[1]	24.0	1.3	(1.5)	(0.2)	0.2	-	24.0
Quantitative	15.0	3.1	(2.0)	1.1	1.0	-	17.1
Liquidity	20.8	8.6	(12.3)	(3.7)	0.2	-	17.3
Institutional and Retail Wealth	231.2	28.1	(46.0)	(17.9)	(1.0)	(1.1)	211.2

1. Alternative investment solutions include opening AUM of £1.8bn, net inflows of £0.2bn and closing AUM of £1.9bn relating to private credit assets previously classified as fixed income.
2. Corporate actions in 2023 relate to the acquisition of Macquarie closed-end funds in March and July 2023 (£0.5bn and £0.2bn) and Tekla healthcare fund management capabilities (£2.3bn) in October 2023 and the disposal of US private equity and venture capital business (£4.1bn) in October 2023.

12 months ended 31 December 2022	Opening AUM at 1 Jan 2022 £bn	Gross inflows £bn	Redemptions £bn	Net flows £bn	Market and other movements £bn	Corporate actions[2] £bn	Closing AUM at 31 Dec 2022 £bn
Equities	69.0	7.7	(12.7)	(5.0)	(11.7)	–	52.3
Fixed income[1]	43.4	6.5	(8.8)	(2.3)	(5.3)	–	35.8
Multi-asset	36.0	3.9	(5.2)	(1.3)	(6.4)	–	28.3
Private equity	12.3	0.5	(1.1)	(0.6)	0.6	–	12.3
Real assets	39.4	2.1	(3.5)	(1.4)	4.7	–	42.7
Alternative investment solutions (including private credit)[1]	23.2	2.4	(1.7)	0.7	0.1	–	24.0
Quantitative	5.5	3.2	(1.7)	1.5	0.5	7.5	15.0
Liquidity	24.3	10.2	(13.4)	(3.2)	(0.3)	–	20.8
Institutional and Retail Wealth	253.1	36.5	(48.1)	(11.6)	(17.8)	7.5	231.2

1. Alternative investment solutions include opening AUM of £2.4bn, net inflows of £0.1bn and closing AUM of £1.8bn relating to private credit assets previously classified as fixed income.
2. Corporate actions include the transfer of retained LBG AUM of c£7.5bn from Insurance into Institutional (quantitatives), to better reflect how the relationship is being managed.