



ABERDEEN ASSET MANAGEMENT PLC

Acquisition and Strategic Relationship with Lloyds Banking Group

The Transaction

Aberdeen Asset Management PLC (“Aberdeen” or the “Group”) announces that it has entered into a definitive agreement to form a long-term strategic relationship with Lloyds Banking Group plc (“Lloyds”), as part of which Aberdeen will acquire Scottish Widows Investment Partnership Group Limited (“SWIP”) and SWIP’s related private equity and infrastructure fund management businesses (“the Acquired Business”) (“the Acquisition” and, together with the long-term strategic relationship with Lloyds, the “Transaction”). The Transaction is subject to certain regulatory approvals. The Acquired Business includes the Investment Solutions division of SWIP which is a separate investment group that is responsible for the design, development and management of investment solutions for Lloyds’ wealth clients. The strategic relationship will operate across Lloyds’ Wealth, Insurance, Commercial Banking and Retail businesses and is expected to result in a stronger asset management offering for customers.

The consideration for the Acquisition of approximately £550 million (calculated by reference to an Aberdeen share price of 420 pence per share) will be satisfied by the issue of 131.8 million new Aberdeen shares to Lloyds, equivalent to an approximately 9.9% stake in the Group following completion of the Acquisition (referred to as the “Enlarged Group”). In addition, there will be a performance-related five year earn-out payment of up to £100 million dependent on growth delivered by the strategic relationship with Lloyds in the Investment Solutions business. The Acquired Business will add approximately £136 billion of assets under management (“AuM”) with annualised revenues of approximately £234 million to the Group.

Transaction Highlights

Diversified business profile

- Combination with SWIP improves the Group’s balance of AuM and revenue across asset classes
- Provides new investment capabilities for Aberdeen’s global distribution team

Long-term strategic relationship with Lloyds

- Formation of a comprehensive strategic relationship across Lloyds Wealth, Insurance, Commercial Bank and Retail businesses
- Exclusive long-term relationship with Lloyds Wealth through Investment Solutions
- Long-term contract to manage Lloyds Insurance funds
- Introducer agreement with Lloyds Commercial Bank and distribution opportunities with Lloyds Retail business

Scale and financial strength

- Acquisition adds breadth and depth to Aberdeen's existing product offering and enhances the Group's position as a leading independent global asset manager
- Acquisition elevates Aberdeen to a top five position (by AuM) in the UK retail market, an area of strategic focus

Complementary product capabilities

- The combination of Aberdeen and SWIP's strengths are expected to result in a stronger asset management offering for customers
- SWIP strengthens Aberdeen's existing offering in fixed income and property
- Acquisition of Investment Solutions transforms Aberdeen's ability to offer fiduciary management and strengthens asset allocation, multi-asset and multi-manager capabilities

Value creation

- Acquisition expected to be materially enhancing to underlying earnings per share in first full financial year following completion
- Acquired business anticipated to run at a marginal operating margin of 55%
- Reinforces the Aberdeen Board's commitment to a progressive dividend policy and the ability to return surplus capital over time

Commenting on the Transaction, Martin Gilbert, Chief Executive of Aberdeen Asset Management said:

"This transaction is significant for the long-term prospects of Aberdeen in a number of ways. It strengthens our investment capabilities and adds new distribution channels; the acquisition of SWIP adds scale to our business across a range of asset classes; and it also introduces a strategic relationship with Lloyds Banking Group. We are confident that this transaction will deliver considerable additional value to our expanded client base and this will therefore benefit our shareholders. I am delighted to welcome Lloyds as a major shareholder in the Aberdeen group and we look forward to working with them to deliver value through this new strategic relationship."

Martin Gilbert and António Horta-Osório, Group Chief Executive, Lloyds Banking Group, will host a presentation and webcast for analysts and institutions at 1030 GMT today at Deutsche Bank, 1 Great Winchester Street, London, EC2N 2DB.

The webcast can be viewed live on: <http://www.media-server.com/m/p/3kiz2imk>

For those unable to attend the presentation or view the live webcast, a replay of the event will be available on the Group's website at www.aberdeen-asset.com.

Acquisition structure

The consideration will be satisfied by the issue to Lloyds of 131.8 million new ordinary shares in Aberdeen which is equivalent to 9.9% of the Enlarged Group's share capital, valued at approximately £550 million at completion of the Transaction, calculated by reference to an Aberdeen share price of 420 pence per share (the "Reference Share Price").

Should the Aberdeen volume weighted average price during the five trading days prior to completion of the Acquisition (the "Completion VWAP") be below the Reference Share Price, a "Deferred Top-Up" will be payable to Lloyds. The Deferred Top-Up will be determined by multiplying the number of new shares by the difference between the Reference Share Price and the Completion VWAP, although the Completion VWAP shall never be less than 320 pence for the purpose of this calculation. Lloyds will have the right to terminate the Acquisition if the Completion VWAP is below 320p. The Deferred Top-Up will be payable either in cash or through the issue of additional new shares (at Aberdeen's option) at the end of a 12-month period following completion of the Acquisition. Aberdeen has entered into a partial hedge against stock market movements.

Additionally, there will be a performance related earn-out of up to £100 million payable in cash over a five year period following completion of the Acquisition. The earn-out will be dependent on the growth in the business delivered through the strategic relationship with Lloyds in the Investment Solutions business.

Lloyds has agreed to retain its entire shareholding for a minimum of twelve months from the date of allotment; to retain two thirds of its holding for at least two years; and to retain one third of its holding for at least three years. Further details of the lock-up arrangement are set out at the end of this announcement.

The Acquisition is expected to complete by the end of the first quarter of 2014.

The Acquisition is conditional upon the approval of the Financial Conduct Authority and admission of the new shares to listing on the Financial Conduct Authority's Official List and to trading on the London Stock Exchange's main market for listed securities.

The acquisition of SWIP's related private equity and infrastructure fund management businesses require certain consents and regulatory approvals. Completion of the acquisition of SWIP is not conditional on completion of either of these acquisitions. The consideration of approximately £550 million payable by Aberdeen will be reduced if either the private equity or infrastructure business do not transfer.

Information on the Acquired Business

The Acquired Business, which comprises AuM of approximately £136 billion and annualised revenue of approximately £234 million, is a traditional asset manager with investment capabilities covering a broad range of asset classes, namely fixed income including liquidity solutions; equities including quantitative and active; and alternatives including property, private equity and infrastructure.

The Acquired Business includes the Investment Solutions division of SWIP which is a separate investment group that provides advice in relation to approximately £15 billion of Lloyds' Wealth clients' discretionary assets (as at 31 August) and is responsible for the design, development and management of investment solutions for Lloyds Wealth. Investment Solutions is responsible for the creation and on-going manufacturing of investment content to meet client proposition requirements for Lloyds Wealth on a multi-asset and multi-manager basis. As at 31 August 2013 Investment Solutions had annualised revenues of £17 million².

The Acquired Business is debt-free and will have net assets of £60 million at completion of the Acquisition including SWIP's related private equity and infrastructure fund management businesses.

AuM and revenue by channel (31 August 2013):

	AuM (£bn) ¹	Revenues (£m) ¹
Lloyds Insurance	98	134 ²
Lloyds Wealth	6	14
Institutional	16	41
Liquidity Solutions	8	11
Wholesale	2	16
Other income		2
Total SWIP	130	217
Investment Solutions	6	17 ²
Total	136	234

¹ AuM as at 31 August 2013; annualised revenue based on eight-month revenue to August 2013

² Annualised revenue of £17 million based on existing rate card; under a new agreed rate card revenues would be approximately £29 million. This revenue includes advisory fees generated on approximately £15 billion of Lloyds Wealth clients' discretionary assets. Revenue from Lloyds Insurance would however reduce by a broadly similar amount under a new rate card

AuM by asset class (31 August 2013):

	AuM (£bn)¹
Quantitative equities	52
Active equities	4
Fixed income	43
Money markets	17
Property	8
Private equity	3
Infrastructure	1
Other	2
Total SWIP	130
Investment Solutions	6
Total	136

¹ AuM as at 31 August 2013

For the year to 31 December 2012, under Lloyds' ownership, the Acquired Business made a normalised profit before tax of £85 million and had gross assets of approximately £240 million.

Long-term strategic relationship with Lloyds

Aberdeen and Lloyds ("the Parties") have entered into a comprehensive long-term strategic relationship, underpinned by a series of distribution agreements and strategic initiatives across the Lloyds businesses.

These arrangements encompass:

- **Wealth:** Aberdeen, through Investment Solutions, will have an exclusive relationship with Lloyds Wealth and will provide investment advisory, research, administration and related services to the UK wealth management companies within Lloyds. The Parties have signed an Investment Services Agreement, covering an initial term of eight years, to this effect.
- **Insurance:** The Parties have entered into long term investment management and investment advisory agreements (with an initial term of eight years) under which Aberdeen, through SWIP, will provide investment management and advisory services to the Lloyds' insurance companies. These agreements underpin a new strategic relationship between the Lloyds Insurance business and Aberdeen, with the respective groups working together to identify and develop business opportunities, including the early involvement of Aberdeen in relation to the development of Lloyds Insurance's new funds and products, and where appropriate entering into contractual arrangements to deliver more effective client solutions.
- **Commercial Banking:** The Parties have signed a commercial banking introducer agreement under which Lloyds' commercial banking business will introduce non-retail clients to invest in SWIP liquidity funds. This agreement covers an initial term of two and a half years.
- **Retail:** SWIP currently manages approximately £27 billion of bancassurance AuM on behalf of Lloyds customers through Insurance.

- Aberdeen and Lloyds intend to establish a number of new business committees for each of Lloyds distribution channels to act as a forum to further develop the strategic asset management relationship, including helping jointly develop execution only propositions for Retail.

Migration of the Acquired Business

The Acquired Business is largely standalone without significant dependencies on Lloyds. The intention is to migrate the Acquired Business onto Aberdeen's platform in a controlled manner. The first element, which involves fully separating the Acquired Business from Lloyds, is expected to take approximately 12 months and will be supported by a transitional services agreement with Lloyds and by continuing the existing third party administration arrangements. The second element, involving integration with Aberdeen's global operating model, will run in parallel and may take up to two years from completion to be fully implemented.

The Transaction will increase the scale of Aberdeen's operations conducted from Edinburgh, which is an important component of Aberdeen's existing business.

There will be one-off costs associated with the migration and integration of the Acquired Business, which Aberdeen estimates may be up to approximately £50 million over the migration period.

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Further information on the lock-up arrangements:

Under the terms of the lock-up arrangements Lloyds has agreed, subject to certain exceptions described in more detail below, not to dispose of any interest in the issued Aberdeen shares (including by entering into any arrangement that hedges its exposure) for a period of one year after completion. Thereafter, one-third of the shares will be released from the lock-up arrangements on each of the first, second and third anniversaries of completion.

The lock-up arrangements agreed are subject to waiver at any time by Aberdeen and are also subject to certain customary exceptions, including, (i) sales required by law, regulation or any relevant regulator, (ii) participation in share buybacks on a basis that is pro rata to other shareholders or otherwise ensures that the Lloyd's proportionate interest in Aberdeen is not increased, and (iii) acceptance of takeover offers, approval of schemes of arrangement and the provision of an irrevocable undertaking or letters of intent in relation to the same. In addition, Lloyds may dispose of Aberdeen shares if a disposal is necessary in order for it to comply with its minimum legal and regulatory capital requirements, or in certain other circumstances where Lloyds' holding of Aberdeen shares may be subject to adverse regulatory capital treatment.

J.P. Morgan Limited (which conducts its UK Investment Banking activities as J.P. Morgan Cazenove) is acting as financial adviser to Aberdeen in connection with the Acquisition and as sponsor to Aberdeen in connection with the issue of new shares for the purposes of the Acquisition

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Notes to Editors:

About Aberdeen Asset Management PLC

Aberdeen is the parent company of a global independent asset management group. Formed out of a management buy-out in Aberdeen, Scotland, in 1983, Aberdeen is a FTSE 100 company operating on-the-ground in over 23 countries across Europe, Asia and the Americas.

The Group is defined by its pure focus on asset management, including equities, fixed income, property and multi-asset portfolios. All investment solutions are driven by its commitment to straightforward, transparent investment approaches that stress intensive, first-hand research and a long-term view.

As at 30 September 2013, Aberdeen managed assets of £200.4 billion on behalf of institutional and private investors.

Further information about Aberdeen can be found at www.aberdeen-asset.com

Disclaimer

Certain statements in this announcement are, or may be deemed to be, forward-looking statements which are based on Aberdeen's current expectations, intentions, beliefs and projections regarding its future performance, anticipated events or trends and other matters that are not historical facts. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Forward looking statements are not a guarantee of future performance. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of such statements and, except as required by applicable law, Aberdeen undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

No statement in this announcement is intended to be a profit forecast and no statement in this announcement should be interpreted to mean that earnings per share of Aberdeen for the current or future financial years would necessarily match or exceed the historical published earnings per share of Aberdeen.

The price of shares and the income from them may go down as well as up and investors may not get back the full amount invested on disposal of the shares.

Certain figures contained in this announcement, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum or percentage change of the numbers contained in this announcement may not conform exactly with the total figure given.

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