Standard Life plc

Solvency II and capital insight session

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Our simple business model will continue to serve us well under Solvency II

- Standard Life is well capitalised with a stable Solvency II surplus
- Solvency II regulatory capital position reflects our focus on fee business
- We continue to think about capital in the same way
- Our business model and IFRS earnings support cash generation and our progressive dividend policy

We will continue to balance investing for growth with returns to shareholders

Well capitalised with a stable Solvency II surplus

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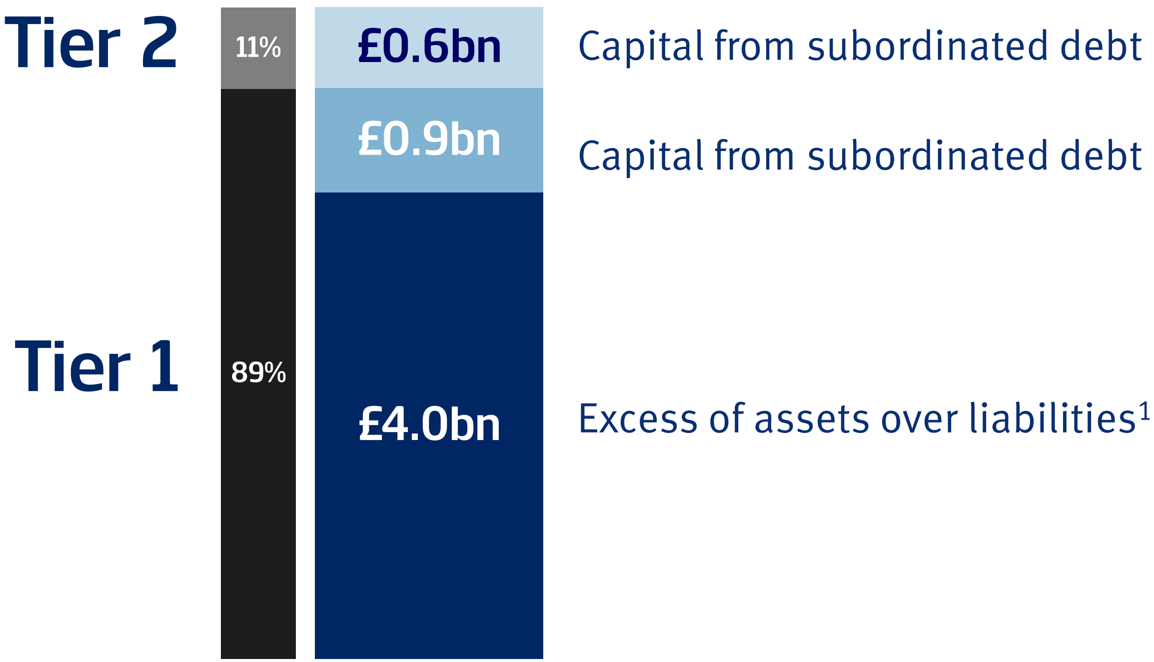
Well capitalised with a stable Solvency II surplus

£2.1bn Group regulatory surplus

162% Group regulatory solvency ratio

- Position reflects our focus on fee business and supports our progressive dividend policy
- Stable regulatory surplus

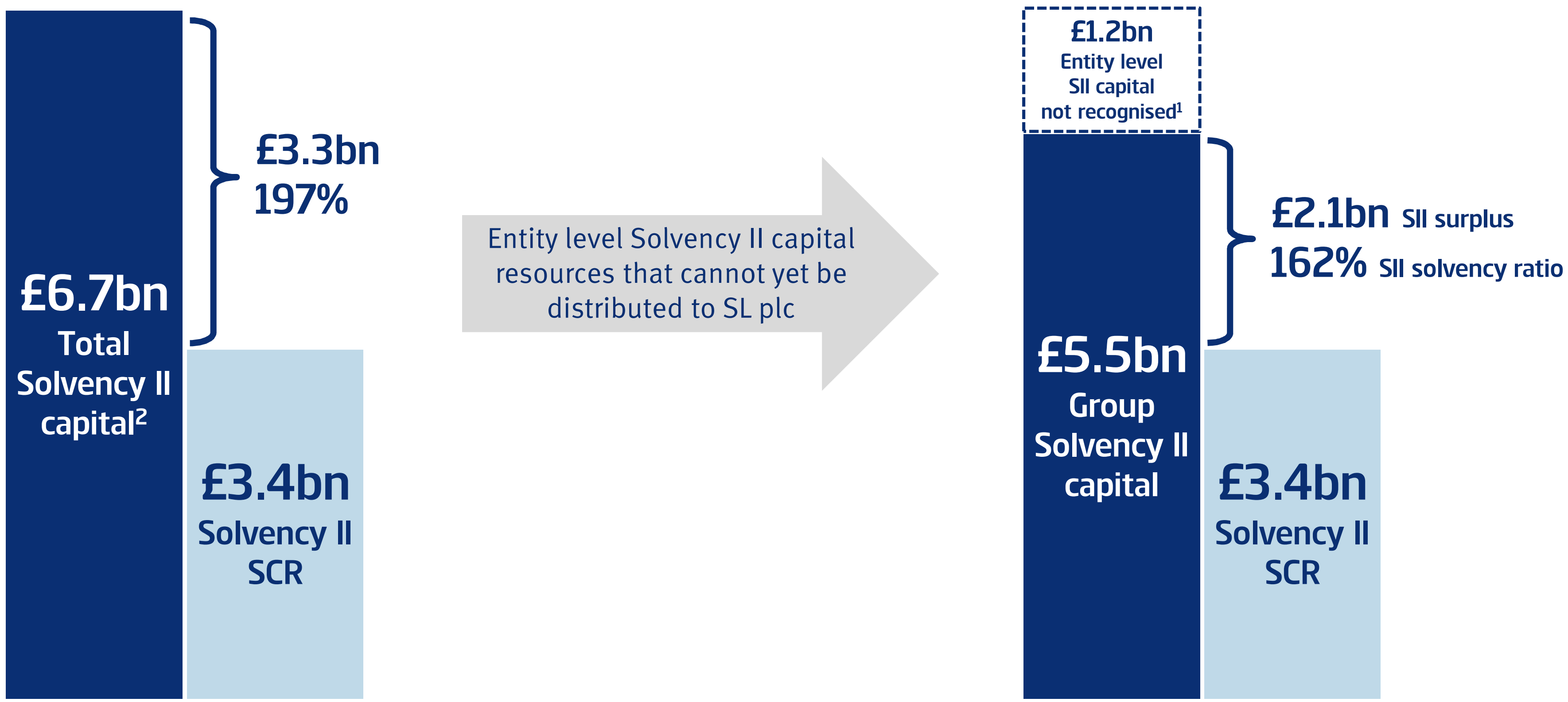
£4.9bn out of £5.5bn regulatory capital is tier 1



High quality regulatory capital resources – 144% of SCR covered by tier 1 capital

1. Group own funds include net impact of £0.1bn from transitionals.

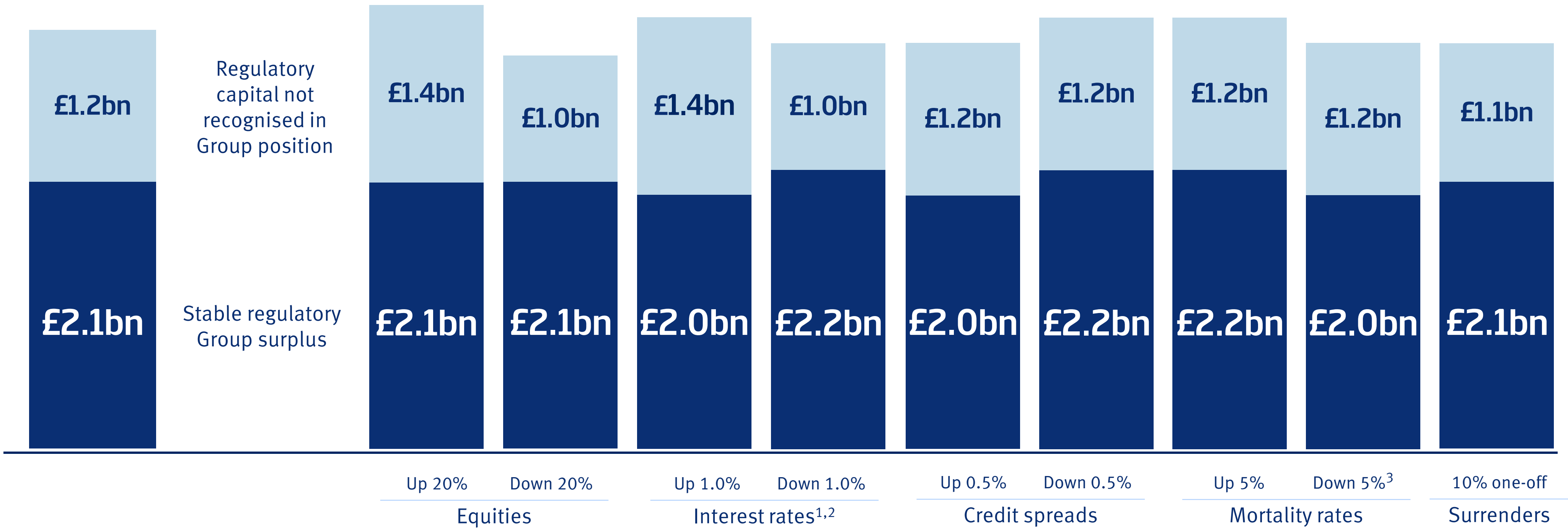
Benefiting from additional capital not recognised at Group level



Contribution to Group surplus capped by UK and Europe (SLAL[3]) distributable reserves

1. Primarily in UK and Europe Pensions and Savings business
2. Aggregate Solvency II capital resources in Group entities
3. Standard Life Assurance Limited – our principle insurance entity

Stable regulatory surplus



Stable Group surplus consistent with stable IFRS earnings

1. Interest rate sensitivities assume transitionals are recalculated
2. Yield floor of –0.3%
3. 95% of actual rates, implies 5 month increase in life expectancy for 65 year old male

Understanding our Solvency II capital position

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What are Solvency II capital and capital requirements?

Regulatory capital	**£5.5bn**	Our Solvency II assets less liabilities and other capital items
Capital requirement	**£3.4bn**	Amount of capital resources we must hold to protect against 1-in-200 year adverse event

Example 1-in-200 standalone stress events for UK business

Equities	Interest rates	Credit spreads[1]	Life expectancy[2]	Lapse rates[3]	Mass lapse
41% fall	1.1% fall	3.4% rise	3.6 year rise	50% change	31.5% one off

1. Weighted average of A rated corporate bond stresses
2. Rise based on a representative 65 year old male annuitant
3. Change shown is applied in most onerous direction for each product

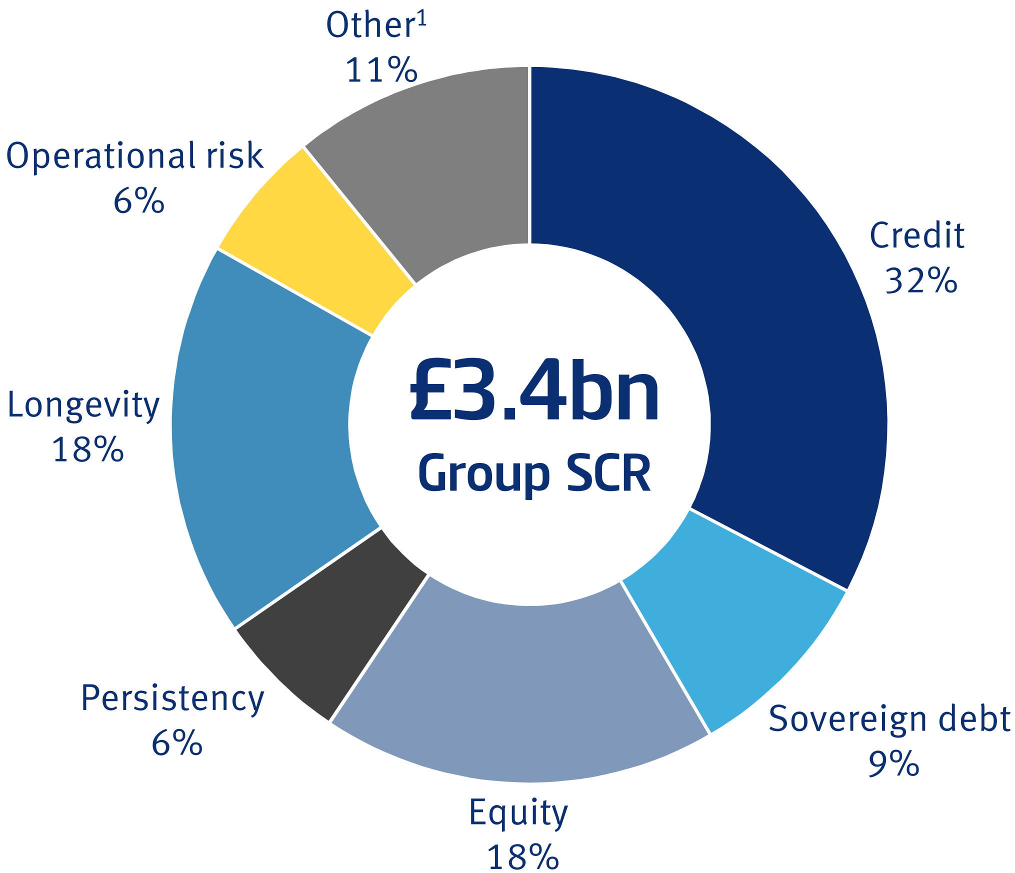
Regulatory capital landscape

Regulatory framework		
	Entity level	**Contribution to Group SII position**
Standard Life Investments	BIPRU	BIPRU
UK and Europe Pensions and Savings	SLAL: SII internal model SLIL: SII standard formula	SLAL: SII internal model SLIL: SII standard formula
Standard Life plc	n/a	SII internal model
Hong Kong	Local regime	SII standard formula
China	Local regime	SII standard formula
India	Local regime	Excluded

Capital position					
	Entity level			**Contribution to Group**	
	Capital	**Capital requirements**	**Surplus**	**Restriction**	**Surplus**
Standard Life Investments	0.3	0.1	0.2	(0.1)	0.1
UK and Europe Pensions and Savings	5.3[1]	3.1	2.2	(1.1)	1.1
Standard Life plc and Other	1.1	0.2	0.9	-	0.9
Total	**6.7**	**3.4**	**3.3**	**(1.2)**	**2.1**

1. Includes net impact of £1.1bn from transitionals in SLAL, of which £0.1bn is recognised at Group.

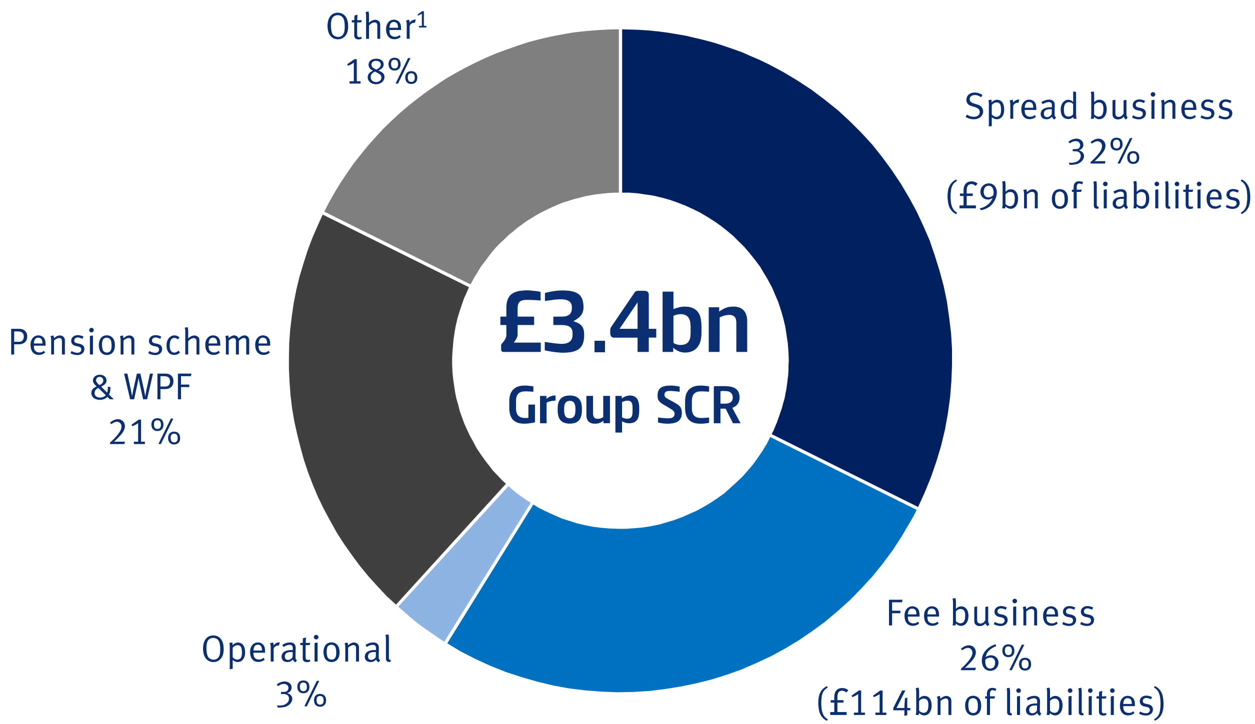
Capital requirements reflect well diversified set of risks



Credit	Spread business, pension scheme, shareholder fund assets
Longevity	Spread business, pension scheme
Equity	Fee business, with-profit fund
Persistency	Fee business

1. Includes 6% from entities included under Solvency II standard formula and 2% from entities regulated under BIPRU

Capital requirements reflect focus on fee business and our strong pension scheme and with profits funds



Fee business, strong pension scheme and WPF are major drivers of SCR

1. Includes 6% from entities included under Solvency II standard formula and 2% from entities regulated under BIPRU

Fee business generates regulatory capital in form of VIF

VIF is the value of future profits that contributes to capital

Example… Premium paid of £1,000

Time

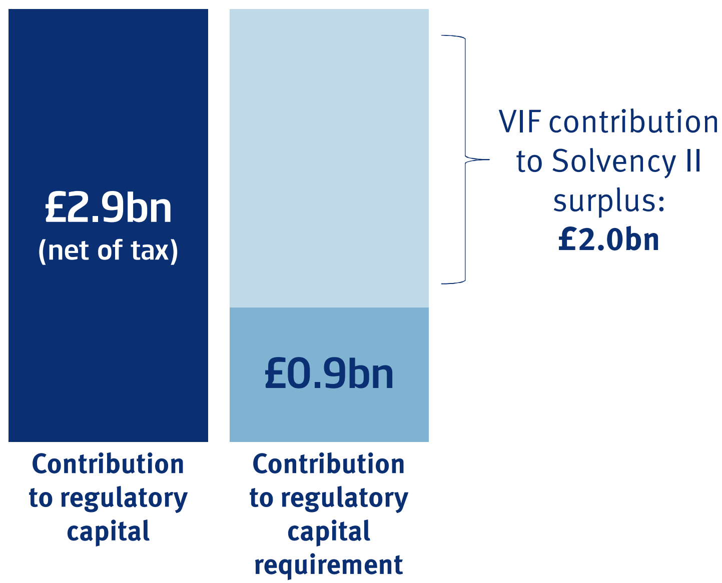
Future income less expenses: £5 … £5 …

VIF (contribution to regulatory capital) = **£50**

VIF also gives rise to a capital requirement

Example…	Regulatory capital from VIF	= **£50**	Surplus £30
Impact of 1-in-200 event:	Capital requirement (VIF reduces by)	= **(£20)**	

Impact of VIF on our Solvency II position

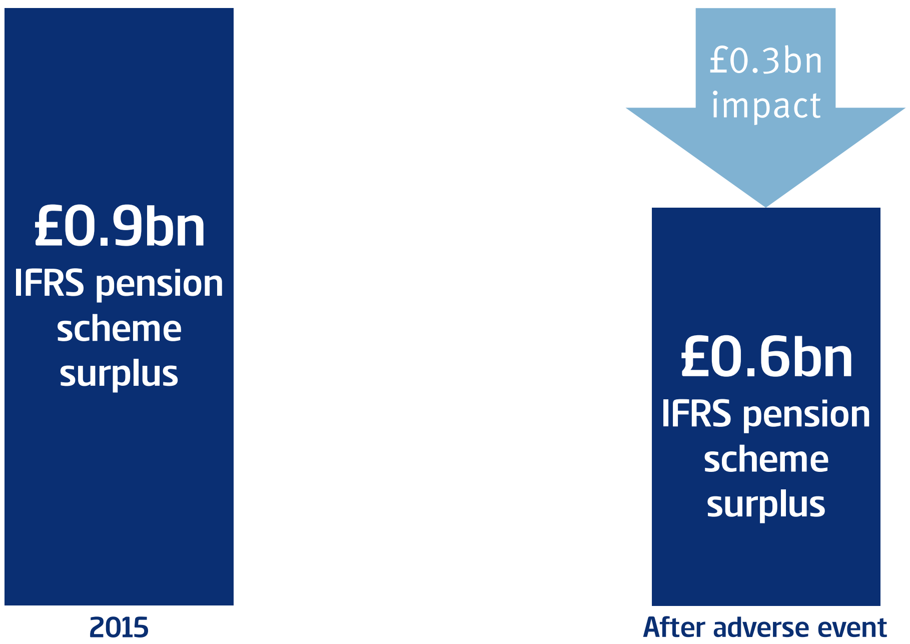


Capital light fee business provides more regulatory capital than capital requirements

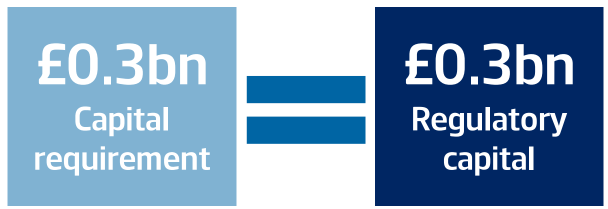
Large pension scheme surplus dilutes our Solvency II ratio

Pension scheme has a large IFRS surplus

Even after adverse event surplus remains large



Nevertheless, Solvency II requires a capital requirement to be recognised



Capital requirement is offset by pension surplus (capped at level of capital requirement):

- no impact on Solvency surplus
- but ratio is diluted by 6 percentage points

Solvency II treatment of pension scheme and WPF dilutes ratio by 16 percentage points

How we think about our capital

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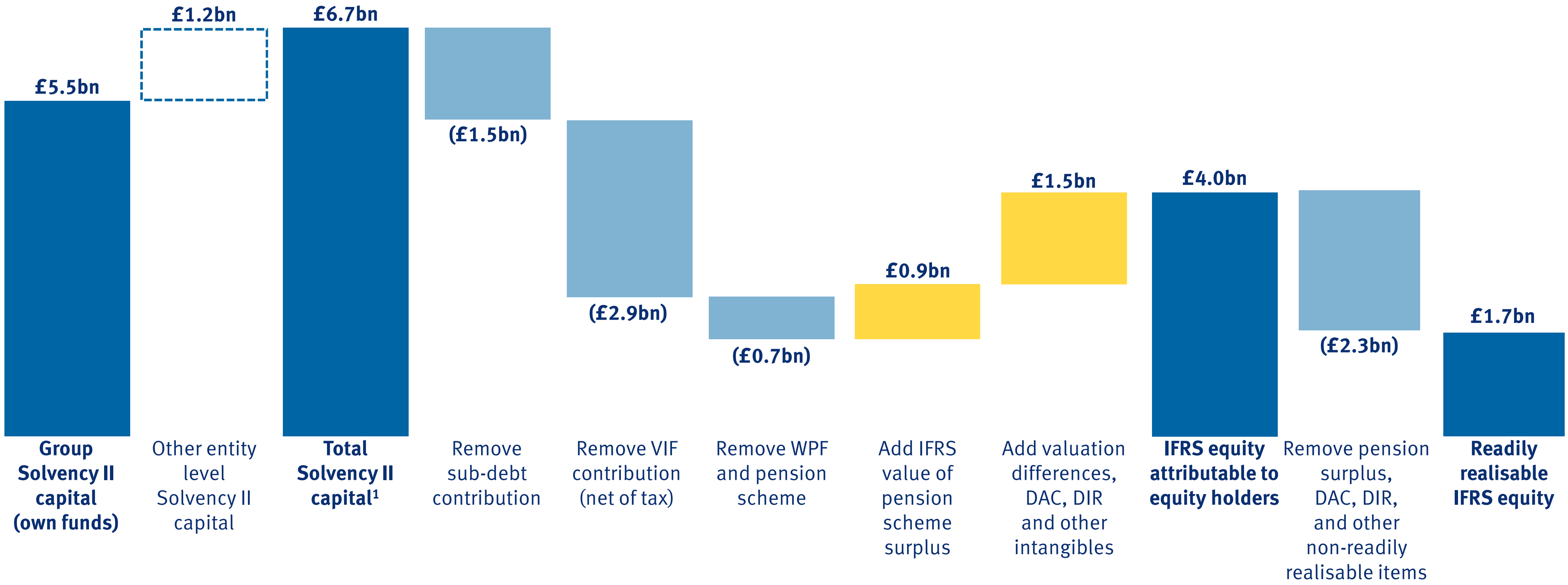
Shareholders' equity used efficiently

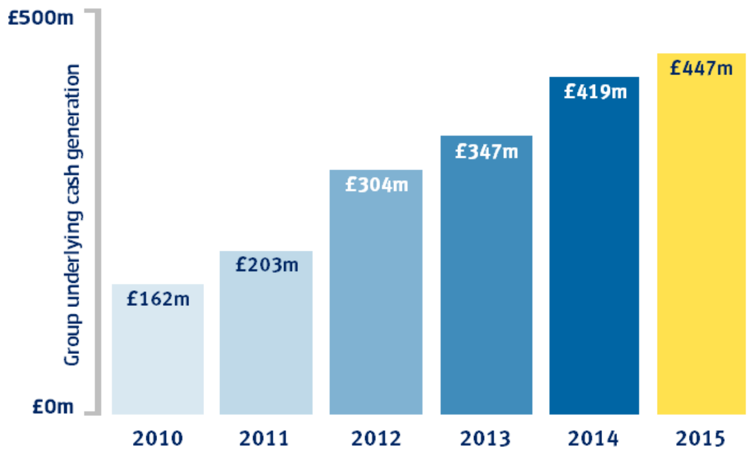


£1.7bn of readily realisable IFRS equity supporting operating profit after tax[2] of £538m

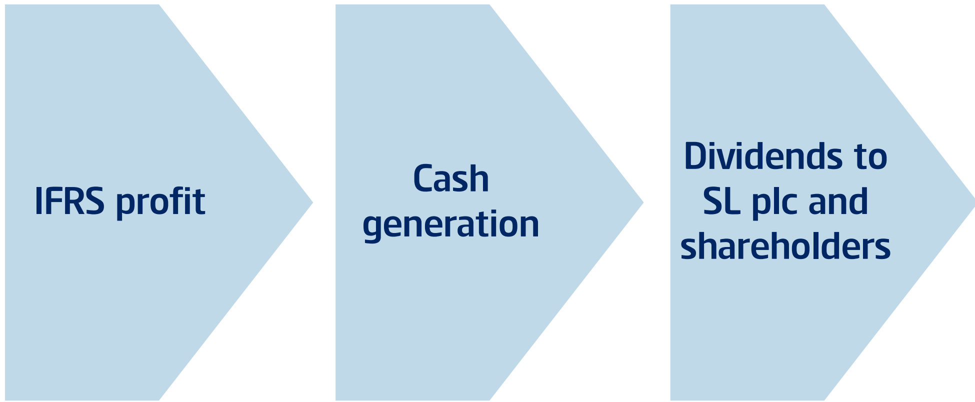
1. Aggregate Solvency II capital resources (own funds) in Group entities
2. From continuing operations

Subsidiary IFRS profits drive dividends to SL plc

Sustained growth in cash generation



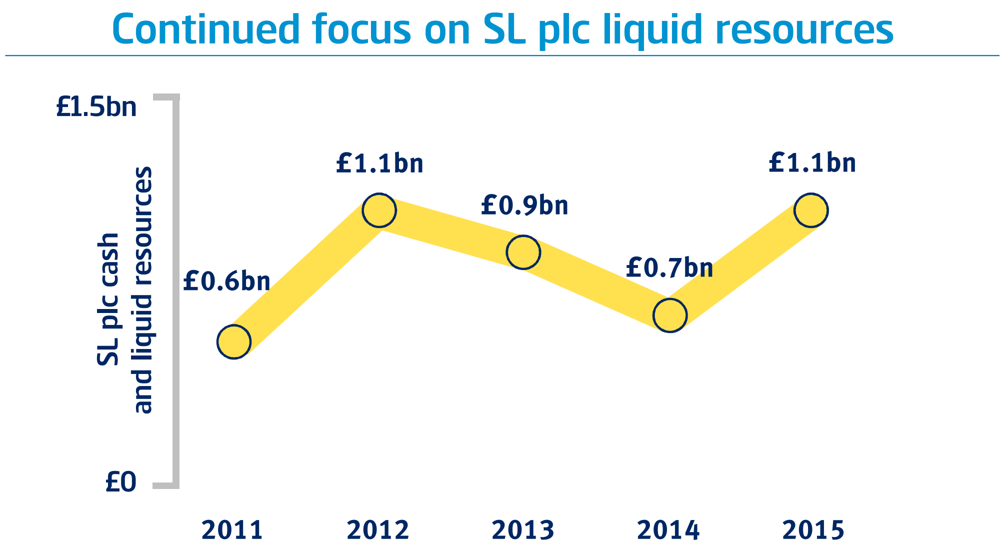
Dividends not constrained by regulatory capital



Driving dividends to shareholders:

- 94% of underlying income is fee based
- Subsidiaries efficiently capitalised – regulatory strength at Group and subsidiary level not a constraint
- IFRS profits drive dividends to SL plc and shareholders

Capital in plc supports strategy and progressive dividend



£1.1bn of liquid resources supporting:

- Planned increase in HDFC Life stake to 35% (subject to regulatory approval)
- Progressive dividend buffer
- Organic growth / bolt-on acquisitions

Our business model under Solvency II

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Our simple business model will continue to serve us well under Solvency II

Increasing assets

Maximising revenue

Lowering unit costs

Driving profit

Optimising the balance sheet

- Driving further capital efficiency
- On-going commitment to progressive dividend policy

Balancing investment for future growth with returns to shareholders

Summary

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Our financial results are available online and on our iPad app at

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