2015 Half Year Results

Tuesday 4 August, 2015

David Nish
Group Chief Executive

Well good morning everyone and thank you for joining us all today at Deutsche Bank. As I am sure you are aware, it is the last time I will be presenting Standard Life's Results before stepping down as CEO. So before beginning the presentation, I would just like to take a short while to briefly thank everyone who has helped make Standard Life the company it is today. Our business is full of dedicated, inspirational people who work hard every day to do the best that they can for our customers, clients and shareholders.

As I pass the baton to Keith today, I know Standard Life is going to be in good hands. Keith and I have worked very closely over the last 9 years and I think that has helped greatly in terms of the transition that we are going through. He is very much the right person to continue to deliver on our strategy and I wish him and everyone in Standard Life every success for the future.

So today's presentation is going to have a slight shift in format. I will briefly reflect on our business today and the highlights for the first six months. Luke will then walk you through as usual the details of the financials. And then finally Keith will do the looking ahead.

As normal our compliance slide. So we if go back to 2010, we set out three things to strongly focus on. First of all was the transformation of the Group and the business, secondly investment for the future and thirdly delivery of improved performance. Everything supporting the delivery of our progressive dividend policy.

Today Standard Life is in very different shape. 95% of our income reported today now comes from fee based business. Through the sale of our Healthcare Business, Bank and Canadian businesses and the acquisition of Ignis and Newton and also the significant developments in our technology and investment propositions, a lot has been achieved, but there is still always more to do. Our focus has been on understanding and meeting the long-term saving needs of customers and clients and investment performance is very much at the heart of our business. Our simple business model is core to how we drive long-term shareholder value. It is all about capturing assets, maximising our revenue, lowering our unit costs all to generate cash profit to support our progressive dividend policy and investment in the business. And all of these things you will see continued progress on today.

Also through the continuity and clarity of strategy and leadership, over the last six years has been a great key to our business success and as I say, it is great to be able to pass the baton to Keith later on today. We have got good strategic momentum. We are very well placed for change to the markets in which we operate and have significant opportunities for future growth.

So now focusing on the first half of 2015 and it continues to be busy. We obviously in the first quarter, completed the sale of our Canadian businesses and returned £1.75 billion to our shareholders. Our global reach is increasing, led by Standard Life Investments and supported by the strategic partnerships we have round about the globe. And also we have continued to build out our capabilities and distribution network. We have offices in 23 cities around the world and importantly 70% of our net inflows have come from outside the UK in the first half as our excellent investment performance continues to help attract assets.

In the UK our business has been evolving and keeping pace with both the changing regulatory environment but also policy developments. We are seeing the benefit of being very well positioned to support employers with auto enrolment, with increasing regular inflows as contribution levels and salaries increase.

We are also supporting customers to make informed decisions around their retirement and developing innovative propositions to meet their changing needs. For example Standard Life Active Retirement, a proposition designed to balance customers short term need for income with their longer-term need for growth has shown very strong growth in its first quarter.

We are in a unique position of having a leading global asset manager and one of the leading distribution businesses in the UK in the same Group. That gives us significant growth opportunities. The combination allows us to harness the experience and expertise from across the Group to deliver and develop innovate products for the benefit of all our customers and clients.

If we look at the example of MyFolio, this year it will celebrate its 5th anniversary with nearly £7 billion of assets. It is the largest multi-asset risk targeted fund range in the UK market. One of the key reasons for its success is found in its creation. We brought together the best investment expertise within Standard Life Investments with the customer and advisory insight from our UK business. MyFolio continues to go from strength to strength with over 80% of the flows coming through our UK distribution business.

During the first half of this year, we delivered Group underlying performance of £299 million which interestingly was higher than we achieved for the whole of 2011, which by the way included a large amount of annuity and spread risk profit. We are generating a growing and sustainable cash flow to support our progressive dividend policy, a track record which is very important to us. And today I am pleased to announce an interim dividend up by 7.5%.

Standard Life is in very good shape and has established good strategic positions in several key markets around the world. We have the foundations in place to continue our transformation to a more global business with investment performance at its heart.

So with that, I will hand over to Luke who will take you through the detail of today's results.

Luke Savage
Chief Financial Officer
So we have seen a good further progress against that simple business model that David just described, as you can see coming through here. So we now manage over £302 billion of assets across the Group, helped by strong underlying net flows and

overall favourable market movements in spite of volatility that we have seen in the second quarter.

The high level of assets has enabled us to grow fee revenue to £761 million, combined with our continued focus on cost efficiency, where unit costs have reduced by a further 5 basis points, has resulted in underlying performance of £299 million, a 9% increase. And if you exclude spread risk, where revenues declined as per the guidance we gave earlier this year, the figure actually increases to 33%.

We also continue to manage the balance sheet efficiently. As David said, we returned £1.75 billion of capital to shareholders in April following the sale of our Canadian business. But despite this, our IGD surplus remains strong at £2.6 billion and we are very well placed for the introduction of Solvency II.

So Group operating profit at the bottom of the slide here you can see was £290 million, that is an increase of £16 million or 6% on last year. While our underlying performance which removes the impact of a one-off contribution to our with-profits business in Germany, increased from £274 million to £299 million, that is a 9% increase year-on-year. The strong growth in our fee business more than offset the £39 million reduction in spread risk income in line with the guidance we gave back in February. So fee revenue increased by 17% to £761 million. Now this represents, as David said, 95% of total income, benefiting from growth in average assets under administration. The increase in expenses was driven by ongoing investment in and expansion of the business and I will come back to this shortly.

You will see there has been an improvement in our capital management and from the associates and joint ventures.

Now non-operating items before tax, and on this occasion amounted to a very significant £961 million because of that sale of Canada, so I have included a slide here to break down what else is in there. And first you can see the £1.1 billion accounting gain on the Canadian sale. And then secondly we have incurred two charges arising from significant regulatory changes in Hong Kong and Singapore. In Hong Kong, off the back of those changes, we have now ceased sales of our recurring premium insurance based offerings. And consequently we have moved our DAC run-off assumptions onto a more conservative basis, that give rise to a non-operating charge of £46 million. Also in June, we announced we are closing our insurance business in Singapore, the results of which are reported within discontinued operations and which include a £38 million charge relating to its closure.

Thirdly, we announced in late 2014 the closure of our UK staff defined benefit pension scheme to future accruals with effect from April 2016. And this has resulted in a £20 million of non-operating costs coming through in the period.

And then lastly, there were £45 million of other restructuring costs which include £17 million from the ongoing integration of the business acquired from Ignis and £26 million from other restructuring activity in both the UK and the Group.

So turning back to our operating performance, let's drill down into the individual components of that business model, starting with our assets. So you can see we have increased the assets under administration to £302.1 billion, up by £5.5 billion in the six month period. The increase was largely due to good net inflows of £3.4 billion and that was across all of our major channels. Over the period, markets have been volatile, so whilst the net impact of market movements, the six months, was the £2.1 billion you can see here on the slide, during the period we saw assets under administration grow by £12.4 billion in Quarter 1, but we saw much of that then reverse in Q2 as the markets came off.

We can unpack that headline, net inflows figure £3.4 billion here. As I explained back in February we managed two blocks of assets from older style back book insurance products, which naturally show net outflows. You can see these total £3 billion in the period, with the majority of those outflows relating to the £42 billion of low margin Phoenix Life Books. If you back those out, it gets us to an adjusted net flows from our fee based propositions of £6.4 billion for the six months. Now that is a 25% increase over the prior year and as I said, it derives across all of our major channels, wholesale, institutional, workplace and retail.

So if we work down the columns on the right-hand side, the largest inflows in the period came from Wholesale where the £5.3 billion of net inflows were more than double the prior period and already exceed the total for the whole of 2014. That as a result of strong sales of MyFolio, equities, fixed income, real estate and multi asset. Moving down you can see institutional flows remain strong at £1.8 billion, that is up some 20% on the prior period. There was a £0.5 billion increase in our workplace and retail new fee business in the UK and this was helped by 15% growth in regular contributions into DC pensions and by the success of our newer style propositions such as SIPP and WRAP.

If we move down below the line to parts of the business that saw outflows, we have only seen a very modest uptick in our UK retail old outflows, perhaps less than you might have expected given recently introduced pension freedoms. But more of that later. We also saw an Ignis outflow of £1.9 billion, mainly due to the divestment of a low revenue margin mandate.

So if we come back to the top of the slide, you can see on the right hand side the third party net flows total some £7.1 billion, up 78% on the prior period. And those £7.1 billion of net flows for the six months were higher even than many of the four year flows you can see on the left of the chart here. Now in addition these net inflows have good revenue yields, for example through the higher margin wholesale channel. Now not only are the strengths of these flows pleasing, but you can also see the continuing progress being made in increasing our geographic reach. So you can see the overseas proportion of net flows increasing from 40% on the left hand side in 2011, to 70% in the first half of 2015 on the right.

Finally on this slide I would point out the mix of flows can be lumpy, not just in terms of mix between UK and overseas, but also in terms of the absolute quantum in the period. So you can't I am afraid just take the half year figures and multiply by two to get to a full year number.

Here you can see a further break down of our geographic reach with a proportion of net inflows from outside the UK in the left hand doughnut increasingly shifting the balance of total third party assets on the right hand side. The growth in our overseas sales reflects both our own international distribution operating from 14 countries across the globe, as well as benefiting from our strategic partner relationships in the US, Canada, India and Japan. You can see Europe was our largest source of net flows in the period, exceeding even that of the UK and our North American business continued its strong growth with a 36% increase in net inflows to £1.5 billion, so some 21% of the global total.

A particularly pleasing area for us was the growth we saw in Asia, where we are beginning to see real traction off the back of our activities in the region. Net inflows are now £1.3 billion which as you can see represent 18% of the total and indeed are on a par with those from North America. And those flows have come from a diverse range of clients including Sovereign Wealth Funds and family offices.

If we come back to our UK business, we saw strong momentum in our workplace and retail new businesses where net inflows grew by half a billion to £2.9 billion in total. Picking out a couple of drivers of those flows, we saw regular premiums into our workplace pensions reaching £1.4 billion and in part that is a reflection of our success in the auto enrolment market. As both minimum contribution rates and salaries increase over time it should provide a secure base for growing future net flows. And our Wrap offering continues to lead the advised platform market with net flows in the period up 17% to £2.1 billion, with the highest net sales in the advised platform market against the latest available Q1 data. Now again these flows tend to be sticky so they provide a firm foundation for future growth.

So enough on assets, let's turn to revenues. We have seen our fee income increase to £761 million, up some 17%. Now we acquired Ignis in July 2014. So there are obviously no revenues from this source in the prior period comparison, but as you can see the revenue from Ignis in the first half of 2015 was £54 million. Within the remaining increase of £55 million, there have been reductions in revenues earned on UK cash balances and in the Sterling equivalent of the European revenues in Paul's business due to the strength of Sterling. The rest of the fee business grew by £69 million and that is 11% from the underlying growth.

Our spread risk margin emerges mainly through the management of our UK annuity book and there are three core components to this business. New business, existing business and our ALM activities. Now as per guidance the total margin has reduced from £79 million to £40 million, with a contribution from existing business as you can see remaining fairly constant at £30 million. Now in February I gave two points for full year guidance around reduced expectations for both the new business margin and profits from ALM and that guidance remains valid for the full year.

Firstly the new business margin for the six months was just £4 million in line with the guidance given to expect around £10 million or less in the full year. Now that was due to the expected reduction in the margin on annuity sales down from £14 million in the first half of last year which was itself already impacted by the announcement in March 2014 on the changes to annuities.

Secondly, you can see the spread risk margin on ALM reduced to just £6 million reflecting the fact that profits are not evenly spread across the course of the year. Nevertheless I would reiterate the guidance given back in February, we expect profits from asset liability management of around £30m to £40m for the whole of 2015.

The transformation of the Group away from spread risk revenue has been quite dramatic. You know in our Results today, as David said, fee income now represents 95% of total revenue, a significant increase from even just two years ago where the figure was just over 75%. So we have dramatically slowed down the percentage contribution from spread risk income, which is consistent with our focus on fee revenues whilst still managing to grow the overall business.

There is a further very positive message on unit costs as well, where our scalable business model has allowed us to drive down unit costs even as we invest in and grow the business. So whilst you can see that our total costs have gone up in absolute terms, our unit costs have continued their downward trend, down 5 basis points to 41bps. Now that is a function of both increase scale from both the acquisition of Ignis and our organic growth, as well as improved business mix and ongoing strong cost control.

As we did with fee revenue, we showed expenses from the Ignis acquisition separately as well as the favourable impact of the fall in the value of the Euro. But the remaining £32 million increase is driven by the increased scale of our business and the continued investment to support further growth, particularly in Keith's world of Standard Life Investments.

So if you put those two together, the growth in revenues and scalability of our business, on the left hand side I have already highlighted the reduction arising from spread risk margin, so the starting point really is the £235m after you allow for that guidance. And on the right hand side I have already touched on the inclusion of Ignis, the £20 million there. So it is the £235m to the £279m that we should really focus on. Now that increase in our underlying profits is 19%, despite our ongoing investment in growing the business, it is great to see that 50 pence in the pound of new revenue dropping through, so that is the £55 million versus the £26 million dropping through to the bottom line. And it just demonstrates the ongoing profitability of the new business that we are putting onto the book. So as I say overall a 19% improvement in that underlying profit.

Let's dig into the returns by business unit. We can see here how that Group underlying performance breaks down and you can see most of the increase comes from Standard Life Investments aided by the acquisition of Ignis. Whilst we can see the UK fee business performing strongly, has offset in part the lower spread risk margin. In India and China we have also seen strong profit growth and I will come back to those three areas in subsequent slides.

For Europe you will see a reduction in underlying performance, mainly due to lower ALM profits and also the impact of the strength of sterling against the Euro. And whilst those factors will impact the full year 2015 outcome for Europe, as I guided to back in February, we would expect underlying performance in Europe over the medium term, by which I mean beyond 2015, to trend back towards the £40 million per annum that we have achieved in previous years.

So looking at SLI first, you can see the underlying profit of £154 million, an increase of £52 million or 51% on last year. Excluding Ignis revenues have increased by some £60 million, benefiting from growth in assets with third party assets excluding strategic partner life business, increasing to £124 billion on which revenue yields were maintained as you can see on the right at a strong 53 basis points.

The increase in expenses reflects both the higher level of assets and the investment to support our ongoing growth and as you can see from the yellow circles, our investment performance remains strong, particularly those exceptional figures of 95% and 97% of the 3 and 5 year periods which are key to attracting new inflows. You can also see from the end bars on the chart here, the good progress we are making on our EBITDA target which has increased from 36% in the left hand bar for 2014 to 40% in the right hand bar for the first half of 2015. And we remain on track to achieve a 45% EBITDA margin by 2017.

As you can see here, we continue to see significant growth in both our institutional and our wholesale businesses. Our institutional assets under management now stand at £65 billion, with net inflows of £1.8 billion and with a client base now spread across 48 countries. For wholesale, we are now ranked 4th by assets under management in the UK, whereas we were 25th in that market just 7 years ago. And

MyFolio assets as David touched on, have now reached around £7 billion, a result of close collaboration across the Group with 86% of that £7 billion distributed in the UK.

The Ignis business is performing very much in line with our expectations. It contributed £20 million to profit for the six months. As I said in February, fee revenues in 2015 have of course been impacted by the ARGBF outflows from last year whilst performance fees in this business are historically weighted towards the second half.

Our expenses for the first half were £34 million, to give some context, that is down from around £50 million at the time of acquisition, so an annualised savings rate running at over £30 million. And we remain on track to secure the £50 million per annum of cost benefits that we outlined at the time of the acquisition. The assets under management from the business now stand at £55 billion. The £42 billion of Phoenix Life Book which in structural run-off has remained generally stable in terms of assets under management, while the non life assets have reduced to £13 billion, primarily as a function of the ARGBF outflows and liquidity fund outflows I touched on in February together with the low margin mandate I referenced just a moment ago.

Turning now to our UK Business, I have already explained the expected reduction in spread risk of £37 million on the left hand side. And base lining for this give us an underlying profit of £128 million which we have grown to £141 million this year. It is due to strong progress in our fee business along with an increase from capital management which was helped by changes that we made last year to the staff pension arrangements. Fee revenue, excluding the impact of lower revenue on client cash balances, increased by £17 million or 6%. This reflects ongoing growth in AUA supported by the strong net inflows for retail new and workplace with both channels seeing growth of over 20%. Fee revenue bps remain broadly stable at 61 basis points. Cost discipline and scalability of the business saw operating expenses remaining flat before the £6 million increase you can see in the middle in investment management fees payable to SLI as a function of growth in assets under management. Overall that helped our unit costs reduce from 40 basis points to 39.

Overall we are well positioned to cope with ongoing changes to the UK savings markets and for further improvements to profits in the UK, recognising that this in turn helps earn additional margin within Standard Life Investments.

Looking at the AUA of the UK business, you can see the total now stands at £107 billion up £4 billion over the six months due to the significant growth in our workplace and retail new businesses. And workplace assets have now reached £33 billion and as I said earlier this is supported by regular contributions totalling £1.4 billion which will support improvements in net flows in future years particularly as minimal auto enrolment contribution rates increase. Workplace consistently transfers assets to the retail business as members leave their employer and these transfers amounted to about £1 billion in the six months.

Our retail new business on the right hand side grew assets by £3 billion in six months to £40 billion, with net flows benefiting from the growth in Wrap that I showed previously as well as transfers in from workplace. And our retail old business remains stable with assets of £33 billion. Net outflows increased by 9% to £1.2 billion on that book, in part due to the new pensions freedoms.

So let's touch on those pension freedoms that you have seen. When you look at the chart on the left here and look at the trends in the pension outflows, you will see a lot of change over the past 3 years. So after the Budget announcement there was a sharp reduction in outflows in 2014, as many customers decided to wait for the rule change to take place in 2015. Then in 2015 we have actually see outflows broadly similar to the previous year, but with a big change in mix with around £200 million being fully encashed, primarily from customer with small savings pots. And much of this was pent up demand from the previous year and in fact the run-rate of those outflows in June are now half the level that we saw back in April. At the same time, while some in the industry have had trouble in delivering on basic drawdown functionality, Standard Life's proposition has been going from strength to strength and since the start of the year we have increased assets in drawdown by 12% to £12.9 billion. However, we are not standing still. Since April we have launched a non advised drawdown proposition with an online customer journey investment solutions, powered by Standard Life Investments. And this has already accumulated some £140 million of drawdown assets since its launch.

Our India and China businesses were previously referred to as Asia and Emerging Markets and have generated an underlying performance of £21 million up from £12 million in the prior period. Our insurance joint ventures in India and China continue to increase assets and profits. Our joint venture in India is extremely well positioned for continued growth with almost 20 million customers and ranked number 2 in the private insurance market for new business. Whilst in China we are pleased to see continued progress from our Chinese joint venture which was once again profitable in the period. At the same time our Hong Kong business is adapting to recent regulatory changes and we expect its performance to be down in the second half.

So moving on from looking at our results by business line, I explained our new IFRS based cash generation metric in February and you can see in the right hand yellow bars here that at £223 million for the six months, it is up 17% on the same period last year. And actually if you look across the chart, you can see it is already £20 million more than the total cash we generated in the whole of 2011. And that is despite seeing the big reduction in spread risk revenues that I referred to earlier. So it just demonstrates the very strong growth that we have seen in our fee business in recent years. And were we to be showing underlying performance on this chart, you would also see there is a very strong correlation between our growth and underlying performance and the cash we subsequently generate.

And that strong cash generation together with the strength of our balance sheet enables us to maintain our progressive dividend policy. We have declared an interim dividend of 6.02 pence per share which is a 7.5% increase on last year's interim dividend and that of course is in addition to the £1.75 billion of capital we have already returned. Despite this, our IGD surplus remains strong at £2.6 billion and as I said at the beginning, we remain very well placed for the introduction of Solvency II, having submitted our internal model application back in May.

So to finish, we have delivered strong growth in fee revenue, a 9% increase in underlying performance, a 17% increase in cash generation and in combination that has underpinned our increased return to shareholders.

That concludes my remarks on what I believe are a strong set of numbers and I will hand you over to Keith.

Keith Skeoch
CEO Standard Life Investments
Thank you Luke and a very good morning from me. I would like to complete this morning's presentations by returning to where David began, our long-term strategy with its focus on growing fee based, capital light new business. It is a real privilege to

be appointed the new CEO at Standard Life and as the baton passes later today from David to me, I would just like to take a few minutes to set out the context for the business and our strategy, and clearly the best place to start is our simple business model.

Under David's leadership, Standard Life has been transformed into a simpler, but increasingly well diversified business. Asset growth has become the key driver for fee based revenues, the proven scalability of our platforms is instrumental in continuing to lower unit costs. The improvement in and transparency of profitability and cash generation has become increasingly clear as has our focus on delivering for shareholders. I have been part of the team that has championed the delivery of the simple business model and under my leadership it will remain central to how we continue to deliver value for shareholders.

Over the last month there has been some speculation about whether we are an asset manager or an insurance company. We are and will remain a combination of both, uniquely positioned to serve the changing needs of institutional and wholesale clients as well as workplace and retail customers. The shifting savings and investment landscape is creating plenty of opportunity which I believe Standard Life is remarkably well placed to take advantage of. The combined strengths of a leading global asset manager and a leading provider of savings, pensions and retirement solutions working together to meet customer and client needs is very powerful. It is particularly powerful at a time when client and customer needs are changing, and changing across all client and customer segments, institutional, wholesale, workplace and retail, the columns in this slide.

You don't have to look very far to see that the changes to the marketplace could also be far reaching, whether it is the UK Budget, yesterday's announcement on advice, the potential impact of MiFID II or the continuation of the low inflation and low interest rate environment. Across the Group our conversations with clients, intermediaries and customers, help us to understand whether their long-term liabilities create a need for income, growth, capital preservation, decumulation or a combination of all of the above. Active asset management skills across a broad range of asset classes help us to develop innovative products and solutions to help meet changing client and customer needs. GARS and MyFolio are two excellent examples that have helped drive our asset growth on an industrial scale. We will continue to drive our future growth with a series of fund and proposition launches such as the enhanced diversification growth fund, aimed directly at the DC market, the Standard Life Active Retirement Proposition or indeed the launch of the 1825 advisory business.

Innovation of course is only one part of meeting client and customer needs, investment expertise must also be accompanied by the ability to deliver investment performance, a massive strength for Standard Life, but also the bedrock for high quality investment content.

Co-operation and collaboration with strategic partners is also the means by which we take advantage of the opportunities to grow our assets in overseas wholesale markets in a cost and capital efficient manner. Our simplified business has built up a well diversified framework of strategic partnerships to help us grow our assets by expanding our global reach with now clients in 48 countries as well as expanding our market share in our home market.

So, in summary, Standard Life remains extremely well positioned to drive value through taking advantage of the opportunities created by changing client and customer needs. Our clear and consistent strategy puts investments at the heart of what we do because it is at the heart of what clients and customers need. High quality investment content and propositions that also deliver high quality investment performance will therefore deliver value for money. Increased co-operation and collaboration will both expand the global reach of Standard Life Investments, but also leverage best in class distribution in the UK. Co-operation and collaboration is equally critical for the scalability and industrialisation of our platform and our ability to continue to drive down unit costs which will remain a key area of focus.

On a personal note, I would like to pay tribute to David for all that he has done to transform and simplify Standard Life. And also thank him for his help and support over the last couple of months.

Finally, this is a great business, with a unique set of strengths and people which when brought together to focus on clients and customer needs, enables us to generate improving return and value for shareholders through fee based asset growth.

Thank you very much and I will hand you back to David who is going to chair the Q&A.

David Nish

Thank you Keith and Luke. So okay, who wants to go first. We will start with Lance at the back.

Question and Answer Session

Question 1: Lance Burbidge, Autonomous

Thanks, it is Lance Burbidge from Autonomous, three questions please. The first is on auto enrolment. The Pensions Regulator said recently that 66% of the remaining employers had one to two employees, I wonder how many of those you actually want?

And then more broadly on pension reform, I wonder what is going to be in your submission on the Green Paper in terms of what you think should happen in terms of reform?

And finally on SLI, the 53 bps of revenue margin, I wonder if Keith can split out the impact of Ignis and the high margin funds in terms of what is driving that lack of movement?

David Nish

Do you want to kick off with the changing landscape in the UK?

Answer: Paul Matthews

Yes two things. On the smaller auto enrolment schemes, it is not our core market it is fair to say, but we have built the Good to Go technology system so if you look at the volumes we are doing at the moment, they are all self-serve, so we have built the system so if an employer wants to auto-enrol and we have had numbers of thousands of employers that have come onto that, so it is self-serve so not restrictive for us. And that is quite unique for us. Very few companies offer that online capability. So we will take quite a number, quite a few thousands of employers over the next couple of years.

The pension reform side, we will have to wait and see what comes up on that. The Government has spent a lot of time looking at what they want to do and we can all speculate whether they will abolish higher rate tax relief or whether they will do matching amounts of money. So I think we will just focus on, the fact is the majority of the money we still deal with is already in the system. I think the Government are looking at new money coming into the system and how they make it better. We are neatly positioned in many ways, we are the major, a large provider in workplace. It is pretty obviously I think, the way the Government are going, is they will continue, whatever they do, they will keep things in the workplace. They have spent a lot of time and energy. So we will keep continuing to develop our workplace proposition. We are now seeing a lot more business come through from ISAs, we are seeing a lot more business come through drawdown. And I think regardless of what happens with tax relief, more people are going to bundle in the retail space, the existing monies they have got, more will look for advice that is why we started 1825. It is why the numbers, one Wrap we have seen here today have grown. So we will feed back in, but we will focus on workplace, Wrap, consolidation and putting more money through to Standard Life Investments.

Further answer: Keith Skeoch
As far as the revenue yields are concerned, obviously the 53ps is driven by the continued strength, the £7.1 billion you saw coming through from a combination of wholesale and institutional. I don't think we have actually disclosed the Ignis bps before, but post the removal of a very low institutional pension mandate which was the £2 billion, the Ignis book yields about 30 bps at the moment, about I think £13 billion of assets.

<u>Question 2: Alan Devlin, Barclays</u>
Alan Devlin from Barclays, a couple of questions for Luke. I wonder if you can update us on where you are on Solvency II, you mentioned you are well placed, any outstanding issues still to be decided etc?

And just secondly on, you said not to annualise at £7 billion of inflows in the first half, what is the more normal rate of inflows? I know GARS is running twice its historical run rate, how much is driven by increases in distribution in Europe and North America and how much is running above trend? Thanks.

Answer: Luke Savage
I guess on Solvency II, I will start by saying that Standard Life has been a long-term supporter of the principles behind Solvency II and the levelling of the European playing field in risk management I think is good for the industry and good for the customer. We submitted our model application back in May and we are going through that process with many other players in the UK. We have not put a number out at this point because there still areas of uncertainty, not necessarily Standard Life specific, but for the UK industry as a whole. So for example, just last week there was some clarification around deferred tax assets worth hundreds of millions to people in their capital figures. We under Solvency I are very strongly capitalised, with the IGD surplus at £2.6 billion that I referred to and we believe that under Solvency II we will remain very strongly capitalised. I am just not going to put out a number at this point until the dust settles, because we will end up spending the rest of the year explaining why it is moving about. I think we are confident that a number of the industry general issues are not of significant concern to us in the way they are to some of our peers.

David Nish
Do you want to pick up on GARS net flows.

Answer: Keith Skeoch
I think that is a great question and the honest answer is, I wish I knew. We tend to benefit from volatility in markets and uncertainty. I stick to my view that a normal run-rate, whatever normal means these days, is probably about £400 million a month. We certainly benefited in the first part of the year from Asian assets which brought in the first half of the year as much as North American assets and I think GARS was a reasonable chunk of that, but I would repeat that GARS is about 60% of our gross flows. We are doing really well in credit, property. We have sold some global equity funds as well, so there is plenty of evidence of those strengths broadening out. Somebody asked me earlier about July, it is August 4th, even we are not that quick in terms of the returns coming in.

Further answer: David Nish
I think one of the things over the last 7 or 8 years is this diversification of revenues which is taking place in the Group. And it is really that number of 70% of flows now outside the UK is really quite dramatic. Also the pleasing thing around about Paul's regular premium business.

<u>Question 3: Abid Hussain - Societe Generale</u>
Morning it's Abid Hussain from Soc Gen. Just two questions if I can. What sort of dividend cover should we consider appropriate for as you say a combined life company and asset manager? That is my first question.

And would you consider disposing of the UK annuity and legacy with-profits books to remove the headaches of managing these to run-off, especially now as we are moving into Solvency II?

Answer: Keith Skeoch
We have been operating as a combined asset manager and insurance company for some time so we will stick to our progressive dividend policy. I think it is far, far too early to speculate about diversification of books. The landscape is changing. It is not just in terms of regulation, it is about what it happening with advice etc. We don't know yet what is going to come into form. So I think as ever we will take a careful look at what is going on in the marketplace and take strategic decisions in that light. Paul is there is anything else?

Further answer: Paul Matthews
The only thing I would say is our old book is our new book now. So if you take the last 20 or 30 years of pension business, those customers are coming up to 55 now, they are moving to a new pension contract. So I think we will be focused very heavily on other companies old books as they are old pension plans that want to come to us. And our own old book that will become our new book.

Further question: Abid Hussain
The dividend cover point. Previously you said you had stated you would like to become an asset manager and now you are saying, you are transitioning into an asset manager, I think that is the phrase that has been used in the past and so the dividend cover has gradually come down. The question was more about if you are now seeing you won't become a fully fledged asset manager, how should we think of the dividend cover going forward?

Answer: Keith Skeoch
Well just to be clear, I don't think we have ever stated we were heading to be an asset manager. We have talked about being an asset managing business where we manage AUMs for institutional and wholesale clients. We take AUMs through active

management, but as part of our proposition, we also have assets under administration where we build platforms. Actually being able to do things in a variety of Wrappers for tax efficiency, it has been incredibly important to the business. So our view has always been that we would be a combination of both and it is particularly important that we continue to access all that institutional and wholesale both in the UK and the world offers as well as what we need for Paul's business. That mix has been improving over time. The cash generation that comes off that is clear for everybody to see and we have been improving the cash support and the clarity of that for the dividend and that has helped us maintain a progressive dividend policy and that is exactly where we are today, there is no change.

Question 4: Oliver Steel, Deutsche Bank
Oliver Steel, Deutsche Bank. I wonder if you could give us a little help on expenses going forward if you are able to. The expenses looked a little bit better than I was forecasting. So any guidance you can give on future technology changes you might be putting through and what sort of expense savings those contribute? That would be great. Also within SLI, you are investing in the business, but how long does that go on for from here?

Secondly for Keith, as a life company, come asset manager, do you have any thoughts from previous management on the capital in the business and how much you need to run with?

David Nish
Paul do you want to talk about some of the things we are focusing on about driving technology into the business?

Answer: Paul Matthews
Yes. We are still very much focused on trying to develop what we already have. So we have very strong access to customers via workplace which is typically via the employer and we are building more direct capability. So we are spending more focus on the D2C part of our workplace. On our retail platforms again we are very connected in with IFAs. We have more development spend on the Wrap side, but again more and more focus is going on our customer service capability to push more people on line. For example, we could be taking something like 20,000 phone calls at the moment with people ringing us for help and advice on the retirement. We want to push more of those online so we are spending more investment on that. And they are probably the main areas, building on the infrastructure we already have, but making it more D2C capable so the consumer can self-serve far more.

Further answer: David Nish
I think one of the things we have strongly seen in the last few years as the scale comes into the business, we are able to do it with in many ways, a reducing infrastructure. And most of that is really driven by technology. Paul has already mentioned in answer to Lance's question, the capability to do small scale pension schemes. You can only do that if you invest in technology and have straight through processing. There are big changes planned round about email systems and IVRs and what not which again we will continue to drive forward.

Answer: Paul Matthews
If you are looking to how much money we will spend, it is clear, we have 1,300 people in our customer service operation and we are needing a lot of those people purely to take demand of more and more customers contacting us. If you look at the publicity around some of our competitors, a number or our competitors can't do drawdown at the moment, so it is leading to even more people phoning us. So I

would expect over time our customer service numbers to reduce in many ways as the spend on technology takes over and gets customers to self-serve as they want to.

David Nish
Keith do you want to talk about capital?

Answer: Keith Skeoch
Well I think there was also a question about Standard Life Investments. I think the answer is we will continue to invest in people and technology. You know what is an asset manager? It is no more than a bunch of human capital with technology applied. We continually have to upgrade that infrastructure as the world develops and so I would imagine that an investment refresh rate of somewhere between 10-15% is normal in that kind of business.

As far as capital is concerned, clearly part of the simple business model is all about optimising the balance sheet. I think we have shown that where we believe we have surplus capital and no use for it, we will return it to shareholders. And over the long-run that is exactly where we will be focused on. If we can't invest it and deliver a return, we will think about returning it. In the short run, we are very much focused on making sure we have an optimal Solvency II balance sheet and we need to get that over the line. So it is highly unlikely we will make any decision until we have certainty about the balance sheet, but it is a balance sheet we believe that is currently pretty strong.

Question 5: Gordon Aitken, RBC
Gordon Aitken from RBC. First question for Paul and then one for Keith. Post the pensions freedoms, I would have expected net inflows in Q2 to be broadly similar to Q1. I think others have reported so far have shown that their growth in income drawdown has been pretty much offset by people cashing in their small pots and you talked a bit about that. But you have shown in Q1 you had a billion coming through in net inflow and it is down to £0.7 billion in Q2 so what is going on there?

And the second question for Keith, a key metric for an asset manager is net inflows annualised as a proportion of opening assets. Your business Standard Life Investments, ex the acquisition, we think it is probably going to bring in north of 10% on that metric. As the CEO now you are inheriting other businesses which are in an outflow position, be it the old retail products, annuities or Ignis. They are showing outflows. I know you strip them out on the slides, but these will continue to be outflows. If I look at the first half I think the annualised net inflow for the Group is just 2.3% and over your career you must have pockets of business which are showing persistent outflows so I am just wondering how do you use that experience to improve inflows for the whole Group?

Answer: Paul Matthews
Shall I start. I will try and break that down. It is obviously early days to give you a feel for the Q3 and Q4 at the moment, but if I give you a feel for what has happened in Q1 and Q2. So we will turn round your numbers. Pension freedoms, you ring us at 55, want to take your cash, we will turn that round in about 5 days as opposed to the markets 3 months probably at the moment. So we probably we saw £165 million come out in full encashment, there will be some other monies going to other companies as people consolidate with somebody else. But we have halved our numbers now of people coming in to take full encashment. 5% of customers have been in touch with us. 95% of our customers haven't. So what you have got to try and work out is people have been waiting 12 months to try and get hold of their money so we did see a spike and my view is because we are quite efficient, you

have probably seen a reasonable spike from us but that has halved. So I don't expect to see huge activity on people accessing money in Q3 and Q4. I think if you took the average case size it is around £14,000. 90% of the money that is gone has been under £30,000 pots so what we are probably seeing is a clearing of the very small amounts of money that customers have. And I would expect the majority of people now just to use drawdown and we have seen a spike in the last month or so, where companies just won't offer drawdown facilities because they don't have the technology. So I would hope we will benefit from the inefficiencies of our competitors of more money coming to drawdown. So I am hoping to see in the next 12 months more money move to drawdown to us both internally and externally.

Answer: Keith Skeoch
I could give a very longwinded answer Gordon as you know. I think there are a couple of things that are really important. One is to reflect that actually in order to grow assets you have to deliver high quality investment content that meets client needs. If you can do that in a manner that delivers value for money, then you will grow your propositions. So it has never been and isn't in my book, about price, piling it high and selling it cheap. Actually you need to build those high quality propositions. Paul is just starting to talk about the opportunities that are coming through in the drawdown market. We have to show why we are different and we have a differentiated proposition. I think MyFolio and other things are just the start of that.

Of course the other issue is, it is not just about winning assets, it is about keeping them and it is the keeping the assets that map with the quality of the content and the proposition and also working out how you build a relationship with clients and customers. So I would love to say there is a magic wand. There isn't. I would point out though if you look at our book of £302 billion, about £200 billion of that book is actually in growth mode and of that of course Standard Life Investments, third party business is about £124 billion. So there is a big chunk of books that are growing positively and they will, we can expand market share as the quality of our propositions improve and I continue to believe that the changing environment and the changing needs is a massive opportunity for us.

Further answer: Paul Matthews
One last point to add that is Luke touched on the Active Retirement fund and Keith touched on it. It is still early days yet, we are in our first few months and it is the fastest growing fund ever. We have had £90 billion go into that in drawdown, 80% of customers that have selected a drawdown have gone into active money and it is a Standard Life Fund. And so it is still very small, early days, but if you can imagine the growth of drawdown and if we continue that, it is another great invention by Standard Life Investments.

David Nish from the web
Before passing to the other side, I have two questions from Greig who is on the web this morning, one for Paul and one for Luke.

<u>Question 6: Greig Paterson, KBW - Web Q – read out by David Nish</u>
So Paul what are the implications of proposed exit fees cap on the heritage book? And for Luke management actions spread business. What is the size of the potential pipeline for those actions?

Answer: Paul Matthews
So the exit charges Greig, about 7% of our customers who potentially if they wanted to retire at 55, could still have some outstanding charges from the original set up date say 60 or 65. To put that in context, if those customers were to exit at 55 rather than

their retirement date you have probably got an average exit charge of £240 so these figures less than 1%. It is worth reminding people though, why we are perhaps less impacted than others is we came out of commission in 2004. One of the reasons exit charge is a focus by the Government regulator is that commission is still being paid off in a lot of these contracts. And if you remember, there were a number of our competitors still paying quite large commission payments up until 2013 and some into 2014 with workplace and I think that is the focus the Government are trying to work on. That commission needs to be reclaimed and if customers leave early for drawdown they are going to be impacted by that. But for us, average 55 if they do leave probably around £240.

Answer: Luke Savage
And in terms of the pipeline for ALM activities, we guided at the start of the year towards a figure of £30 to 40 million for this year of which you have seen just £6 million in the first half. We stand behind that guidance for the full year. There is more potential in the book, we have never put a number to it in public and I don't intend to start doing so today.

<u>Question 7: Andrew Crean, Autonomous Research</u>
Thank you very much. I would just like to say David thank you very much for putting up with me over the years. We have not always agree, but you have generally been right! So questions. First of all on the DB pension scheme change, presumably that has a benefit to the funding position of the pension scheme. Does that knock onto capital and is that in the numbers we see today or do you use the increase solvency of the pension scheme to invest more in infrastructure and things?

And then the second question is about SLI and costs. So we had a lot of inflows in the half year. So if inflows normalise do costs go down, i.e. Is there an element of acquisition related cost or are they relatively fixed? Thank you.

Answer: Luke Savage
So in terms of the pension surplus it is not in today's capital numbers. Under Solvency II, it does get picked up and does get included. And we certainly don't use any surpluses in the pension scheme to justify investment.

Further question: Andrew Crean
I was wondering if you had extra surplus in the pension scheme, whether you could change the assets in the pension scheme to get a higher yield maybe to move into infrastructure of something?

Answer: Luke Savage
The asset disposition within the pension scheme is not for us to make the decisions on, it is for the Pension Trustees. There is a healthy surplus in that scheme and we work with the Pension Trustees as to how they choose to invest it.

Further answer: David Nish
Actually if you look at the asset performance over the last 6 or 7 years it really has been quite dramatic in increasing the surplus and in many ways remember that was where the GARS story was effectively built. Keith the second question on costs in SLI?

Answer: Keith Skeoch
Well costs don't fall, but unit costs do. Clearly over time as assets come on you improve the technology and providing you keep the assets you are servicing the same set of assets off a growing cost base, but asset growth is growing faster than

costs so unit costs come down. That is basically the operational leverage in an asset manager.

Question 8: Ashik Musaddi, J.P. Morgan Cazenove

Good morning, Ashik Musaddi from JP Morgan. A couple of questions. First of all with respect to the pension freedoms and the Government has proposed, is working on the consultation of changing the pension tax system from EET regime to TEE regime. If that goes through how fast can you turnover your technology to suit that needs and how do you think markets will behave in that scenario?

Secondly, Keith would you be able to give us some colour about what is happening with multi-asset other than GARS multi asset fund. So for example, I think you have 3 or more new funds within the multi asset suite other than GARS so what is going on with that? When should we expect some pick-up from those particular funds? Thank you.

Answer: Paul Matthews

Did I get the question right, so if the Government do make changes to the tax relief side, how well positioned are we? I think we are pretty well positioned actually, it depends which way they go. Because they are talking about so many different things at the moment. They are talking about how they might stop collecting, stop paying tax relief at the front and possibly giving tax free at the end. But they are also discussing whether they might do matching premiums. I mean the technology is set up. The big thing for a company is do you have the workplace employer relationships? So have you got the schemes set up? That is the biggest thing. I keep going on about this, but unless you have got the workplace schemes in place you are struggling. So we have the workplace schemes set up. What we need to do, we need to work with employers depending which way it goes. We will collect the contributions the same, the employee would then decide if he wanted to pay more to make up for the reduction in tax relief they were getting and then for a payout system we would have to work out whether we just pay that out net or gross. So I don't think we are that badly impacted whichever way it goes. The fact is we are looking after 36,000 to 37,000 employers, we have got something like 1.8 million in employees from that point of view, we will have a number of self employed. Whether they change the tax relief to us it is relevant obviously, but what you will see is people either paying more contributions but they will still consolidate the pensions and they will still look for investment solutions. I know that is a bit of a strange answer, but I think we are pretty well positioned whichever happens.

Answer: Keith Skeoch

Actually we really have I think 4 if you would, GARS extensions, there is our Absolute Return Global Bond Fund, there is the GCARS, global conservative absolute return on the John Hancock platform. There is our Global Focused Solutions which looks to deliver Libor plus about 7 and then of course the ex-Ignis ARGBS fund. The two absolute return global bond funds, we continue to see steady but moderate flow into, they were always designed to take advantage of an environment where there is a backup in duration because they look to deliver an absolute return. Obviously they have been in place for some time. We allegedly are getting nearer and nearer to the point at which interest rates back up and there is a knock-on impact on duration and I think they are very much fit for purpose. We are getting good traction with GFS Global Focused Solutions with the consultants. But at the moment flows remain modest and we are just involved in restructuring, including the hire of two key individuals for the ex-Ignis ARGBF funds, so that is something where we have seen outflows being reduced and actually seeing an inflow and it will be a key focus of attention for us over the next year or so. But I would imagine it would be 2016 before that particular fund kicks into gear and taps into the liquidity end of the absolute return market. So positive but modest contributions at the moment which I think will accelerate over the next 18 months.

Question 9: Ming Zhu Canaccord Genuity

Just one question on pricing please. I think at the full year you mention that your view on the UK retail new business the pricing was quite rigid, but as you have quite good advantage in terms of the drawdown as you mention, some of your competitors does not have that capability. But as your competitors do start to build that capability and some of them benefit from scale as emerge, what is the pricing outlook on your charges? Would you look to reduce that pricing?

And similarly on GARS I think at the full year you have mentioned that the AUA start to grow some of those multi asset managers out there they have started to reduce their fee charges on multi asset funds, but you would actually may look to increase that charges on GARS. Has that view still the same?

Answer : Paul Matthews

So there are two elements there. So on the drawdown it is quite difficult to replicate what we provide because it is not just the technology, you need to have the trained staff to do this. So I don't see huge amounts of competition at the moment. I am not being complacent, but there are not many people that can offer what we are offering. I also think the biggest thing that people want is advice with the drawdown and we package that now. So I am not seeing any pressure whatsoever on our pricing in the drawdown marketplace and nor do I envisage it for some time. The facts are we are getting more and more people ringing us, not less people.

There is a bit of pricing, but I am not sure whether it is covered in Keith's bit, because we have mentioned before about large fund discounts on platforms. When an adviser gets more assets on their platform, typically around £60 million plus, we do have a mechanism where the pricing reduces for them for what we offer. So as more advisers are getting to a scale on our Wrap platform, price does become slightly cheaper and the counter to that is, it is more sticky because they have put their entire business in many ways onto our system. So I would expect to see still more people using our Wrap more as people, particularly with the Sunset clause next year, more and more people will move away from supermarkets to a Wrap. But I think the volumes coming through will more than compensate for that.

Further answer: Keith Skeoch

There are no plans to discount GARS, period. It has been a key strength for us. Nor am I aware of anybody looking to reprice the GARS book of business. It is only where we launched a new product that we generate a new pricing point. So GARS is what it is and its price is what it is and will remain so.

Question 10: Andrew Sinclair, Bank of America Merrill Lynch

Thanks, it is Andy Sinclair from BofA Merrill Lynch. Firstly cash was up quite a bit stronger than IFRS this time around, I wonder if you could run us through what the main drivers were for this and what we should expect going forward for cash relative to IFRS growth rates?

Secondly restructuring costs I think from slide 8, elsewhere in the Group were up from £27 million to £45 million. I just wondered if you could walk us through the main elements of this and what we can expect going forward?

And finally on auto enrolment, I just wondered if you could give us an idea of the average contribution levels for auto enrolment customers as things stand? I understand it is going to be going up with minimums increasing, but if you could give us an idea of how much?

Answer: Luke Savage
So the cash generation on underlying performance up at £223 million, does not pick up one or two non cash items that are going through in IFRS profits. So for example some of the non operating charges out in Asia. And that is the main driver of the difference. On the restructuring costs, as well as Ignis we had things like some Solvency II costs going through, some UK restructuring costs and Group restructuring costs. There is a whole bag of bits and bobs which in combination helped to drive down our ongoing run rate of costs across the Group.

Further question: Andrew Sinclair
And what should we expect for restructuring costs going forward?

Answer: Luke Savage
We would expect to see restructuring costs going forward for some of the technology work Paul referenced that makes us more efficient in the UK business kicks in, but would expect to be able to continue to make the platform more efficient and take out bodies.

Answer: Paul Matthews
So auto enrolment. I will give you what we do online which is the smaller schemes and then I will give you the non small schemes. So Good to Go, which is our automated system where people go on automatically, you are looking at around £75 per month on average and that will go up to around £170 per month as they go through the scale into 8%. I am assuming no extra contributions from the individual members. And on the ones that are not Good to Go, on the ones we have done non system related totally you are talking £130 a month on average and again that will go up. I haven't got the figure of what that goes up to but they are the main numbers.

Question 11: Ravi Tanna, Goldman Sachs
Thanks very much. It is Ravi Tanna from Goldman Sachs, just two questions please. One was going back to the tax relief on pensions and the EET versus TEE, I just wanted to get a sense of whether you had a strong position on this? One of your peers has talked about actively lobbying against or rather being opposed to the change to a TEE system. Clearly you have said you are well set up and positioned regardless of the outcome, but I am wondering what are your preferences or what is your position on the issue?

And the second one was on financial advice space and perhaps you can give us a little bit of an update on 1825 and what your early impressions of that market have been?

Answer: Paul Matthews
I don't think we have a strong position because the Government will decide what they want to do. I think it seems more likely they will tinker with the tax relief and move away from higher rate tax, but I don't want to pre-judge that. So if you take the average contributions I just went through. So our average customers probably in a workplace scheme probably putting £130 a month in or whatever, so take auto enrolment per say that is probably going to continue to go through until 2018 so we are probably if not the best, we must be one of the best positioned to pick up the workplace environment. I can't see the Government tinkering with that. They have

just spend a huge amount of time. So we are very well positioned for that and it is worth remembering the stats I have just given of what it will move up to in contributions, virtually 90% of Good to Go schemes go totally to Standard Life Investments. So we are picking up all those customers, new customers and that is nearly a million customers over a 5 year period.

But if you take the rest of our business aside, our business is run on consolidated assets already in the system. So regardless of what the Government does on new tax relief, the amount of money you are talking about is, 30 million consumers in the UK with about a trillion pounds of assets. You have got 1.4 trillion in DC assets already there. We are a consolidation business predominantly, we are seeing more companies move their schemes to us and we are seeing more IFAs move their customers' assets to us. And as a result of that we are moving more assets to Keith's business. So 25% of all our Wrap assets, it is still the fastest growing of Wrap in the UK today with net new assets onto it and 25% goes into Keith. So I can't think of a single business that is in that position of having the two entities.

If you add 1825, your last point in your question, we're building advice, we are building that slowly in many ways of acquiring advisers, but we have our Academy going now so I suppose we are on plan. Our aim was to have around 150 advisers and I think by the end of next year we will be well on our way to being there, both internally and externally of acquiring people. We have a pent up demand which we are now supplying online as well as phone. And the thing we are still wanting to do is more face to face, but to be fair we have a lot of IFAs out there we are working with that can still take capacity, but we will add to that capacity with the size of our 1825 over the next 12 to 18 months

Question 12: Barrie Cornes - Panmure Gordon
Hello, it is Barrie Cornes from Panmure Gordon. A couple of questions, they are linked. First of all the outlook for consolidation among asset managers and what your views are there and whether or not Solvency II will impact on your ability to take part in any M&A in that space please?

Answer: Keith Skeoch
We are primarily an organic business, we have grown very, very strongly through the delivery of investment content and investment performance. Obviously we took on board Ignis which we very much saw as a bolt-on acquisition, a very special bolt on acquisition in so far as it topped up some capacity we had on running life book money. There were some skill sets we thought were attractive for building our liability aware business and the financial case spoke for itself. So you know we continue to look but our acquisition criteria are very, very high. We will primarily build the business through organic growth.

David Nish
Before coming to you Gordon there was another question that Greig had online, but I think we answered it which was around the implications of pensions tax relief. I think the last answer dealt with that. Gordon you had your hand up again.

Question 13: Gordon Aitken – Royal Bank of Canada
I would just like to wish David all the best for the rest of your career. I mean you have transitioned Standard Life over the last 6 years and over 9 years since you have been there from an insurance company to an asset managing Group and I think most people would agree that M&A you have done over the years has been exceptional.

On a personal basis, you were my boss at the time I was at Standard Life and I thoroughly enjoyed working with you. So good luck for the future.

David Nish
Thank you very much Gordon, that is really kind and as I say I used the words and Keith used it as well, about privilege. And one of the things just a little if you forgive me for just two seconds. There was something that Keith and I managed to do on Thursday night, we had a Board dinner and I managed to really pass the baton to Keith. It was something Sandy Crombie left to me on 1st January 2010 when I took over. He left a relay baton on my desk and I was really pleased to be able to pass it on to Keith the other night because it has been great working with him. And in many ways to me that signifies when you do run a company it is all about thinking about it like a relay race. It is all about how do you get the whole team around? It is not about the individual leg, it is about the whole of the business. So thank you Gordon.

Are there any other last questions?

Great, thank you very much.

End of Presentation