

Preliminary Results 2010

10 March 2011

Standard Life 

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Strong operating performance and increased investment delivering profitable growth

David Nish
Chief Executive

Standard Life 

Our strategy

Our goal

Driving shareholder value through being a leading, customer-centric business focused on long-term savings and investment propositions in our chosen markets

Delivered through

Trusted brand

Technology and innovation

Customer insight, access and service capability

Superior investment performance

Driving a material increase in cash profitability

Operational and financial highlights

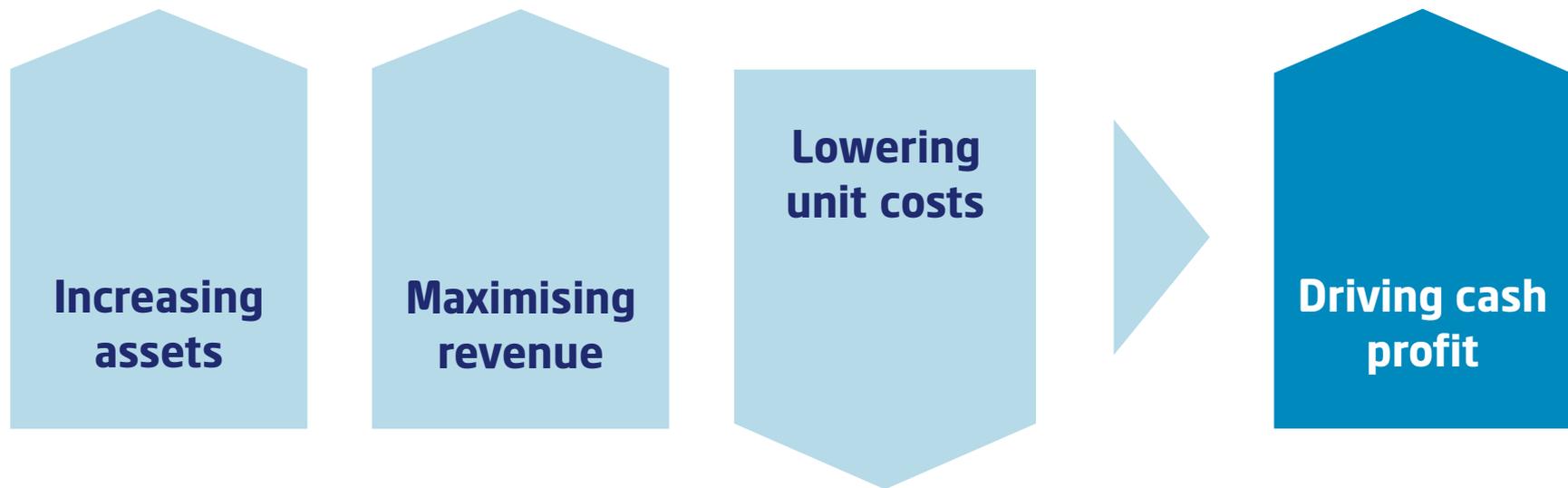
Jackie Hunt
Chief Financial Officer

Standard Life 

What we set out to achieve in 2010

- ▶ **Transform how we operate**
- ▶ **Invest for growth**
- ▶ **Focus our portfolio**
- ▶ **Drive business performance**
- ▶ **Deliver financial results**

How we generate profit



Driving cash returns to support a progressive dividend

Financial highlights

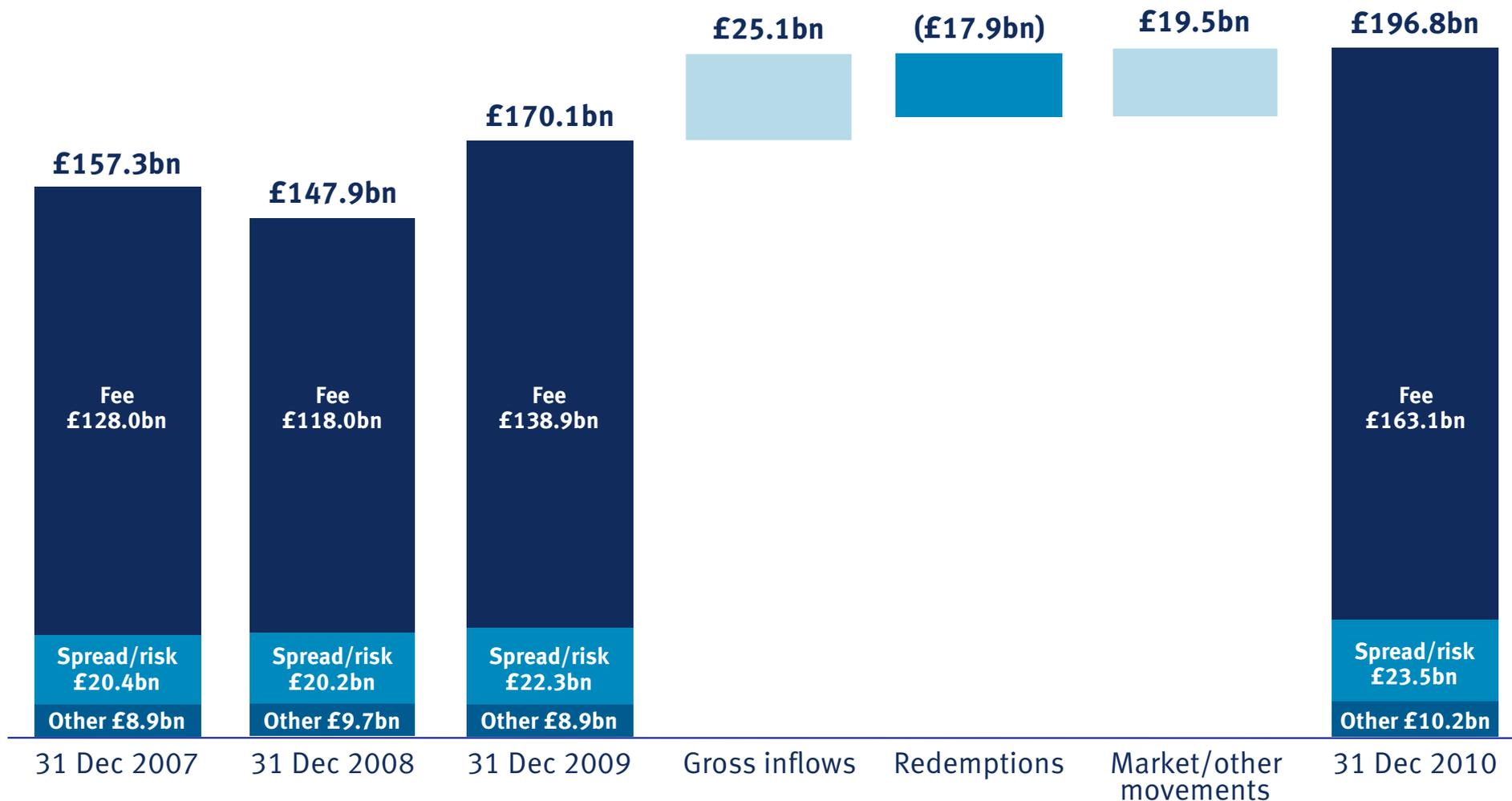
	2010	2009
Assets under administration	£196.8bn	£170.1bn
Long-term savings net flows	£4.7bn	£2.7bn
Investment management third party net flows¹	£7.3bn	£4.8bn
IFRS operating profit before tax²	£425m	£399m
Growth investment spend³	£201m	£128m
EEV core capital and cash generation after tax	£289m	£307m
EEV core operating profit before tax	£629m	£509m
Embedded value per share	322p	288p
Dividend per share	13.00p	12.24p

¹ Excluding UK money market and India cash funds.

² IFRS operating profit in 2010 includes £59m benefit arising from a change in the basis of future pension increases in the UK staff pension scheme and releases of UK deferred annuity reserves of £5m (2009: £63m).

³ Of the £201m growth investment spend incurred in 2010, £149m has been expensed through IFRS operating profit.

Assets under administration



Strong net inflows and rising markets driving 16% increase in AUA

UK business highlights

Fee AUA

up 15% to £98.6bn

Fee Net Flows

more than doubled to
£3.6bn

Fee Revenue

up 19% to £593m

New Business IRR

up from 16% to 18%

IFRS operating profit up 5% to £234m

Investment spend included in operating profit almost doubled to £61m (total spend up 161% to £94m)

**“Take to Market”
focus**

**Exciting new
propositions
launched**

**Record corporate
pension scheme wins**

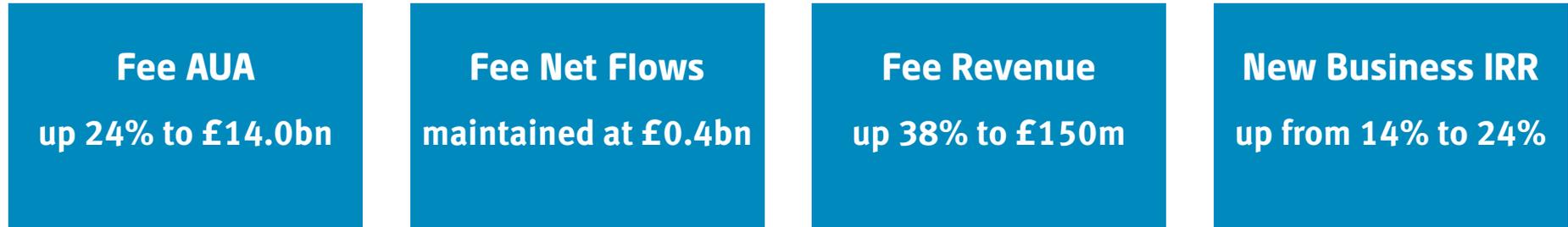
**Acquisitions
accelerating
strategic delivery**

**Over 107,000
SIPP customers**

**32 new Vebnet
clients: 108,000
employees**

Delivering innovative propositions, increased fee revenues and profits

Canada business highlights



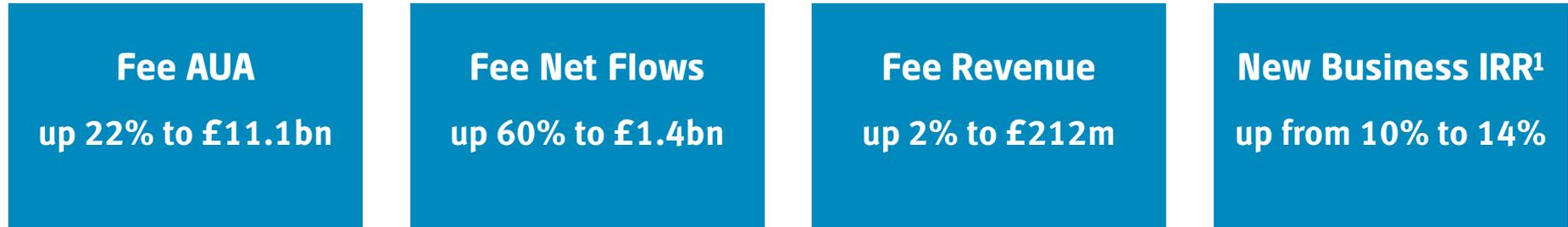
IFRS operating profit maintained at £110m (2009: £113m)
Investment spend included in operating profit up 17% to £35m



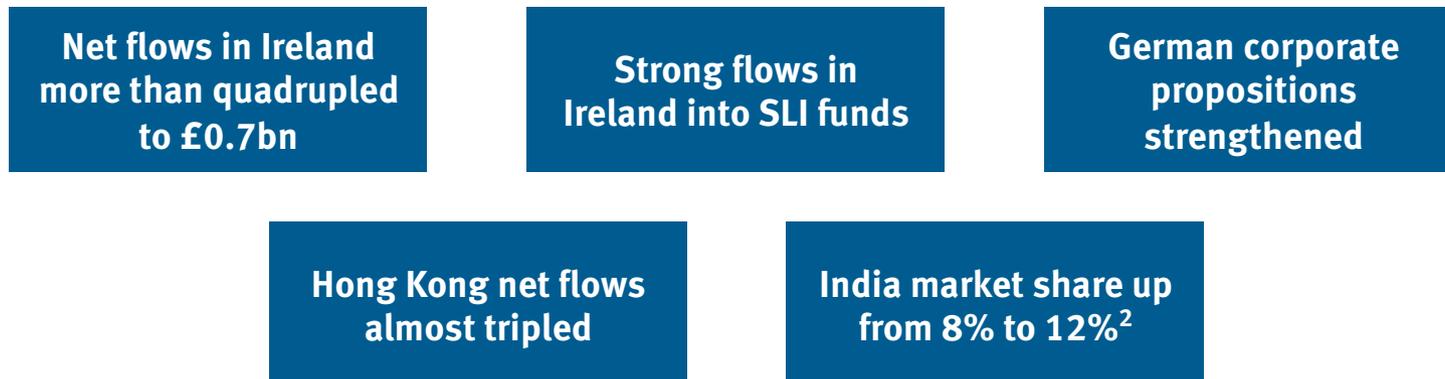
¹ Based on sales.

Increased market share, strong returns and fee revenue

International business highlights



IFRS operating profit¹ lower at £15m (2009: £23m)
Investment spend included in operating profit £2m lower at £15m



¹ Includes joint ventures.

² Share of private market sales in year to 31 December 2010.

Strong growth in net flows leading to increased market shares

Standard Life Investments business highlights

Third Party AUM
up 26% to £71.6bn

Net Flows¹
up 50% to £7.3bn

Third Party Revenue
up 27% to £223m

Revenue bps
up from 34bps
to 35bps

IFRS operating profit up 41% to £103m
Investment spend included in operating profit up 36% to £34m

**Strong investment
performance**

**Expansion of
alternatives capability**

**Strategic alliance
with Chuo Mitsui
of Japan**

**Third party wholesale
now 12% of total AUM
(up from 8%)**

**Continuing success of
fixed income and
GARS**

**Fastest growing and
second largest mutual
fund company in India**

¹ Excluding UK money market and India cash funds.

Strong growth in higher margin offerings

Fee business revenue

	2010			2009		
	Average AUA ¹	Revenue	Revenue	Average AUA ¹	Revenue	Revenue
	£bn	bps	£m	£bn	bps	£m
UK ²	90.6	77	593	77.0	75	498
Canada	12.5	118	150	9.9	116	109
International	10.0	212	212	8.4	248	208
Standard Life Investments ³	64.6	35	223	50.6	34	176
Eliminations/adjustments	(27.6)	-	(47)	(21.2)	-	(19)
Total fee based	150.1		1,131	124.7		972

¹ Average 2009 AUA based on average of closing quarterly AUA data. Average 2010 AUA based on average of monthly AUA data.

² bps figure excludes CWP, TIP business as well as surrender penalties received on special bond deals in 2009.

³ Average AUA and revenue relate to third party mandates, bps figure excludes impact of associate.

- ▶ Strong growth in fee based propositions across all key markets
- ▶ Revenue basis points reflect the capital-lite nature of our business
- ▶ Revenue basis points are a factor of product and business mix

Strong growth in AUA driving increased revenue

Spread/risk business margin

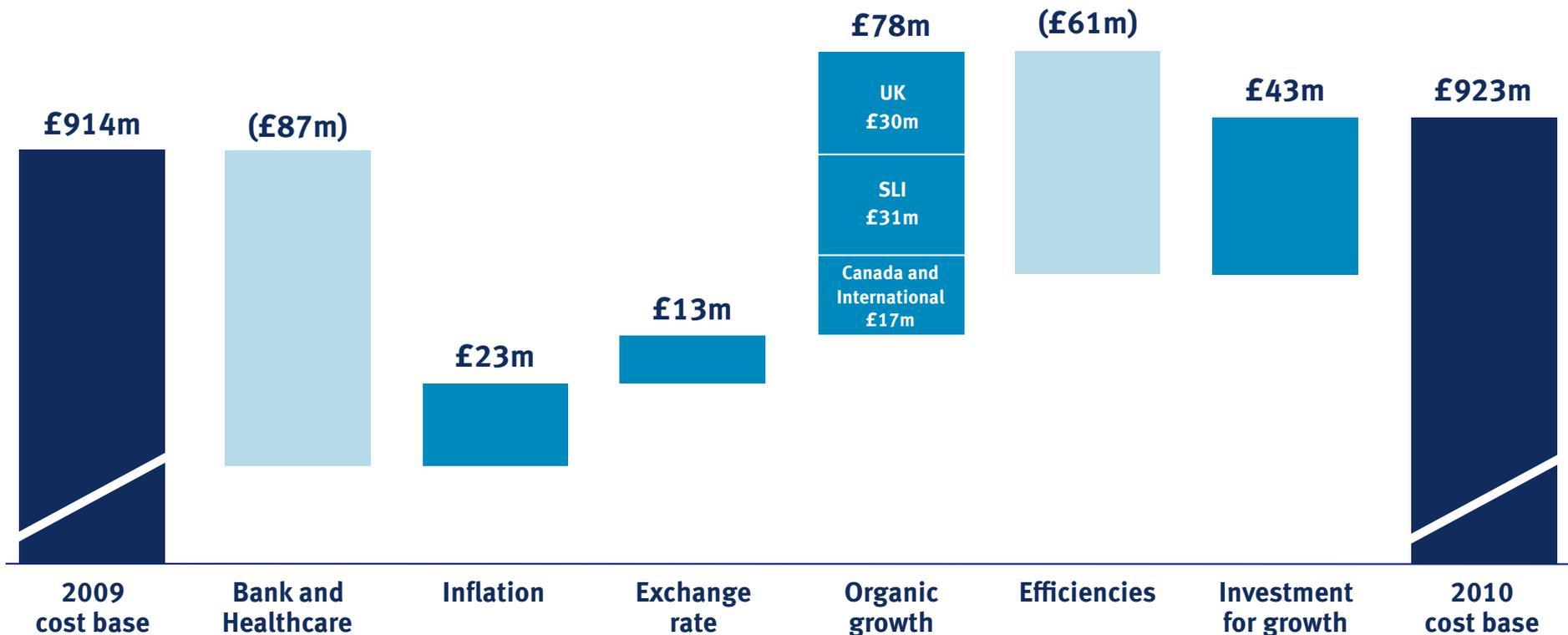
	UK		Canada		Total	
	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m
New business	60	70	10	15	70	85
Existing business	58	83	225	240	283	323
	118	153	235	255	353	408
Ongoing review of UK deferred annuity data	5	63	-	-	5	63
Operating assumption and one-off reserving changes	25	24	(13)	(34)	12	(10)
Spread/risk margin	148	240	222	221	370	461

Operating profit is driven by:

- ▶ Market conditions and pricing which ensures adequate reward for risk (leading to day one profits on UK immediate annuities)
- ▶ Deferred annuities and pension back book provide a flow of immediate annuity business
- ▶ Back book management

Spread/risk margin reduced due to lower reserve releases and volumes

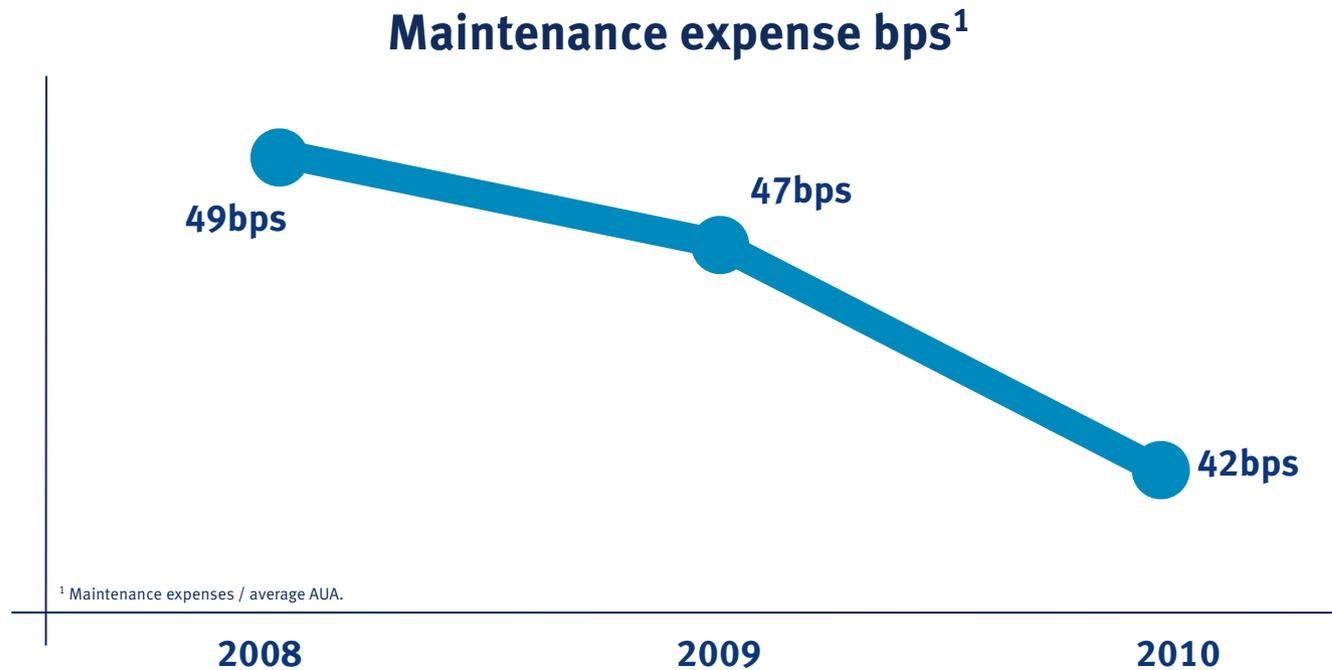
Continuing to drive for efficiency



- ▶ Remaining £27m of the previous efficiency target of £75m achieved in H1
- ▶ £34m of efficiencies achieved towards £100m target for 2012

On track to deliver improved margins

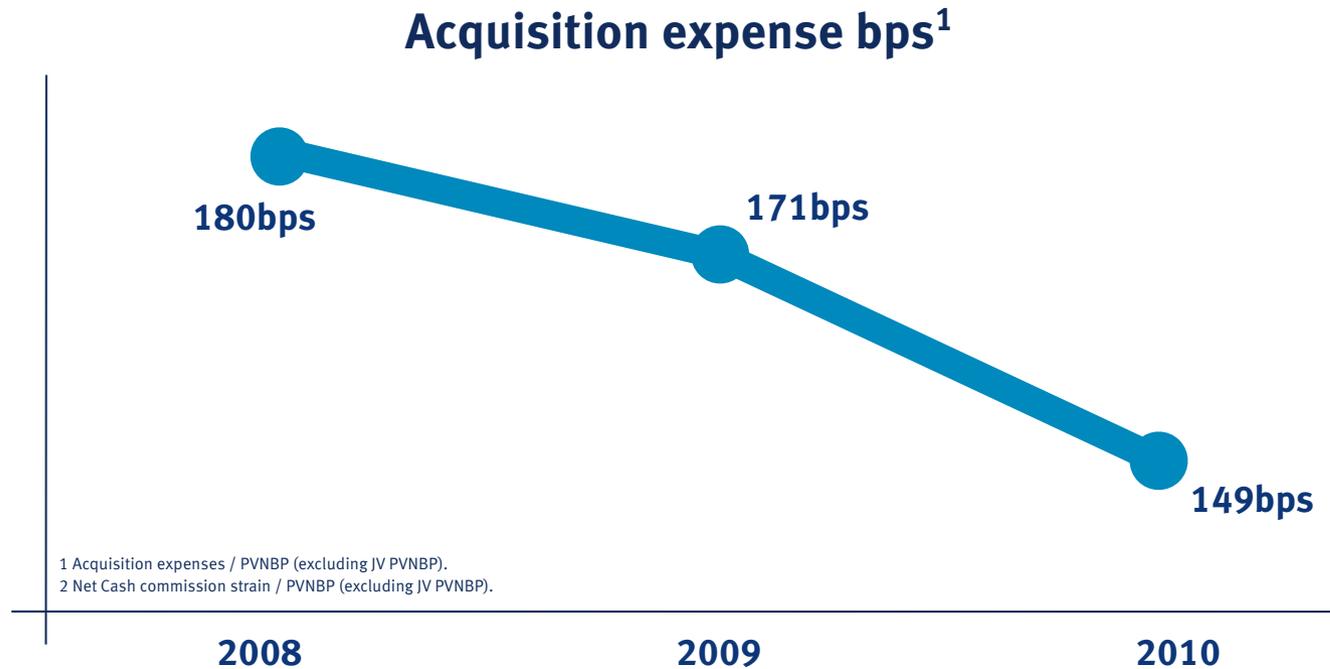
Benefits of our scalable business model with more to come



- ▶ Benefits driven by technological innovation and economies of scale
- ▶ Platform based propositions support efficiency

Scale leverage driving margin improvement

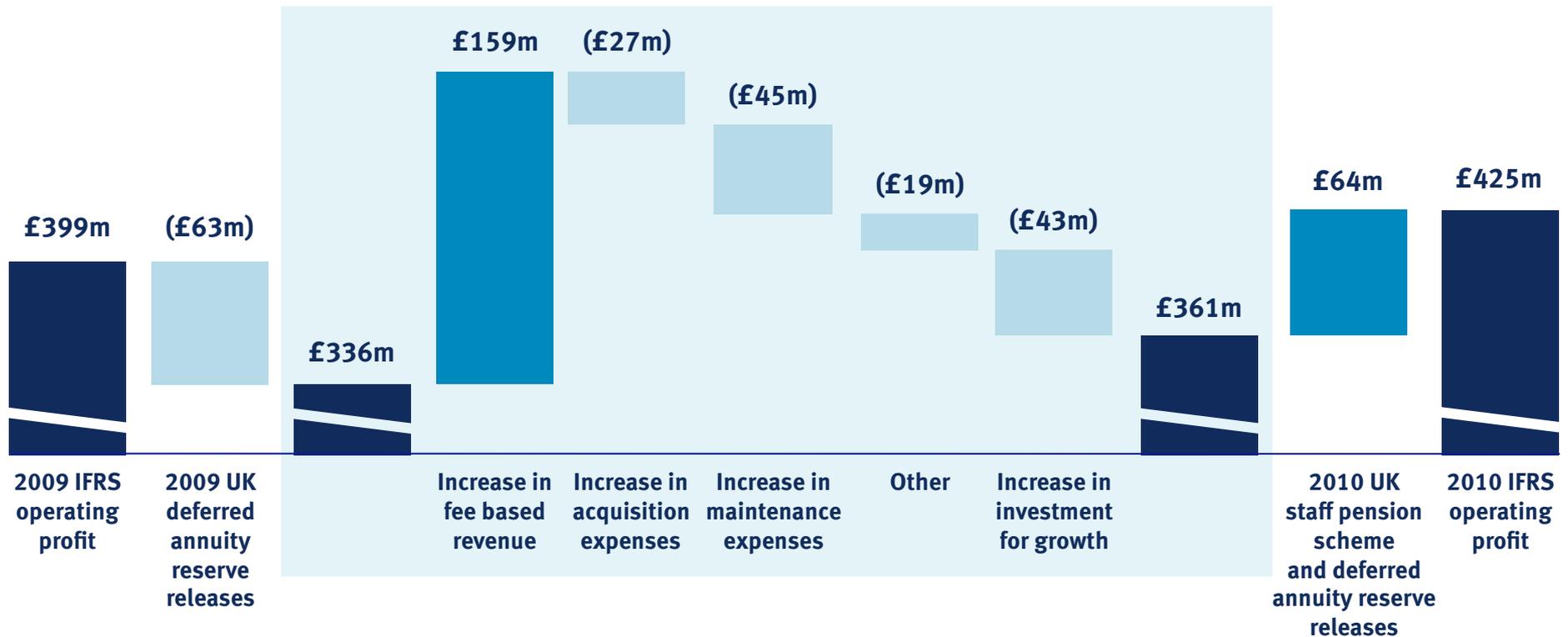
Capital-lite model lowering unit cost of new business



- ▶ Large proportion of acquisition expenses is fixed
- ▶ Net cash commission strain down from £203m in 2008 to £124m in 2010 (cash commission bps² down from 13.3bps in 2008 to 6.9bps in 2010)

Scale leverage driving margin improvement

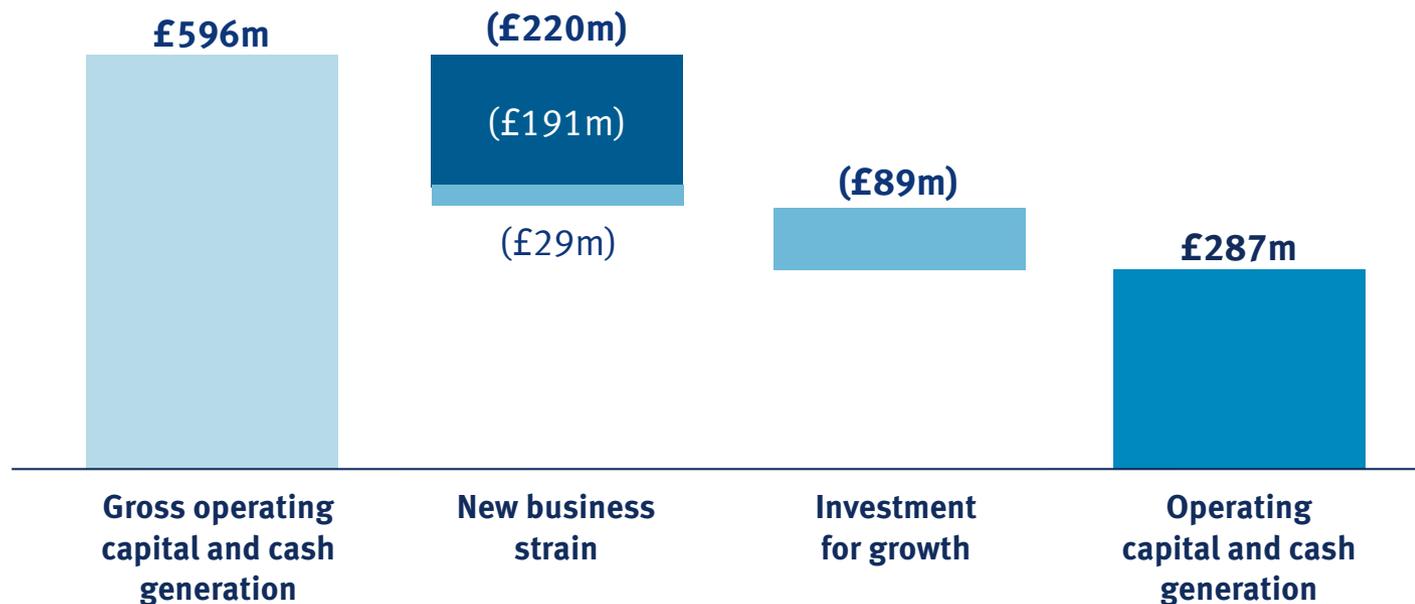
IFRS operating profit



- ▶ Increase in fee based revenue driven by net flows and growth in markets
- ▶ Expenses have been impacted by organic growth, efficiencies, foreign exchange as well as variable employee compensation within Standard Life Investments

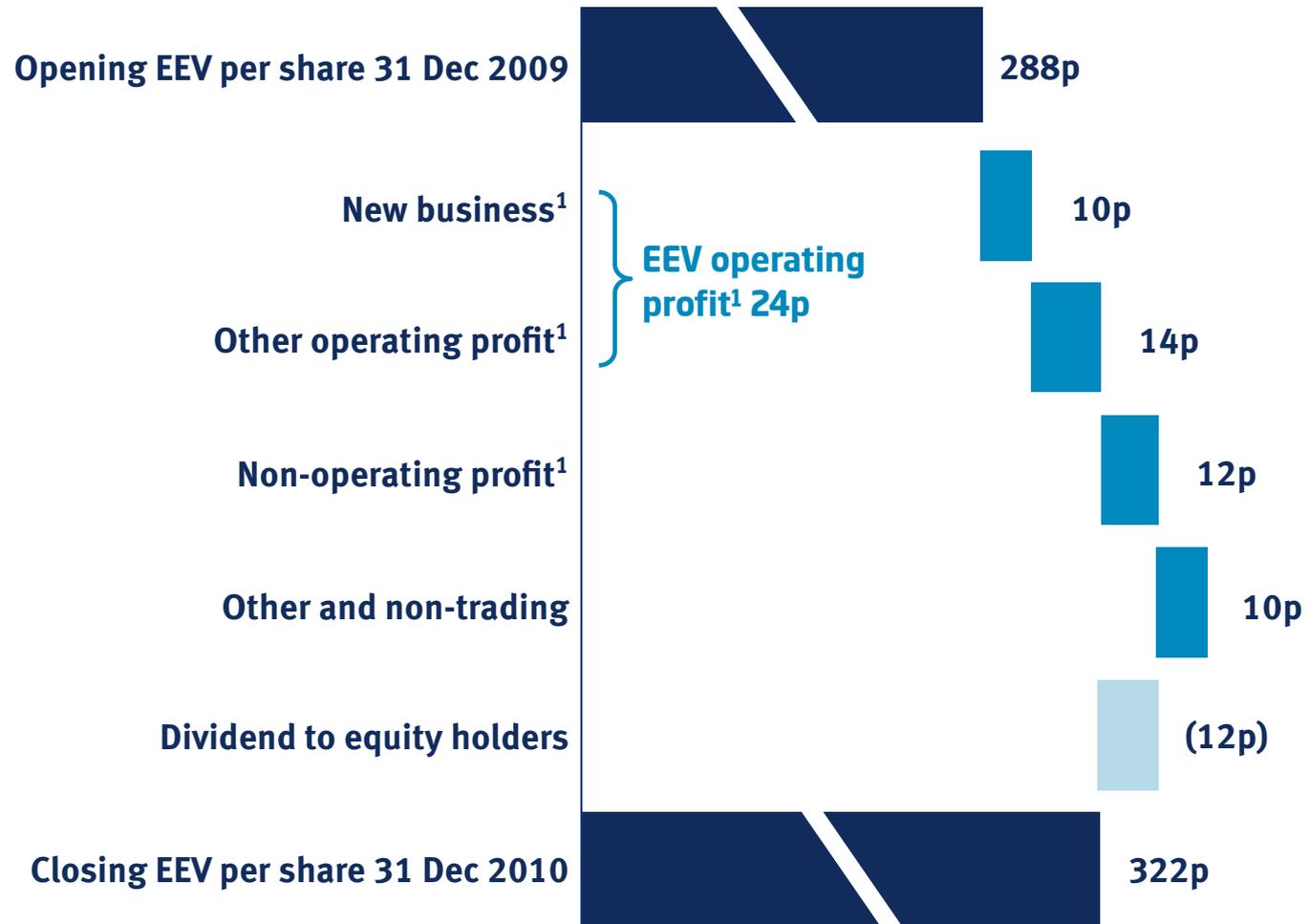
Increased operating profit and investing for growth

Group EEV capital and cash generation and utilisation FY 2010



Generating cash to invest and support progressive dividend

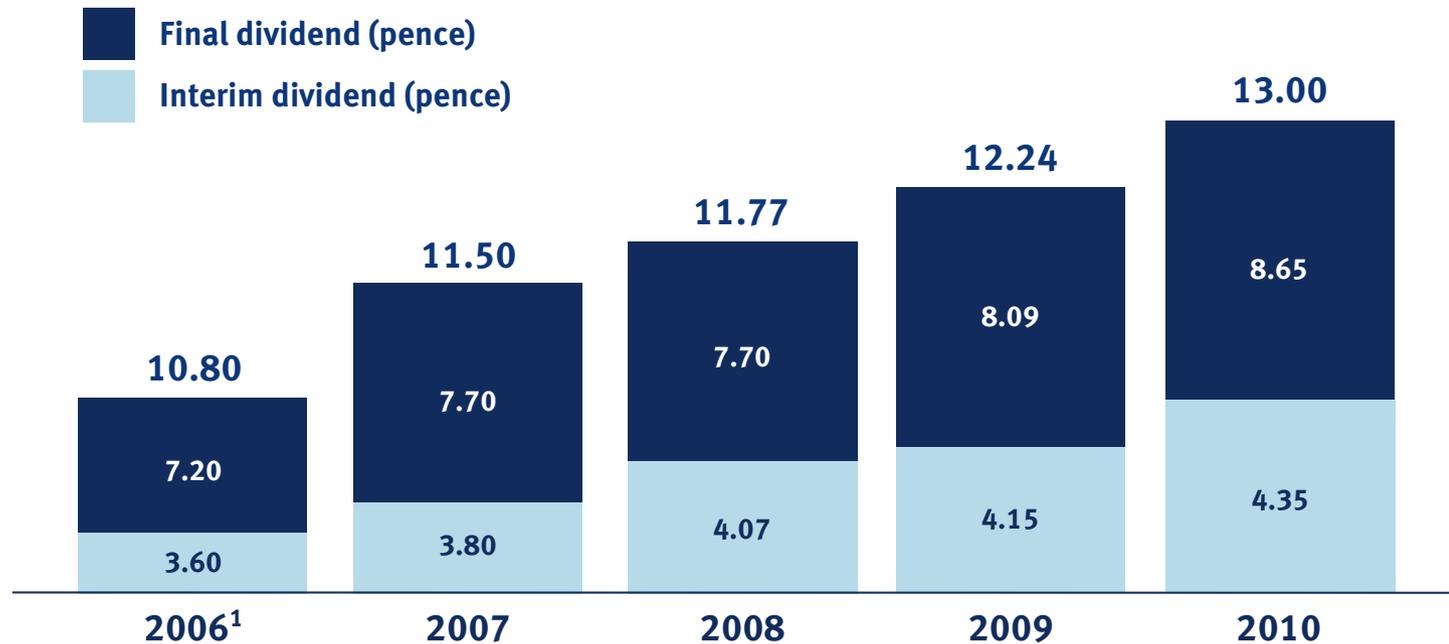
Movement in embedded value per share



¹ Net of tax.

12% increase in embedded value per share to 322p

Continued dividend growth



¹ Applying our dividend policy to the dividend announced in the 2006 Preliminary Results.

- ▶ Five years of continued dividend growth
- ▶ Final dividend of 8.65p
- ▶ Growth in full year dividend of 6.2% to 13.00p

We remain focused on delivering a progressive dividend

What we have achieved in 2010

Transform how we operate

- ▶ Structural and leadership change
- ▶ Efficiencies of £61m achieved

Invest for growth

- ▶ Exciting new propositions launched – **Lifelens**, MyFolio

Focus our portfolio

- ▶ Sale of Bank and Healthcare
- ▶ Acquisitions strengthening our capabilities in our chosen markets

Drive business performance

- ▶ Positive net flows and profitable AUA growth across our chosen markets
- ▶ Record third party AUM at Standard Life Investments

Deliver financial results

- ▶ 7% increase in IFRS operating profit while investing for growth
- ▶ Dividend growth of 6.2% to 13.00p

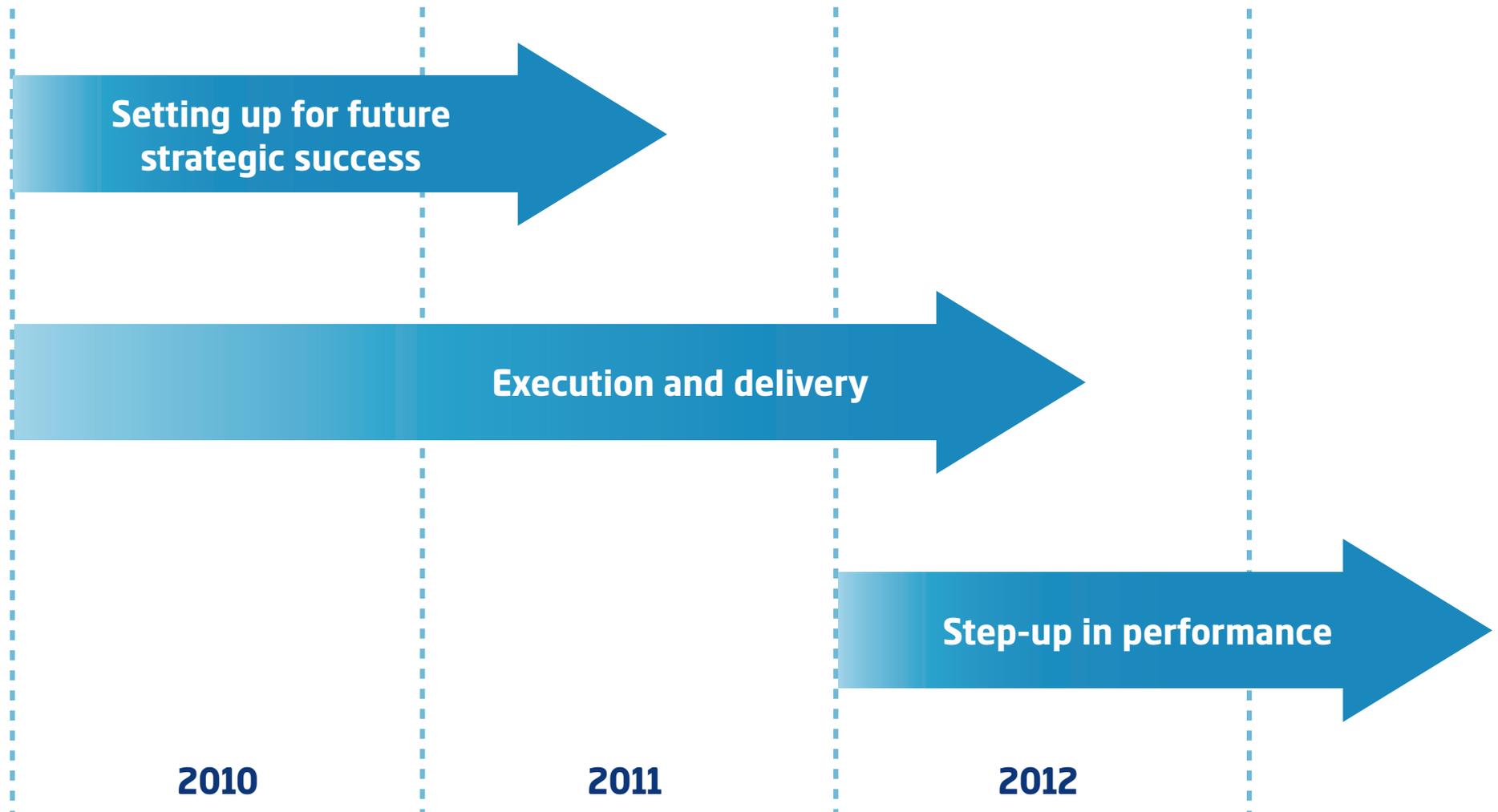
Strong operating and financial performance

Delivering on our strategy

David Nish
Chief Executive

Standard Life 

Delivering improved performance



A three year transformation

Strongly placed to take advantage of market changes

United Kingdom regulation

- ▶ RDR creates new opportunities and is consistent with our strategy of putting customers at the heart of our business
- ▶ Auto enrolment and NEST focuses on needs of employers and employees
- ▶ End of compulsory annuitisation plays to our strengths in alternative retirement income propositions

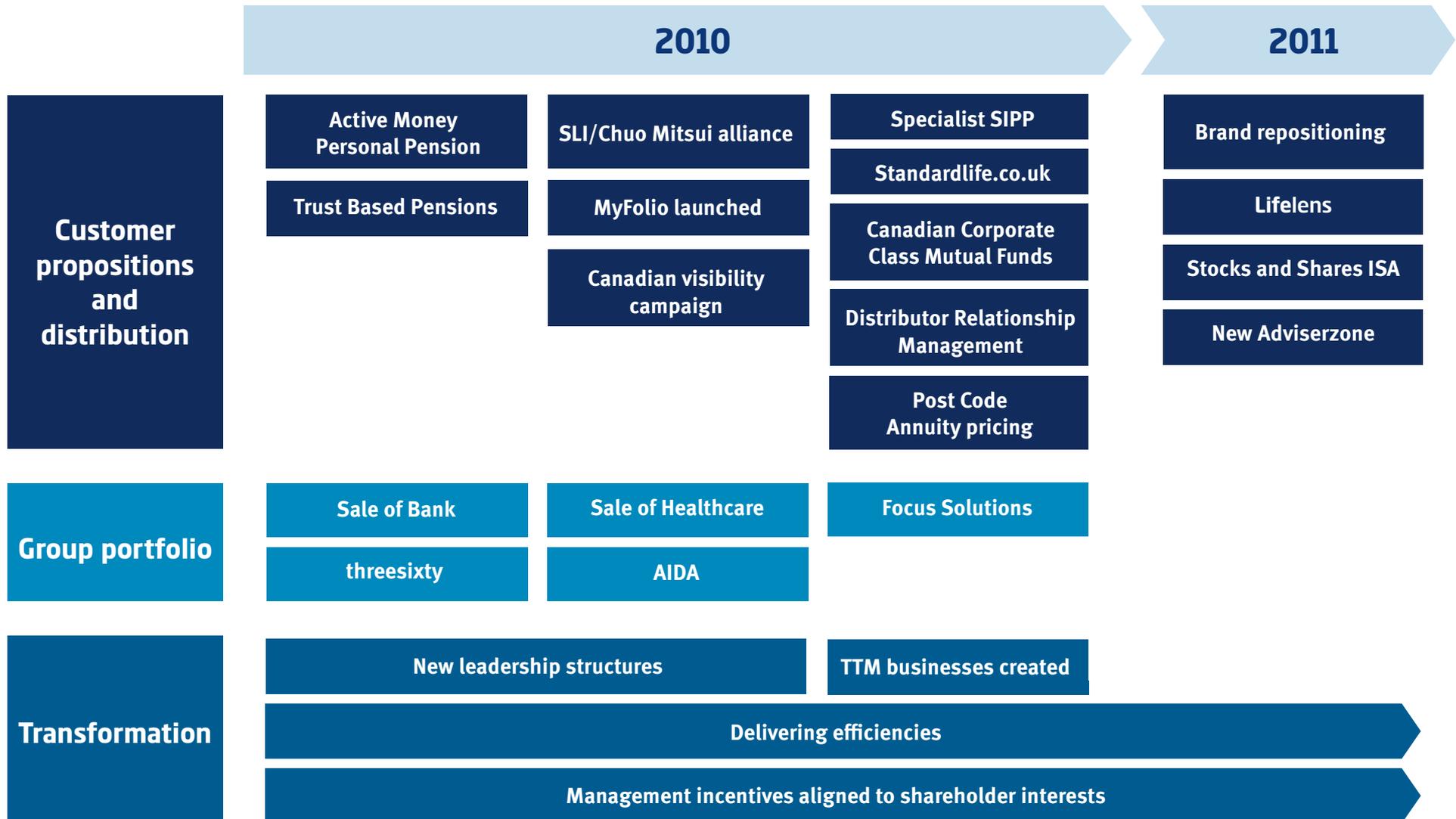
International regulation

- ▶ Solvency 2 less onerous for capital-lite businesses
- ▶ Canadian Pooled Registered Pension Plans (similar to UK NEST) driving pension market changes
- ▶ Indian regulatory change causing short-term disruption but positive for long-term market development

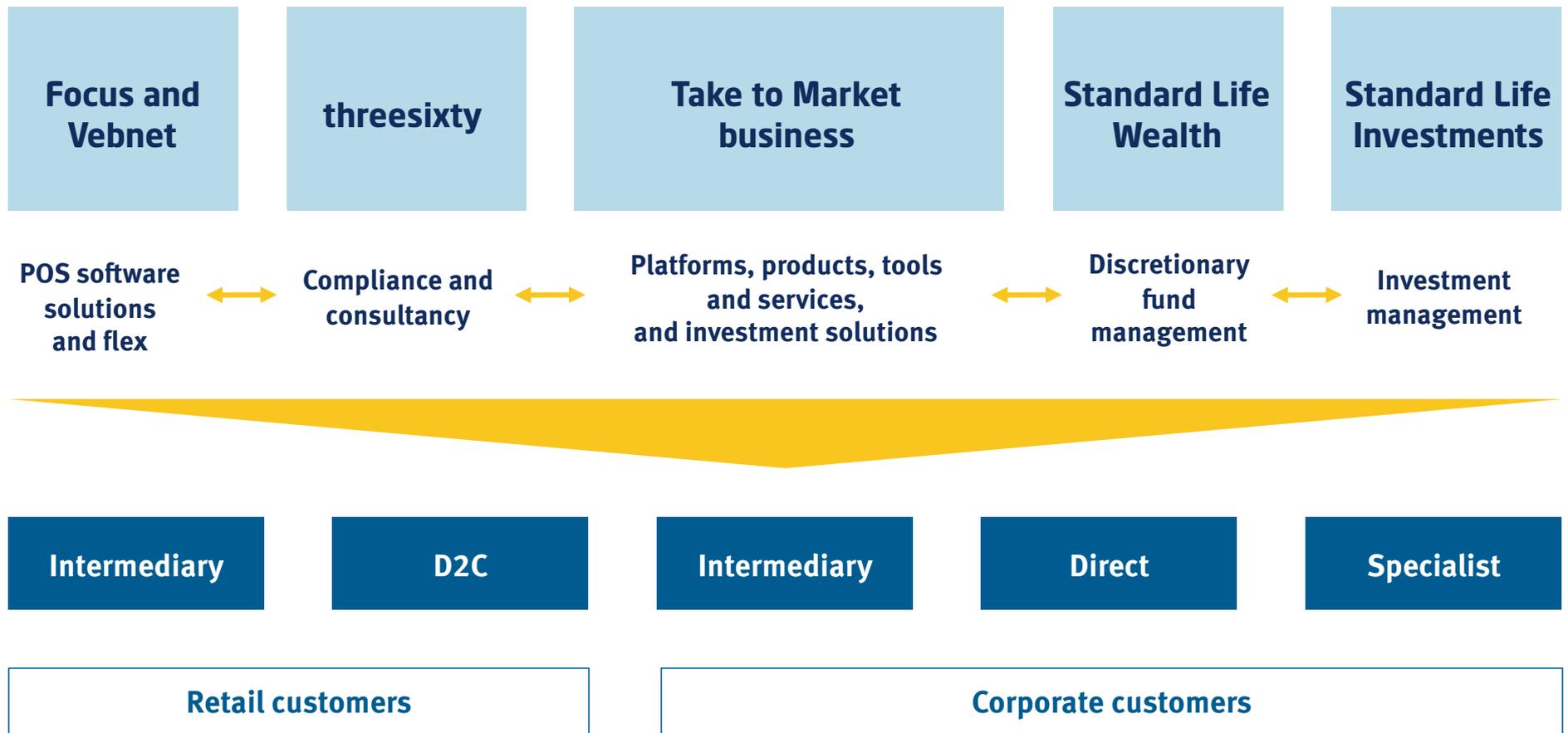
Wider economy

- ▶ Confidence in global stock markets returning
- ▶ Taxation changes and low interest rate driving demand for equity investments
- ▶ Higher personal savings rates and debt de-leveraging

Delivery momentum is strong



Standard Life - leading the UK market



Strong strategic position

Growth example - Lifelens targets demand for auto enrolment

Lifelens
by Standard Life

Log in

It's your money - make it work for you
Bring your future into focus, with the tools and knowledge you need to take control of your money.

Sign in

User ID

Password

Login ▶

▶ [Forgotten your password?](#)
▶ [Not received your sign in details?](#)

What is Lifelens? Why use Lifelens? How do I start?

Lifelens lets you manage your money the easy way

You can:

- See what you might get from your company pension plan - and how to get the most from it
- Learn about managing your money
- Select and manage your company benefits
- Use our online tools to help you plan ahead and get what you want from life

Standard Life

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- ▶ Unique solution for changing employer and employee needs
- ▶ Pensions, long-term savings, investments and flexible benefits – all on one platform
- ▶ Gives employees control with information, guidance and solutions
- ▶ Employers can integrate with their HR and financial systems
- ▶ Auto enrolment ready
- ▶ Strengthens relationships with individual employees
- ▶ Ten leading Corporates going live in 2011

Growth example - driving greater value from our wholesale investment capabilities

Valuable part of the Group's business

- ▶ Top 3 position in UK wholesale market¹
- ▶ Third party wholesale AUM £18.6bn up 35% on 2009
- ▶ Core to Group's Investment Solutions offering – MyFolio
- ▶ Gross flows through Group distribution channels more than doubled in 2010

Strong third party market presence

- ▶ One of the leading providers with key UK platforms
- ▶ Top selling fund for 2010 on Fidelity Funds Network (GARS)
- ▶ UK Smaller Companies 42% sector share of sales in 2010

Actively supporting our partners going forward

- ▶ Increasing the number of global distribution agreements
- ▶ Working with banks, intermediaries and fund of fund managers
- ▶ Supporting platform providers to be ready for RDR

¹ SLI/SLTM combined.

Disciplined investing for growth

Building on our strength in our pension savings and Corporate benefits markets

- ▶ Trust based pensions additional capabilities
- ▶ Bespoke 'blended funds' with access to higher margin funds
- ▶ Enhanced lifestyle profiling for employees nearing retirement
- ▶ Next Generation Canadian VIP Room building on **Lifelens**

Focusing on the savings and investment needs of customers in our chosen Retail segments

- ▶ Enhanced Wrap offering for more intermediaries
- ▶ Redevelopment of FundZone mutual fund supermarket
- ▶ International bond new features
- ▶ Guaranteed Lifetime Withdrawal Benefit for Canadian retail customers
- ▶ Driving exceptional intermediary experience via Adviserzone

Expanding the global reach of our investment management business

- ▶ Extension of GARS platform
- ▶ Strengthened alternatives – private equity, European property
- ▶ Global diversification – high yield bonds, global smaller companies
- ▶ Wholesale platform growth

Investing £200m in 2011 to deliver a step-up in performance

Driving value from a position of strategic strength

Unprecedented opportunity for growth

- ▶ Customer-centric strategy focused on long-term savings and investments
- ▶ Strategically positioned to benefit from positive trends in all core market
- ▶ Leading the savings and investments market in the UK

Take to market businesses

- ▶ Strategy is broadening our sources of value
- ▶ Our investment in corporate, retail and direct propositions will drive significant asset growth and increased margins

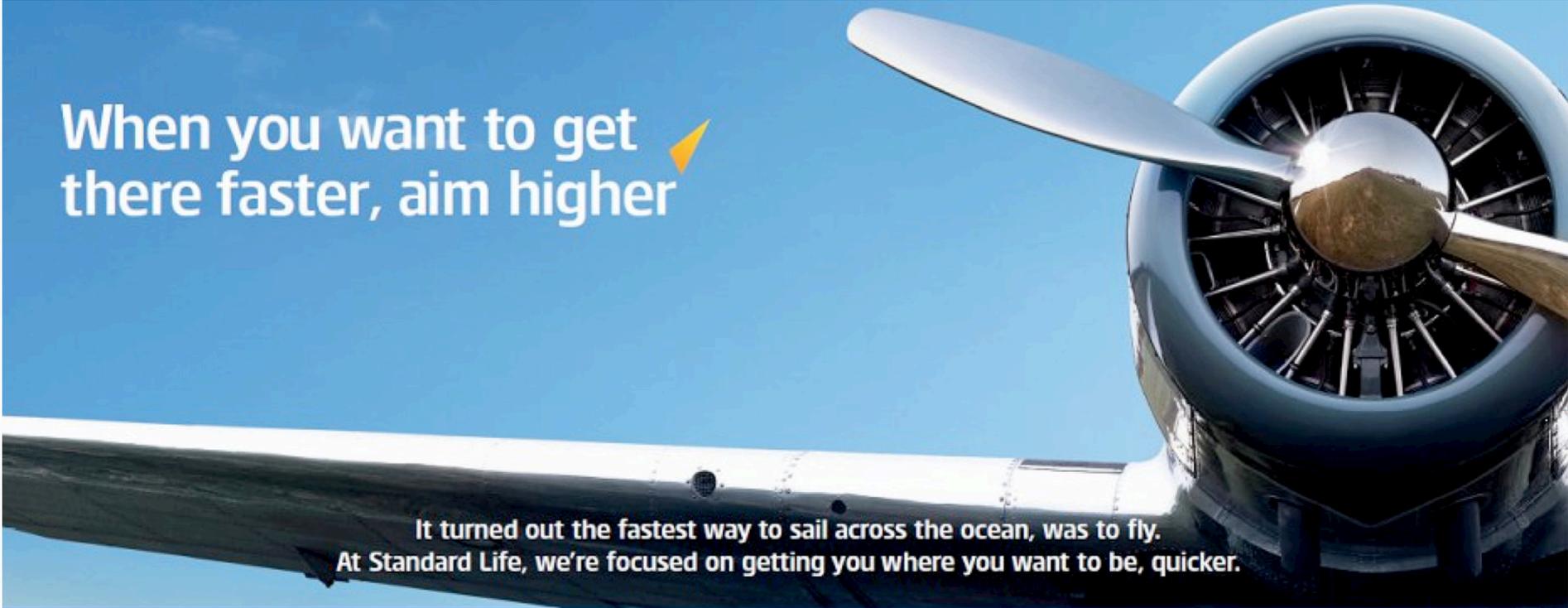
Standard Life Investments

- ▶ Anticipating client needs and culture of innovation driving growth
- ▶ Strong strategic positions, broad product range and geographical reach
- ▶ Disciplined management of cost base

Capital and cash generation and profit drivers

- ▶ Strong and predictable cash generation
- ▶ Increased growth investment based on strict return criteria
- ▶ Delivering a progressive dividend

Driving a material increase in cash profitability



When you want to get
there faster, aim higher

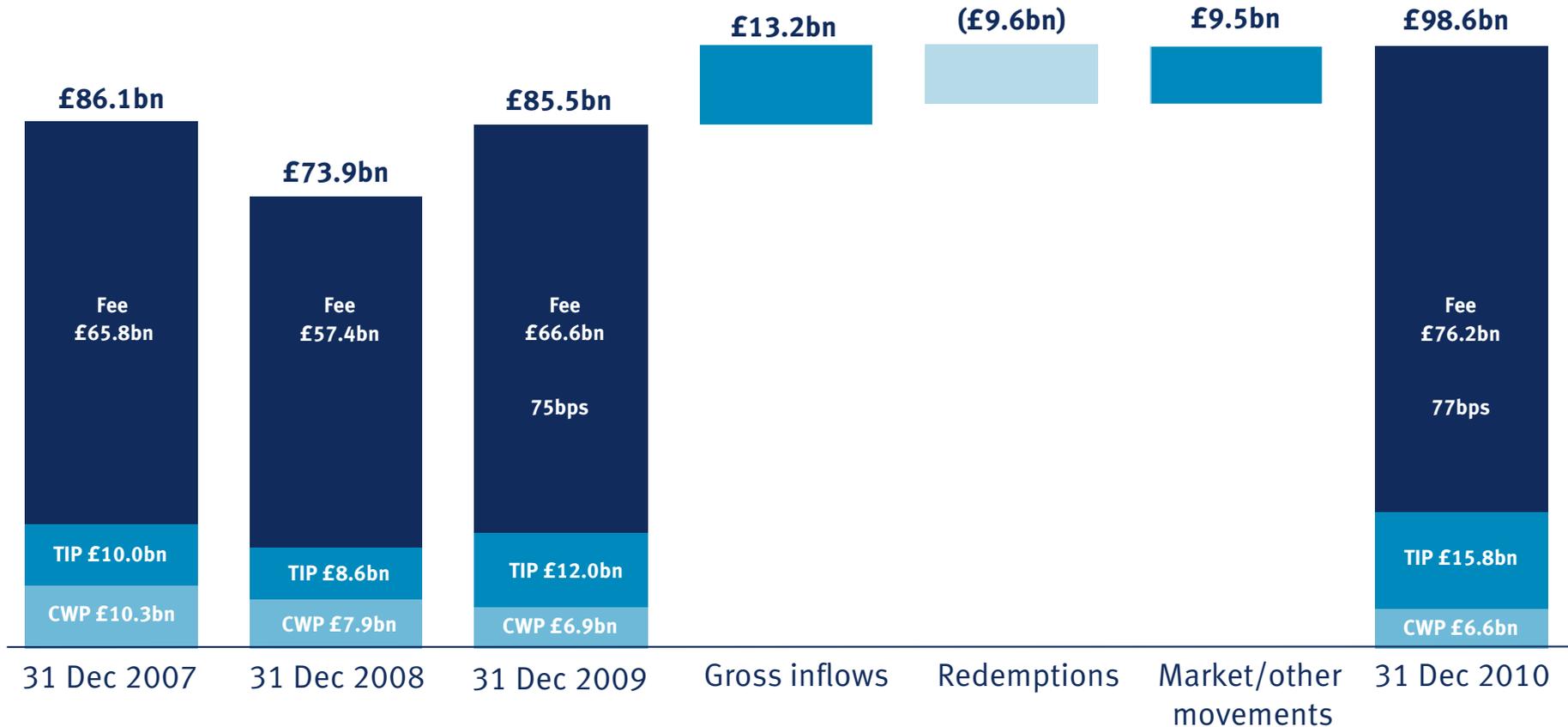
It turned out the fastest way to sail across the ocean, was to fly.
At Standard Life, we're focused on getting you where you want to be, quicker.

Standard Life
The Way Forward

Appendix

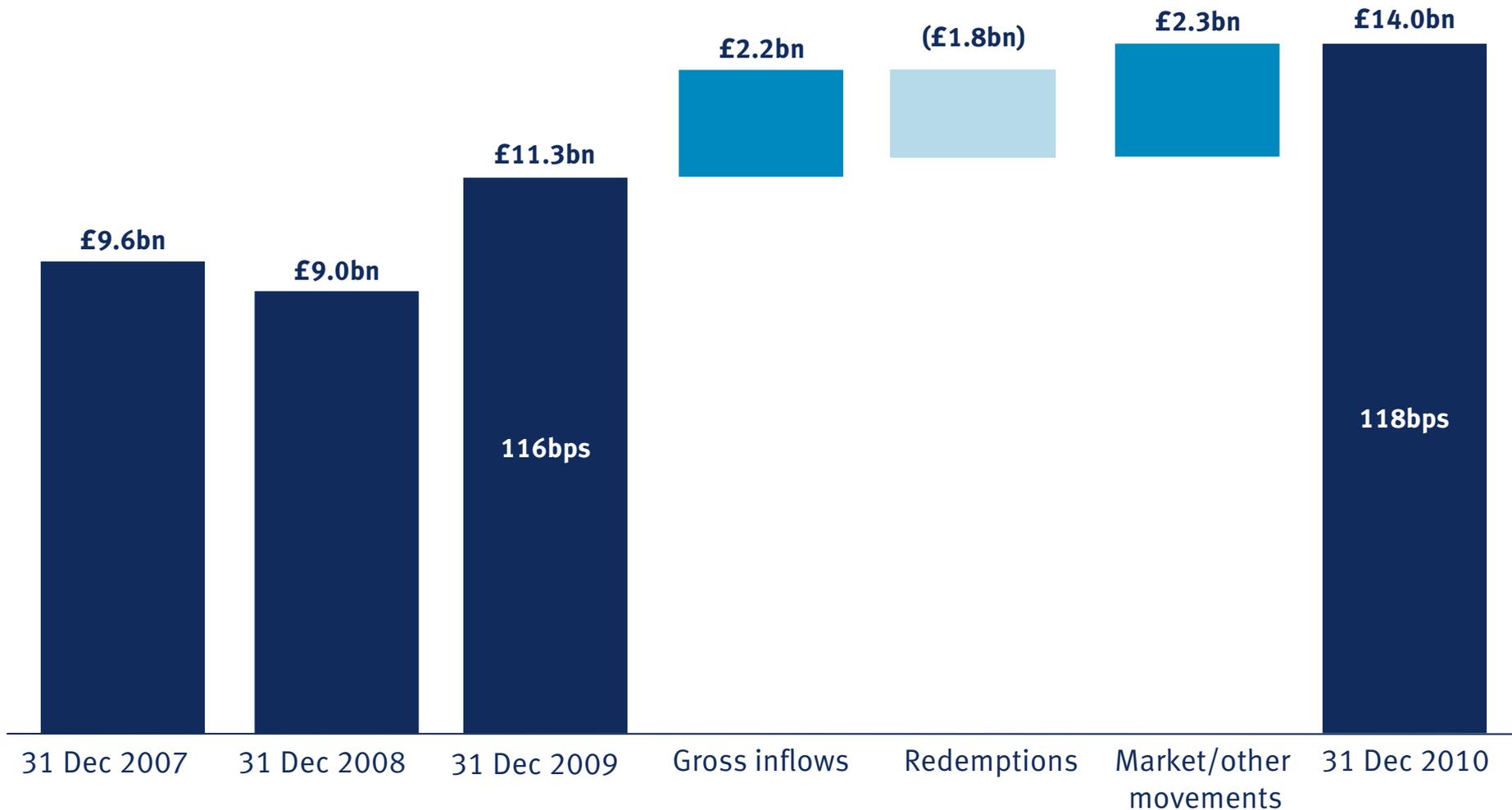
Standard Life 

Fee Business - UK



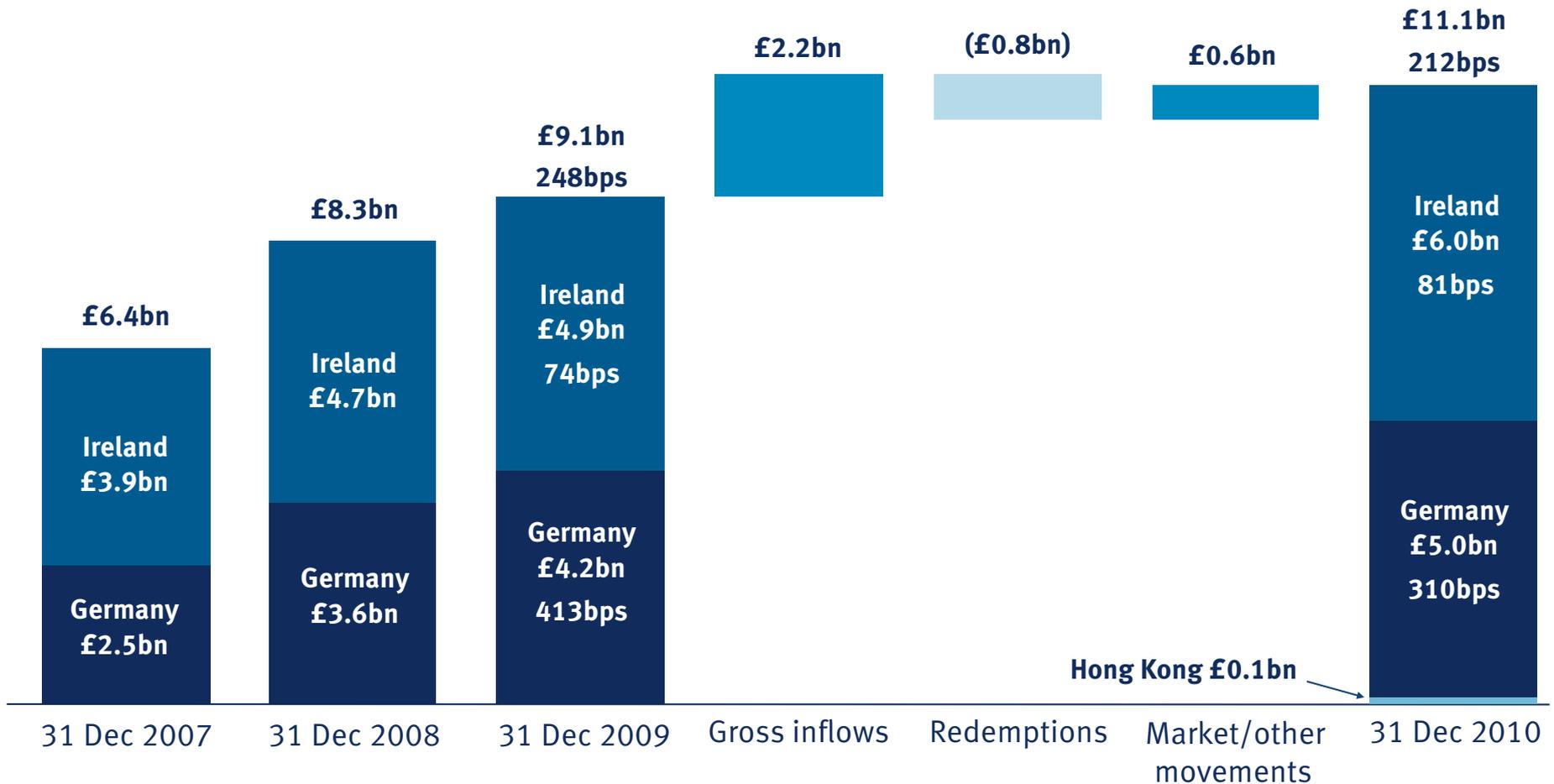
Strong inflows into institutional pensions, mutual funds and SIPP

Fee Business - Canada



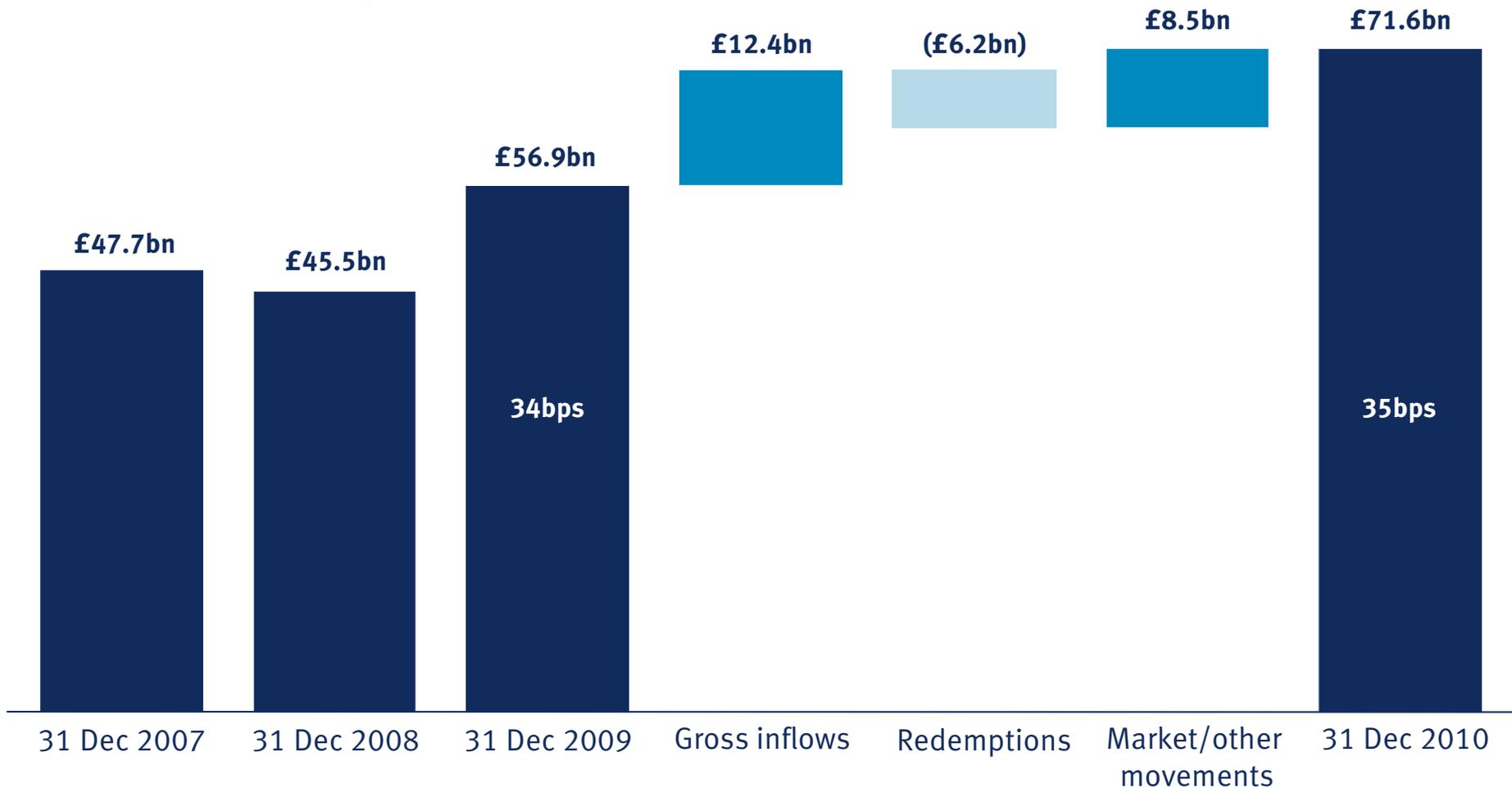
Strong performance in individual insurance, savings and retirement product lines

Fee Business - International (excluding joint ventures)



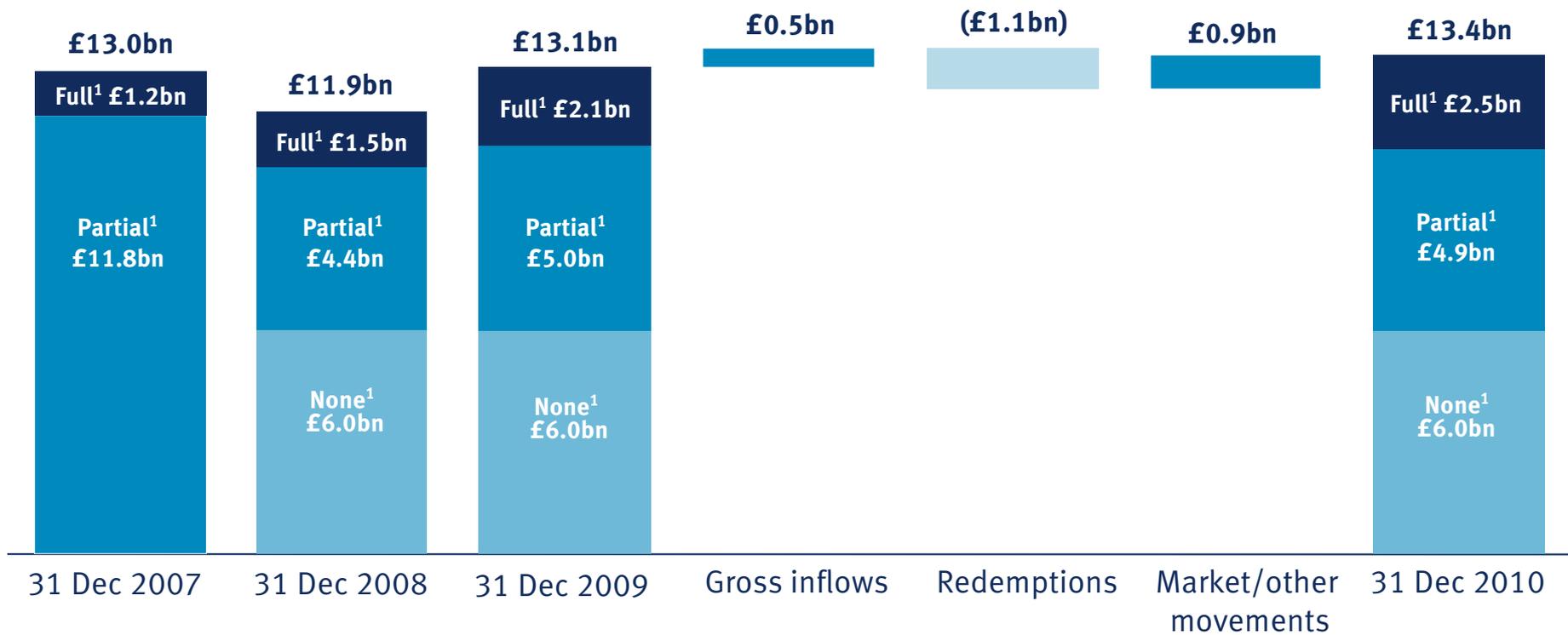
Revenue basis points reflect shift away from German premium based charges

Fee Business - Standard Life Investments Third Party



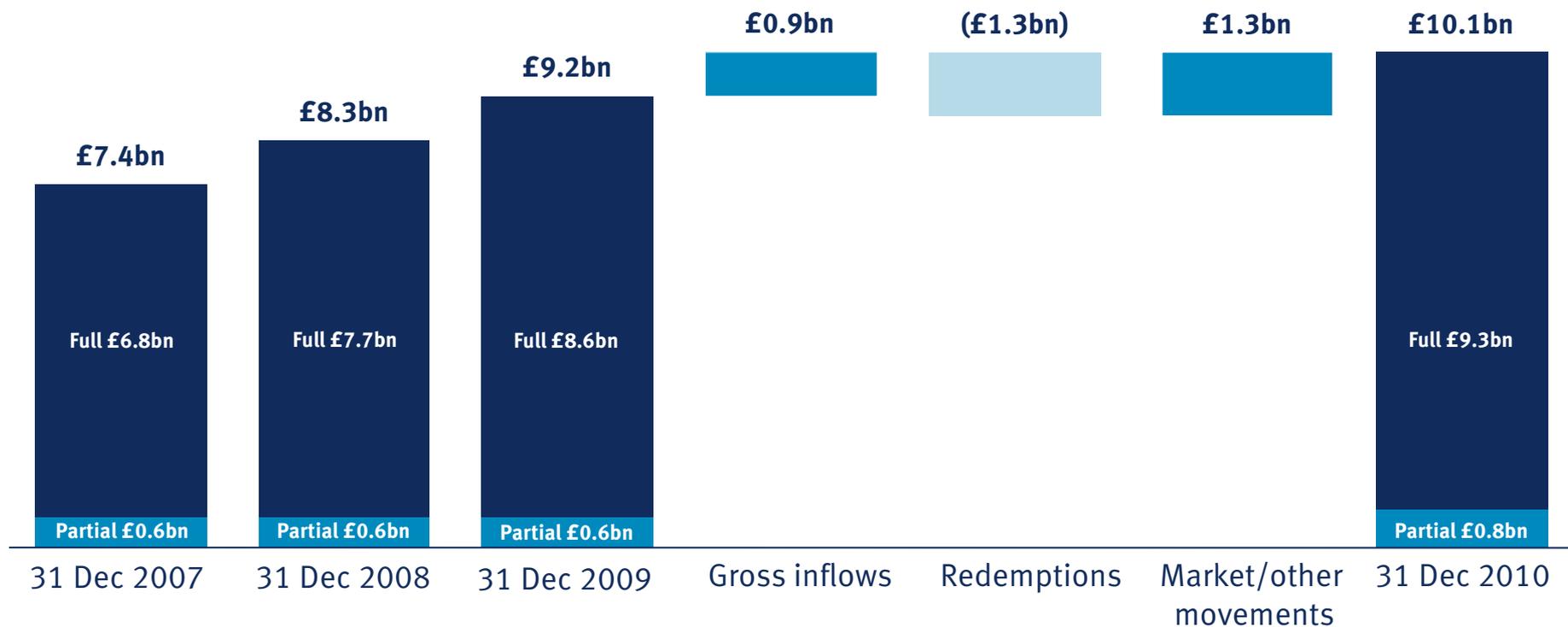
Third party AUM up 26% with improved revenue yield

Spread/Risk Business - UK

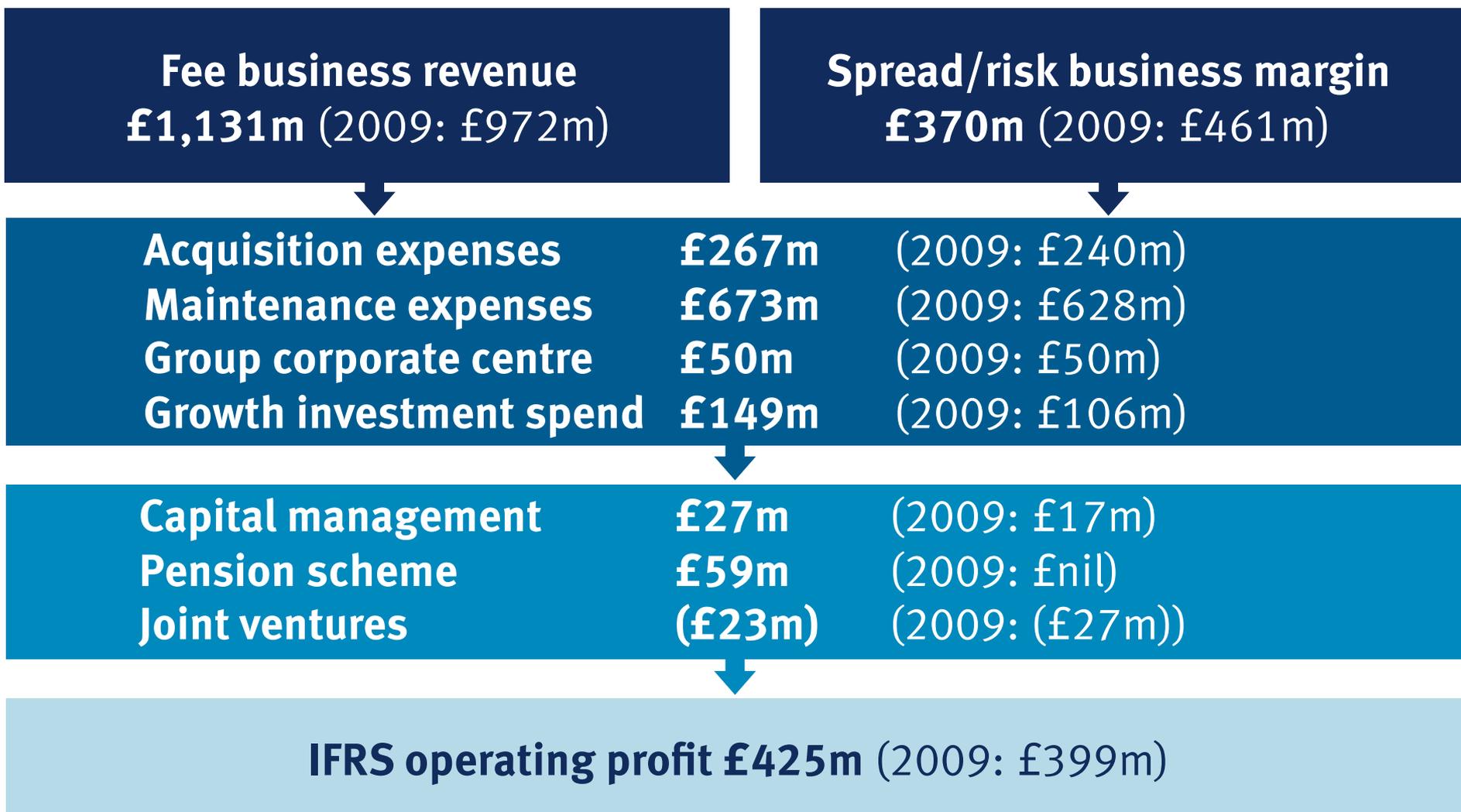


¹ Shareholder exposure.

Spread/Risk Business - Canada



How we generate profit



IFRS operating profit by Business unit

	UK		Canada		International		SLI		Other		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Fee based revenue	593	498	150	109	212	208	331	267	-	-	(155)	(110)	1,131	972
Spread / risk margin	148	240	222	221	-	-	-	-	-	-	-	-	370	461
Total income	741	738	372	330	212	208	331	267	-	-	(155)	(110)	1,501	1,433
Acquisition expenses	(172)	(166)	(64)	(60)	(31)	(14)	-	-	-	-	-	-	(267)	(240)
Maintenance expenses	(312)	(291)	(193)	(156)	(129)	(127)	(194)	(164)	-	-	155	110	(673)	(628)
Growth investment spend	(61)	(31)	(35)	(30)	(15)	(17)	(34)	(25)	(4)	(3)	-	-	(149)	(106)
JV business	-	-	-	-	(23)	(27)	-	-	-	-	-	-	(23)	(27)
Group corporate centre costs	-	-	-	-	-	-	-	-	(50)	(50)	-	-	(50)	(50)
Capital management	(21)	(28)	30	29	1	-	-	(5)	17	21	-	-	27	17
Other	59	-	-	-	-	-	-	-	-	-	-	-	59	-
Total	234	222	110	113	15	23	103	73	(37)	(32)	-	-	425	399

Growth investment spend

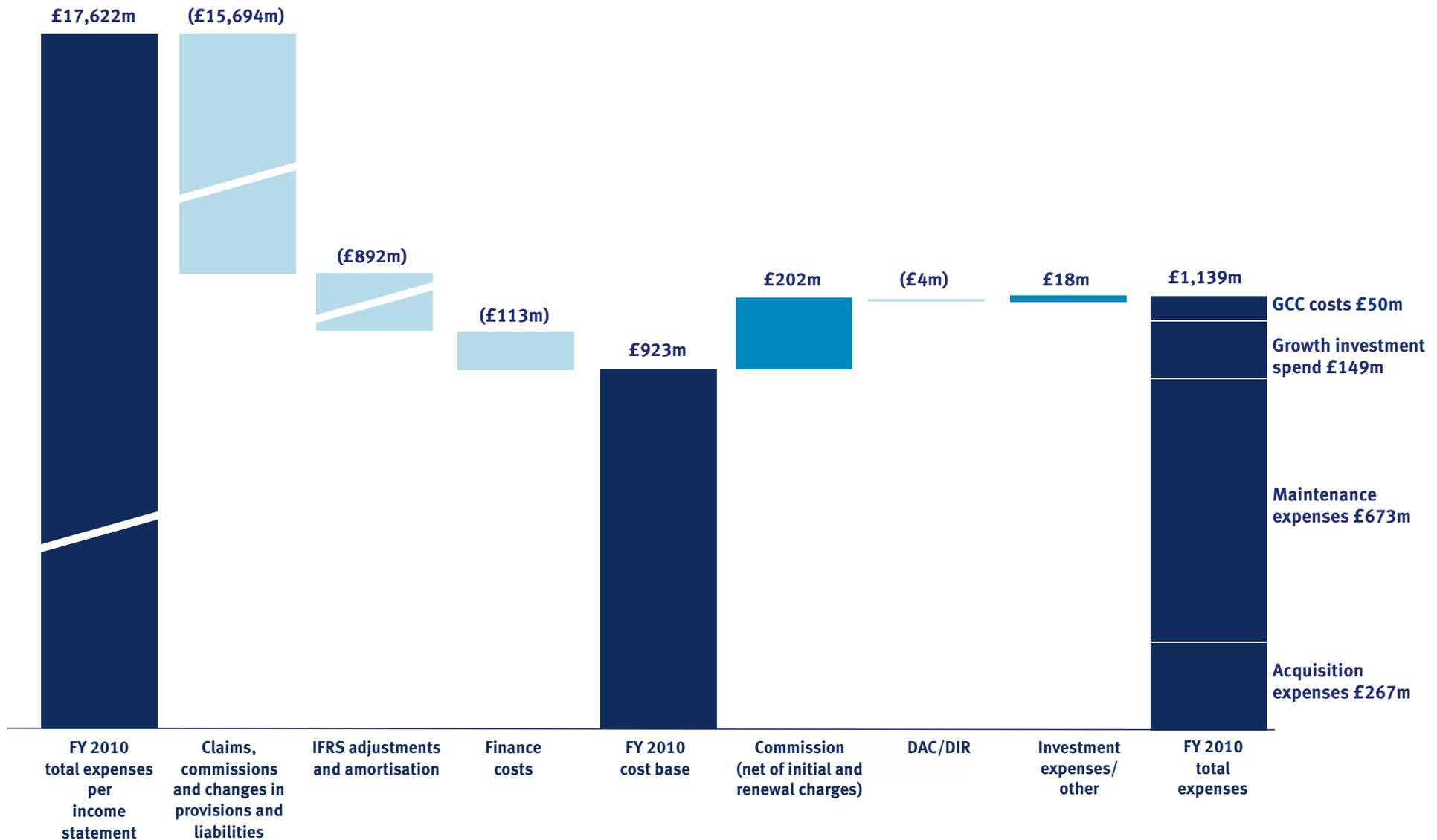
	2010 £m	2009 £m
Growth investment in operating cost base	149	106
Growth investment capitalised	36	5
Additional investment in joint venture businesses	16	17
Total growth investment spend	201	128

- ▶ We undertook to broadly double investment spend through 2010 and the first half of 2011
- ▶ Stringent investment return criteria (minimum 15% IRR and 5 year payback)

Reconciliation of growth investment spend

	2010 £m	2009 £m
Growth investment in operating cost base	149	106
Growth investment spend capitalised under IFRS	36	5
Additional investment in joint venture businesses	16	17
Total growth investment spend	201	128
Growth investment in operating cost base	149	106
Capitalised growth investment spend included within EEV development	10	5
Less tax	(41)	(34)
Total growth investment spend within EEV capital and cash generation	118	77
NBS growth investment spend within EEV capital and cash generation	(29)	(19)
Other growth investment spend within EEV capital and cash generation	89	58

Linkage of cost base to total expenses



Growing returns - capital-lite products

	2010					2009	
	IRR	Undiscounted payback	PVNBP margin	NBC	PVNBP	NBC	PVNBP
	%	years	%	£m	£m	£m	£m
Individual pensions	9	8	0.5	19	3,858	7	3,388
Corporate pensions	11	10	1.4	45	3,287	34	2,640
Institutional pensions	>40	<3	1.3	46	3,472	25	2,296
Annuities	Infinite	Immediate	16.5	56	341	76	448
Savings and investments	9	8	0.4	7	1,997	(3)	1,406
Protection	Discontinued	Discontinued	-	-	1	-	2
UK covered business total	18	6	1.3	173	12,956	139	10,180
Canada	24	6	2.2	68	3,048	46	2,460
Wholly owned	13	7	2.3	44	1,929	17	1,430
Joint ventures	15	6	4.3	23	550	11	478
International	14	6	2.7	67	2,479	28	1,908
Covered business total	17	6	1.7	308	18,483	213	14,548

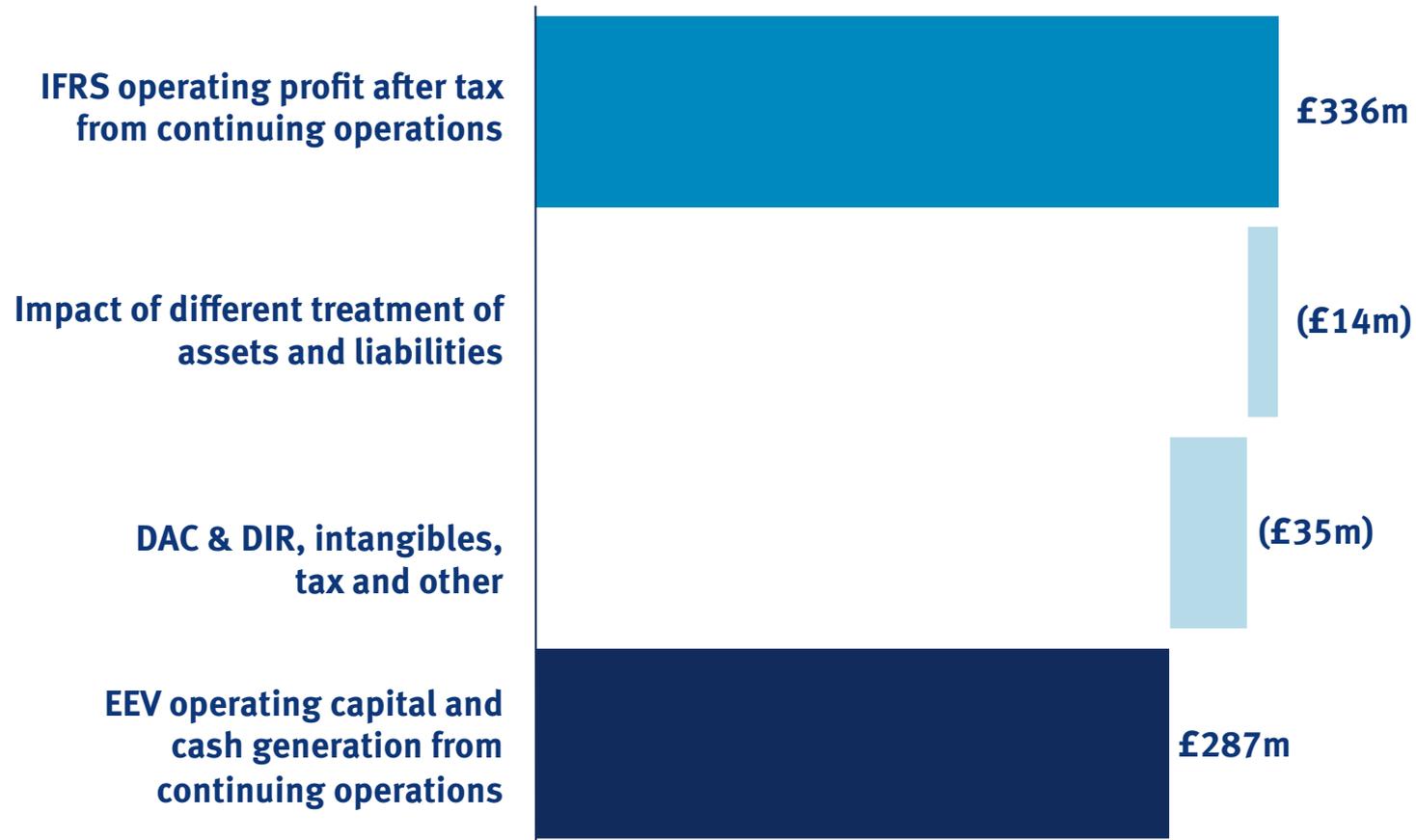
Strength of IRR demonstrates benefit of capital-lite approach

PVIF monetisation profile

	Undiscounted - 2010		
	Total PVIF	Cash emerging in 1st 5 years	
	£m	£m	%
In-force			
UK	4,568	1,566	34
Canada	3,236	461	14
International	1,074	401	37
Total	8,878	2,428	27
New business			
UK			
- Retail	205	71	35
- Corporate	255	58	23
- Total	460	129	28
Canada	143	18	12
International	252	110	44
Total	855	257	30

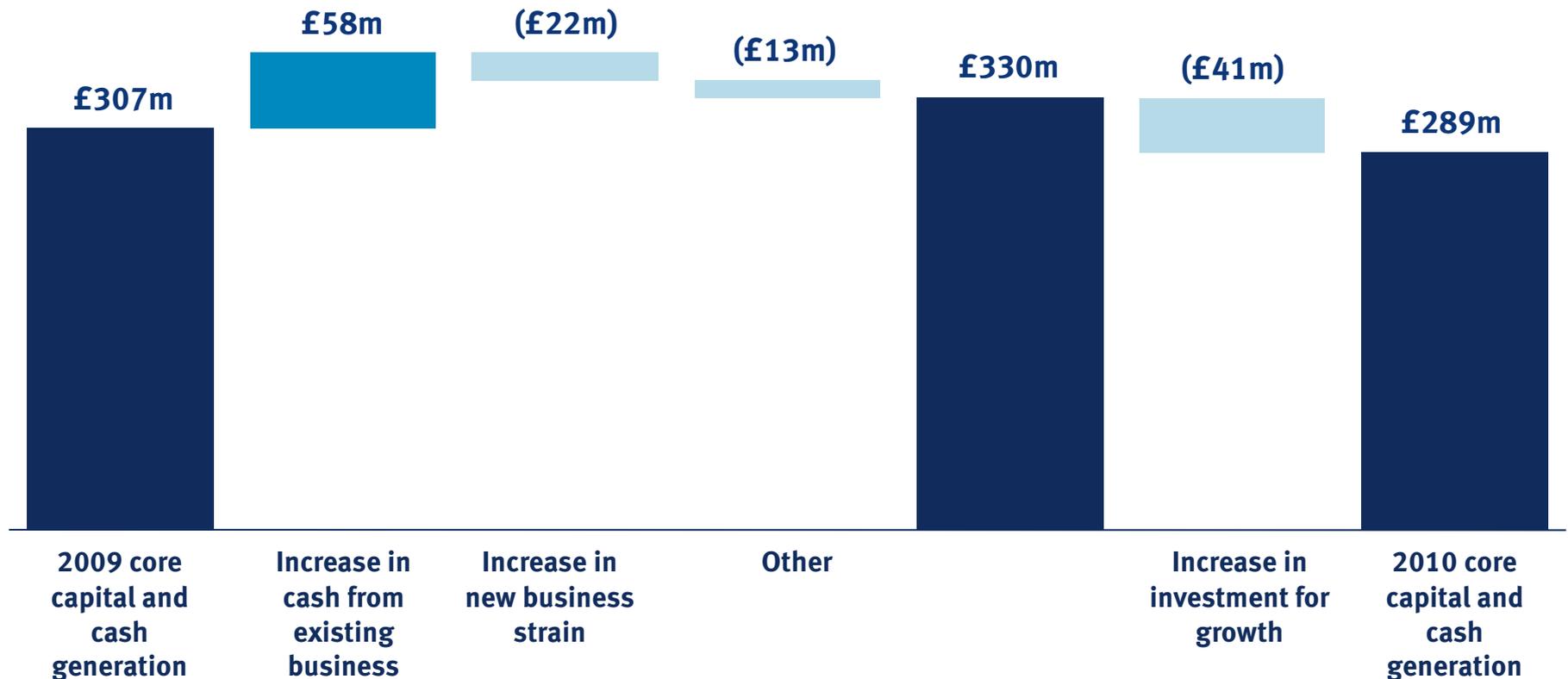
£2.4bn of cash emerges from back book over the next 5 years

Capital and cash conversion



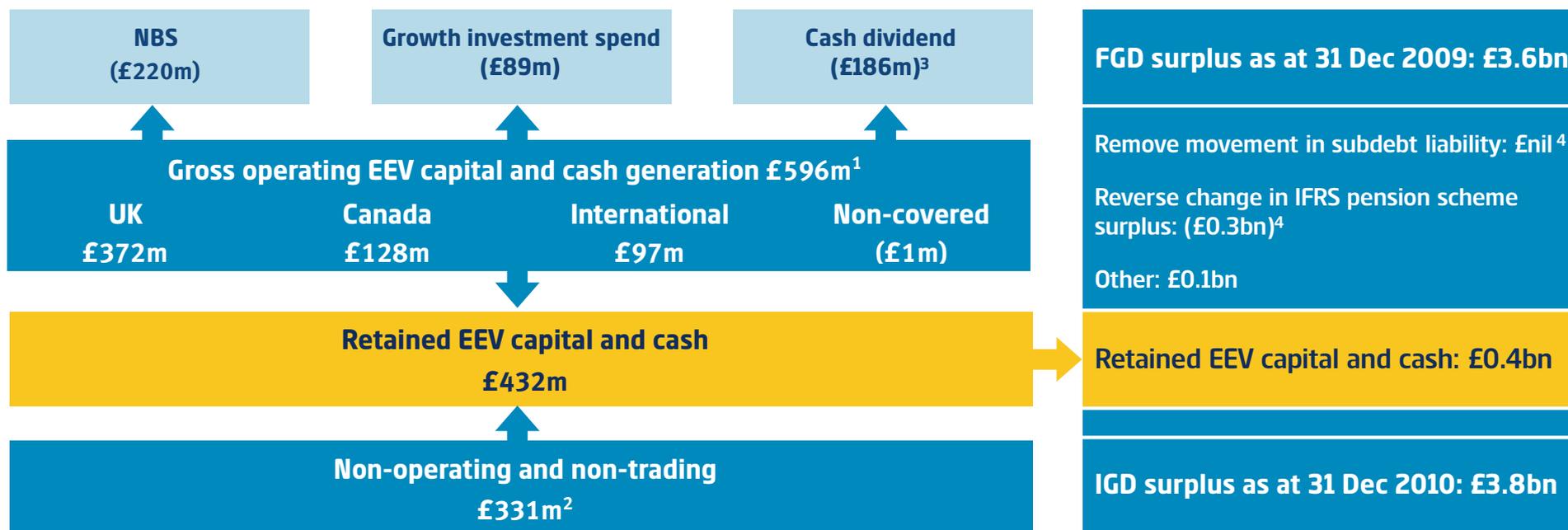
Close alignment of IFRS operating profit and capital and cash generation

Movement in EEV core capital and cash generation



Increase in cash from existing business enabling investment for growth

Group EEV capital and cash movements



1 Represents EEV operating capital and cash generation from continuing operations of £287m prior to the deduction of the NBS of (£220m) and growth investment spend of (£89m).

2 Consists of EEV non-operating capital and cash generation of £134m, capital and cash generation from discontinued operations of £20m, after tax actuarial gains on defined pension schemes of £125m, net worth foreign exchange differences on consolidation of £98m and other non-trading of (£46m).

3 Represents dividends paid in cash during the period and excludes new shares issued in lieu of cash dividends as part of the Scrip dividend scheme.

4 Included within the EEV total retained capital and cash generation are movements in relation to the Group's sub debt liability on a market value basis and the Group's pension schemes on an IFRS basis. The adjustment for sub debt removes the movement in the sub debt liability as this is included as capital for regulatory purposes. The adjustment for the pension scheme reverses the movement in the IFRS net liability/ surplus as these are excluded for regulatory purposes.

Insurance Groups Directive

IGD Surplus

FGD Surplus

31 December 2010	31 December 2009
£3.8bn	£3.6bn

Sensitivity to equity market falls^{1,2}

Fall in equities	IGD Surplus
20% (FTSE 4,720)	£3.7bn
30% (FTSE 4,130)	£3.7bn
40% (FTSE 3,540)	£3.6bn

Sensitivity to yields^{1,2}

100bps rise in yields (e.g. 3.49% to 4.49%)	£3.7bn
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¹ Compared to 31 December 2010.

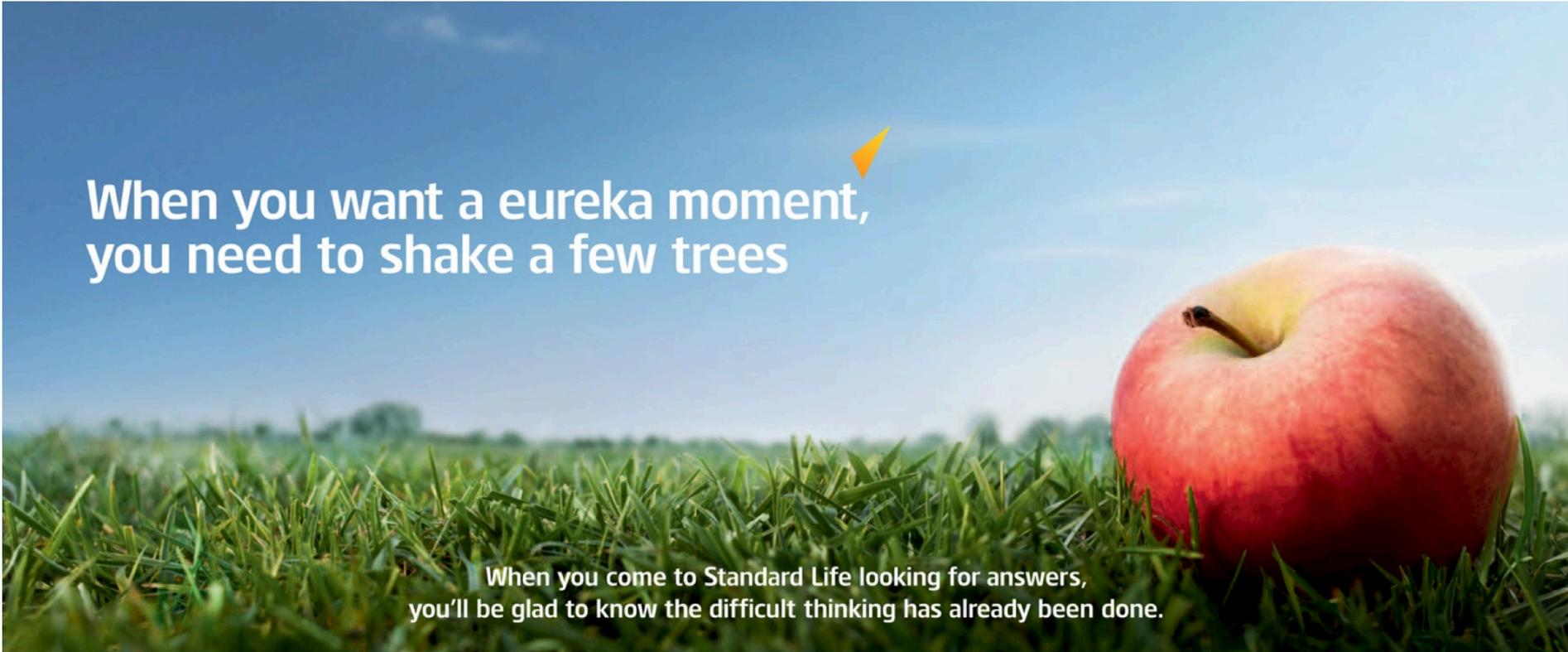
² Based on certain assumed management actions appropriate to these stresses.

Robust capital position maintained

Capital tier structure

	2010 ¹ £bn	2009 ¹ £bn
Group core tier 1	6.4	5.3
Group innovative tier 1	0.6	0.6
Deductions from tier 1	(0.7)	(0.8)
Total Group tier 1 capital	6.3	5.1
Group upper tier 2	0.5	0.8
Group lower tier 2	0.7	0.7
Total Group tier 2 capital	1.2	1.5
Group capital resources before deductions	7.5	6.6
Group capital resources deductions	(0.1)	(0.2)
Group capital resources requirement	(3.6)	(2.8)
Group capital surplus	3.8	3.6
Group solvency cover	205%	230%

¹ 2010 based on estimated regulatory returns. 2009 based on final regulatory returns. The 2010 figures have been prepared on an Insurance Groups Directive (IGD) basis and 2009 on a Financial Groups Directive (FGD) basis.



When you want a eureka moment,
you need to shake a few trees

When you come to Standard Life looking for answers,
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