Standard Life

2012 Preliminary Results

Thursday, 7th March 2013

David Nish – Group Chief Executive

Welcome to our Results Presentation, also welcome to those on the weblink. All the shareholders who are joining us today. And also all the Standard Life staff in all the locations this morning, I give you a special thank you for everything that you have done over the last year and the last three years in particular.

I appreciate that it is a very busy day, there appears to be lots of stuff going on so we will try and keep everything we are doing today really as straightforward as we can.

Joining me on stage as usual, Jackie, Paul and Keith. And once we've gone through the Presentation then we will obviously open up to Q&A.

As usual our safe harbour statement and I am sure everyone has got their mobiles and blackberries switched off.

So, Standard Life is performing well. We have made good progress towards building a growing and sustainable business. The needs for individuals to save and increasingly save more, provides a strong market opportunity everywhere that we operate. Markets and regulators have thrown us many challenges and will continue to do so. But these also provide opportunities for our business to grow. Our teams have shown great capacity to transform our business to position us for future growth. And today we have a business that has a clear strategic focus, strong access to customers and market leading propositions. All supported by a scalability of infrastructure.

But when I look at Standard Life there is a lot of white space in all our markets for us to effectively target and grow. We are also very mindful of making our capital work harder and Jackie will touch on that later. Our focus as a leadership team is quite simple. To drive a continuing improvement in our operational and financial performance.

At our core we are an assets business. The value of those assets drive our revenues. If there is one thing that symbolises the transformation of Standard Life, it is the growth and shift in assets from more traditional insurance savings business. Over the last three years the scale of our assets has grown significantly. But more importantly the mix, the quality, has changed especially in our UK savings business and in Standard Life Investments.

Jackie will now chat through our results and how our transformation has translated into a significant increase in our performance and returns. Thank you.

Jackie Hunt – Chief Finance Director

Thanks David and good morning everyone. So if I turn now to financial results, I will start with some of the highlights and then run through some of the actual drivers of those results and how we see outlook.

Group operating profit rose £356 million to £900 million with improved profits reported by all of our businesses, and I will explain the drivers for that 65% increase shortly. Assets under administration have increased by 10% to £218 billion. Within this third party assets under management have grown to £83 billion, that is a rise of over £11 billion over the year. Our total net flows of £5 billion were strong, particularly for third party business and Standard Life Investments which were £6.1 billion. And that is after £1.8 billion outflow that we highlighted in the first half of the year.

Long-term savings net flows held up well at £2.6 billion, despite some short-term market disruption caused by regulatory changes as well as general economic uncertainty. Our EEV operating profit before tax increased by 13% breaking through the £1 billion mark for the first time. The profit included £339 million of new business contribution and £413 million of back book management profits, most of which we have announced to the market previously.

EEV operating capital and cash generation has increased by 68% to £734 million, reflecting the increase in back book capital and cash generation, along with lower new business strain.

We propose today a final dividend of 9.8 pence, making a total of 14.7 pence for the year, that is a 6.5% increase from last year. And this will result in a payment to our shareholders of £346 million in respect of the Interim and Final dividends and it continues our progressive policy which we have applied consistently since the IPO in 2006.

In addition, as a result of our strong capital position and the derisking actions that we have taken over recent years, we are also proposing a special dividend of 12.9 pence. This returns a further £302 million to shareholders, resulting in a total distribution for the year of £648 million.

This year we are reporting the results of our revised segments and that reflects business reorganisation that we announced in June. We have restated all of our comparatives accordingly. We have combined the German and Irish branches with the UK business to create our UK and Europe segment. Overall this business delivered very strong result in fitting with the growth and fee propositions and helped by a reduction in costs. I will discuss the UK and Europe performance as well as the drivers behind the increase in profits in both Canada and in Standard Life Investments in more detail later.

Looking briefly at our new Asian emerging markets business which focuses on building high growth, high value businesses in our Asian and Offshore markets. We saw an £11 million increase in our operating profit in 2012 and that reflects higher fee based revenue and continued growth in profit from our Indian joint venture which we covered in more detail with you at the event we hosted in November.

The Group result also benefited in the period from a £96 million professional indemnity insurance claim. That is compared with a £64 million pension scheme release in 2011. Overall we have seen an increase in operating profit of £356 million to £900 million.

Our strategic priority is to grow our fee business. However we also seek to generate income by managing our spread or risk business and our capital position whilst our variable joint venture and associate interest in Asia give us further opportunities for long-term growth.

So with that in mind, let's run through the factors behind the £365 million increase in our operating profit in more detail. The graph with which you are now familiar shows the five component parts. Firstly the first sort of blue bar, you can see that we increased profit on our fee business by £68 million. The bulk of this came from increased fee based revenue driven by higher average asset values and the continued shift towards higher margin products in Standard Life Investments. Our costs of acquiring business reduced by 10% due to further efficiency improvements particularly in the UK. Maintenance costs were up 4% reflecting further development of our businesses including Standard Life Investments and our operations in Asia.

The second bar on that chart, we delivered £146 million increase in the spread or risk margin. Within this the UK and Europe showed a £34 million improvement of which around half was due to increased new business. However the main factors behind the material increases in both the Canada spread or risk margin and also in the third component on that particular graph which is called capital management, with £153 million from previously announced management actions in Canada and the £91 million profit from changes in actuarial assumptions also in Canada. And I will come back to those movements in more detail when I take you through the performance of the Canadian business.

You can see that the contribution from our Life Insurance and asset management interests in India and China has improved in 2012. The fourth block on the slide, whilst profits from the source are still quite low, they are already demonstrating strong growth.

And finally, we announced in January that our 2012 operating results would include a gain of approximately £100 million from professional indemnity insurance claim. The final amount was £96 million and clearly that is a one-off gain as was the case with the £64 million operating profit that we highlighted in 2011 from changes to the UK staff pension scheme. The net of these two items is an additional £32 million in 2012, that is the fifth block on the slide.

Now I appreciate there is a lot going on in our 2012 Results. So how I look at underlying performance is to start with the headline £900 million operating profit number. I would remove in full the non-recurring £96 million UK insurance claim and would also back out the more volatile £91 million of Canadian assumption changes. These are sometimes positive, sometimes negative, but seldom at this sort of scale.

In terms of the management actions, we are pursuing additional management actions in 2013 of approximately half the £153 million in Canada in 2012. And so from my perspective I think we are exiting the year with a run-rate of around £640 to £650 million operating profit on a sustainable basis. And that is really what we have highlighted by that greyed out box.

So if I turn now to the business results in more detail. The UK operating profit excluding non recurring items has increased by 83% to £286 million. We have delivered a strong increase in revenue from UK fee based business, reflecting higher assets under administration and a broadly stable revenue margin of 72 basis points. Our UK fee business assets under administration rose to £85 billion and that reflects £0.9 billion of net inflows and positive market movements. As we expected 2012 was a challenging year in respect of UK net flows. Alongside continued economic uncertainty, we have seen employers delaying decision making ahead of the phased introduction of auto enrolment as well as heightened activity from competitors prior to the ban on commission introduced by RDR. Throughout this we have continued to focus on building our business for the future. Spread or risk margin rose 43% to £107 million and I will explain that increase in the next slide. We delivered a £24 million reduction in UK operating expenses, that is achieving significant reductions in basis points for both acquisition and maintenance costs. And this reflected both our scalable business model and our focus on reducing absolute costs in the UK business. Our capital management activities generated an increase of £32 million which benefited from the improved funding position of our UK staff pension scheme. The operating profit from our German and Irish branches was down about £9 million and this was impacted by both adverse reserving and currency movements.

And I will now go through the drivers of the UK result in more detail. So let's look first at the contribution split between new and old style retail propositions and corporate and spread or risk business and this is a split we have provided a couple of times in the past. Underpinning the UK result is a sustained performance from the older style retail and spread or risk businesses. We continue to see a significant and stable contribution from our older style fee retail proposition, that is on the left hand side of the slide. Assets under administration were maintained at £32 billion reflecting increments and market movements. It is also worth highlighting that older style propositions provide a significant source of onward business for our retail new propositions and for our annuities.

The UK spread or risk margin business contributed £94 million with assets under administration increasing to £15 billion. The increase in the contribution benefited from a significant increase in new business driven by 38% growth in annuity gross flows. That growth was partly due to increased demand ahead of the implementation of the gender directive in December. In general however, our annuity business is stable as we continue to offer our products largely to our existing customers. This ensures that our customers understand the options and can choose the right product for them based on their own retirement journey relying on Standard Life's high standards of service and security. And it also allows us to keep our acquisition costs low.

In 2012 we continued to see growing contributions from our new style retail propositions and from our corporate business. Retail new has continued to show significant progress from a break even position in June of 2011. Continued momentum combined with the benefits of our business model delivered a more than fivefold increase in the contribution to £54 million. Now if you remember that the contribution here allows for all of the direct costs of ongoing development of the propositions and of acquiring that business, but it does not include the additional margin captured at Standard Life Investments, then you can appreciate the significance of this growth.

Gross inflows were robust against a backdrop of subdued consumer sentiment, ongoing economic uncertainty and increased commission based competition prior to the introduction of RDR. Our business model positions us well to provide post RDR investment solutions to our customers and to our advisors. While we have extended the range of potential customers with our agreement with the RBS Group. Assets under administration rose 21% to £29 billion, already providing us with scale from which we can derive further efficiencies in future.

Within Corporate, assets under administration have grown to £25 billion and this together with cost efficiencies helped us to drive an 80% increase in contribution to £88 million. Gross inflows held up well in an environment where some employers were delaying decision making ahead of the phased introduction of auto enrolment. The advent of auto enrolment and our recently launched corporate investment solutions, have led to increased levels of inquiries and more recently a growing pipeline of secured business.

Standard Life Investments had another great year, it increased operating profits to £145 million and that represented an increase of 16% over the prior period. Fee based revenue rose by 11% reflecting both increased assets under management and the continued shift to higher margin products such as UK mutual funds and multi asset investment solutions. This mix effect saw third party fee business revenue basis points increase from 37bps to 40bps. The increase in costs reflected the ongoing development of our investment capability and the continued global expansion of the business. Our expenses expressed as a proportion of average total assets under management were maintained at 17 basis points.

Excluding a fee received in 2011 for the transfer of money market funds, EBIT margin grew by 3 percentage points to 36%. As previously announced, we saw one large outflow of £1.8 billion of relatively low margin business due to a change in a client's investment strategy. Despite this outflow, third party assets under management grew by over £11 billion to £83 billion over the period. New inflows of £6.1 billion reflected the strength of our diverse product offering.

Our Indian Asset Management Associate, HGFC Asset Management, of which we own 40% continues to grow and it remains the largest mutual fund company in India. Its assets under management grew to £11.3 billion and our share of profits in this business was £18 million before tax.

Standard Life Investments has a well diversified mix of assets by asset class and it is also increasing its geographical reach. In addition we collaborate across the Group to maximise the Group's returns. We manage large investments in fixed income, equity and alternative asset classes which means that we have a well diversified income stream. It also means that we have the infrastructure and attractive propositions to benefit from changes in client demand. During 2012 we further expanded our product range with developments in alternative multi asset and emerging market products being of particular note.

Whilst the UK continues to be our largest market by assets under management, 62% of our third party net flows in 2012 came from outside the UK. This included £1.8 billion of net flows from the US reflecting our success in both securing significant institutional mandates as well as our wholesale distribution through the John Hancock Platform. In the UK and Europe we increased our institutional client base by 5%. Our suite of multi asset solutions continues to be very popular and represented 50% of gross flows in the year. Whilst in the UK the Standard Life Group was number one in the market for mutual fund net sales during the fourth quarter of 2012. Going forward, we will continue to work closely with our distribution partners in the US, Japan and India whilst exploring further opportunities for growth elsewhere.

Operating profit in Canada increased by 90% to £355 million. Assets under administration in our fee business increased by £1.6 billion to £16 billion with half of the growth coming from stronger net inflows. This positive growth led to an increase in fee based revenue of £6 million. Now as previously mentioned, we recognised a profit of £153 million from the management actions that we announced in the last quarter and that split between spread or risk margin and capital management depending on whether the benefit arose from reduced actuarial liabilities or from gains within surplus assets.

I indicated earlier that we are not expecting a repeat of the £153 million profit from management actions again in 2013. However we continue to focus on maximising the value of our back book of spread business, improving its profitability and its capital efficiency. As a result we are pursuing further material profits from future management actions in 2013 of around half the 2012 outcome. However these actions may not occur evenly throughout the year and there is some risk around the delivery of them through the course of 2013.

Also the spread or risk margin benefited from £91 million of assumption changes, these will vary from year to year as our actual experience unfolds. However we wouldn't expect large profits or losses from assumption changes over the long-term.

Acquisition costs were broadly flat in absolute terms, but they reduced significantly when compared to sales volumes. They reduced in this particular period from 266 basis points in 2011 to 220 basis points in 2012. Maintenance costs were higher reflecting in part an increased development spend.

Whilst the 2012 results demonstrate the lumpiness of the Canadian business that we told you to expect, there is no change to our previous guidance that an ongoing run rate for operating profit of around £180 million would be appropriate. This reflects our focus on increasing fee revenue income whilst continuing to maximise the value of our back book and spread business, improving its profitability and its capital efficiency.

Turning now to the scalability of our business model and the clear benefits of our focus on efficiency. You will by now be very familiar with these graphs and I am pleased to confirm that we have seen a continuation of favourable trends. Unit acquisition costs improved by a further 13 basis points across the Group. This included a reduction of 11 basis points in the UK and 46 basis points in Canada. In absolute terms, acquisition costs across the Group reduced by 10% from £325 million to £292 million, driven largely by improvements in efficiency in the UK. We reported significantly reduced acquisition costs for the first six months of 2013 and I am pleased that we have broadly maintained that cost level in the second half of the year.

Similarly maintenance expense basis points continue to fall and we have now recorded four continuous years of reductions in our expense basis points, demonstrating the scalability of the business. Improvement in 2012 was largely driven by the UK, where the expense basis points fell from 34 basis points to 31. As a result both the growth in assets under administration and also continued focus on cost control.

Maintenance expenses were higher in the second half of the year reflecting costs of managing higher assets, increases in pension contributions and some seasonality features in certain of our costs, particularly in Canada and in Germany. Despite this our basis points are broadly unchanged from half year and they demonstrate a strong downward trajectory over the past four years. Our focus on increasing assets and further improving productivity positions us well to deliver further reductions in our unit costs.

We have a strong balance sheet with an IGD surplus of £4.1 billion. During 2012 we issued around £750 million of subordinated debts in the UK and in Canada, taking advantage of favourable pricing conditions and investor demand. This takes our leverage back to where it was before the repayments of 750 million Euros of lower tier 2 instruments that we undertook in 2011. Our leverage will be 33% after the final and special dividend payments and that is a level at which I am comfortable.

As usual our IGD surplus remains relatively insensitive to market movements. You can see the sensitivities in the Appendix to the Presentation and also in the full Results Announcement. We have no shareholding exposure to European periphery sovereign debt and we have minimal exposure to bank debt from those countries.

We continue to benefit from a strong economic capital position. Economic capital is a core measure that we have used for a number of years as part of the ongoing risk management framework of which we manage the business. In common with the wider industry, we note the delays in implementing the new Solvency 2 regime and we look forward to receiving more clarity on the rules and on the timeline during this year. As previously stated, we believe we are well positioned for the eventual implementation of Solvency 2 as it is currently drafted.

We use embedded value as a key measure of long-term value creation. The 13% increase in EVOP to £1.1 billion was largely driven by £453 million of previously announced management actions that increased our back book profits. As we announced within our Interim Results in August, there were asset strategy changes and modelling improvements in the UK and Canada in the first half of the year. And those generated EVOP of £209 million. Our full year results also include the benefits of the professional indemnity insurance claim in the UK that I mentioned earlier and also the renegotiation of an existing reinsurance arrangement and the property disposals in Canada, that again we have talked about in the past. And those actions combined produced an EVOP of £244 million.

Our new business contribution was up slightly at £339 million as a result of higher margins in the UK. Non operating and non trading items amounted to £165 million gain and that was mainly due to favourable investment returns. Overall despite the continuing challenging market conditions, we are pleased that our total embedded value has increased £8.1 billion with EEV per share rising 27p or 9% to 343p.

Looking back to our listing in July 2006, the last column on that particular slide, embedded value has grown over £3 billion to the current value of £8.1 billion. And I should note that that growth is in addition to the significant dividends that have been paid out during that period.

We continue to grow our dividends and we have declared today a final dividend of 9.8 pence, giving a full year dividend of 14.7 pence, an increase of 6.5% on last year. This is supported by a strong operating, capital and cash generation. We have maintained our progressive dividend policy since listing and we remain focused on delivering against that policy.

Today we are also announcing a special dividend of 12.8 pence or £302 million. This return of capital to shareholders reflects our strong capital position and the actions that we have taken over recent years to derisk the balance sheet. The amounts reflect a prudent balance between maintaining our capital strength amidst continuing regulatory and market uncertainty while continuing to invest in our businesses and also enhance overall returns to shareholders.

So to be clear about our dividend policy. We are committed to our progressive dividend policy which we have applied consistently since listing. We are also focused on balance sheet efficiency. As and when we have surplus capital then we may make a return to shareholders as evidenced by today's special dividend.

So to sum up, our performance in 2012 continues a record of growth that we have delivered over the past three years. We have grown over that period assets under administration by 31% to £218 billion. We have seen fee based revenue also grow by 31% to £1.27 billion. We have increased the operating profit from £399 million to £900 million and we have grown dividends from £272 million to £648 million including special dividend of £302 million. And with the payment of this year's final and special dividend we will have paid out over £2.1 billion to shareholders since we listed in July of 2006.

So with that I will hand back to David.

David Nish
Great, thanks Jackie. Okay thank you Jackie and also could I just extend a welcome to those who have joined us during the Presentation, it is good to see you all. What I would like to do is maybe just go on and look at the opportunities we see for further growth from Standard Life.

We all recognise this slide, it works well for us as we look at trying to focus and drive our business. We have a simple business model. That business model is consistently applied and it drives profit and cash from all parts of the organisation. We also believe we have got strong market opportunities that support future growth. As Jackie has set out, all levers are being pulled to create higher performance and value and there will be an ongoing focus on maximising our access to assets specially in the UK through Paul's business and internationally through Keith's, ensuring that our revenues reflect the value added to our customers by our propositions. Thirdly investing in driving the scalability of our infrastructure further. And then finally ensuring that our capital works hard. All of this to drive higher returns and support our progressive dividend policy.

Sorry this is a slightly busy slide, it obviously looks back just for a short period of time at what our business was like at the end of 2012 and the strong positions we have across a number of markets and segments of those markets. We have also built strong foundations to deliver further growth. If we look in the UK, we have leading positions in platforms, individual pensions and corporate pensions, nearly £60 billion of assets. Through Standard Life Wealth and now the acquisition of the Newton Private Client business, we have got a substantial wealth management franchise. And in addition we have got businesses that can deliver some £250 million of operating profits from older style products and annuities.

In Canada we have got a business that is going through transformation and the potential that that brings. In addition we are well positioned for growth in pensions and investment propositions. In Standard Life Investments we have a leading investment house with a strong track record. International flows are now very significant. And the diversity of asset classes and geographies will be a key feature going ahead.

And then finally, in India looking in Asia, we are the number two individual private market insurer, which provides great potential for value in the future.

Looking ahead, to accelerate asset growth the big drivers are going to be access to distribution and secondly quality of investment proposition. Standard Life is often thought about in solely a UK context. Great progress has been made in expanding our distribution internationally and continuing to innovate our solutions to broaden and deepen our business. We are seeing good growth prospects outside the UK, especially in North America. We have got strong Standard Life distribution in several markets. We are opening in new locations such as Dubai and Singapore. And we are shifting in certain markets from traditional products in markets such as Germany to unit linked.

In Keith's business, strong relationships with major groups across the world, whether that is John Hancock, Sumitoma Mitsui or HDFC. Standard Life Investments has built strongly its investment capability in Boston and that is pulling in significant flows. The next focus for Standard Life Investments will be Asia. Importantly we have demonstrated the capability to deepen the amount of Standard Life Investment content in existing markets, especially shown in UK pensions and the MyFolio fund range. So as I look at the Standard Life Group there is no shortage of opportunity for us to grow.

But if we bring it back to very much the focus in this year. The exciting opportunities in the UK that arise through both auto enrolment and the advisor market reform. Within pensions we have a strong pipeline of new business to transition. In addition with auto enrolment we have 300 large employers transitioning during this year. In Canada we have refreshed our workplace offerings in the lead up to PRPP the Canadian version of auto enrolment. For Standard Life Investments, it is growing global reputation, is supporting a strong pipeline and new business opportunities. In addition we see more opportunity to drive Standard Life Investment product into Group propositions, especially pensions. And the growth agenda for Asia, India and China remains the same. And of course we remain focused on costs and making our capital work harder.

So to wrap up, we continue to drive higher assets, more valuable asset mix. And drive unit and absolute costs down. Our operating profit has grown significantly over the last three years. We have delivered consistent growth in dividends backed by a strong capital position. In addition this has enabled the announcement of a special dividend today.

Of course there will be market challenges but we are very well placed to deal with these. And we have significant opportunities to grow in all of our businesses. We are committed to delivering ongoing improvement in our financial and operating performance and the overall returns of the business to support our progressive dividend policy.

So with that, thank you and the team and I will be very happy to take your questions.

Question and Answer Session

Question 1 : Andy Hughes, Exane BNP Paribas

Thank you very much. Hopefully you can hear me from the back here. Just a quick question. The first question on the LTIP, is the structure changing or is it still the same? And where are we for next year? Has that been decided yet?

The second question, on the sort of special dividend approach and going forward. It sounds like you are comfortable with the level of leverage you have got in the business and the amount of capital you have got even after the special dividend. So as the profits come through, given the capital light nature, should we expect a very high payout ratio in between a combination of special dividends and normal dividends going forward or is this really a one-off? Thank you.

Oh and can I also ask a question on the GARS fund as well Keith. So the £21 billion of alternatives you show on the slide, is that all GARS? And is that growing at £8 billion a year in terms of net flows at the moment which was what I was trying to calculate, is that the kind of rate it is running at? Thank you.

Answer: David Nish
Thanks Andy, a wide range of questions. Why don't I pick off with the first one. Obviously the detailed remuneration report will be out in a couple of weeks time. The format of our LTIPs going ahead will be the same, the same basis of scheme and further details of that will be shown obviously within the remuneration report. I was just thinking as you asked your long question on capital, I was just noticing that you have actually got our regulators in front of you in one row so I am sure we will be suitably cautious as regards that. Jackie.

Answer : Jackie Hunt
Maybe if I pick up the capital, dividend and the ongoing sort of question. So in terms of the ongoing dividend, the regular dividend you know we have talked extensively both today and previously about the fact that we are committed to progressive policy. The 6.5% growth that we have announced today is very much in line with that particular policy and it is well supported by the ongoing operating capital and cash generation. We have also said that we will manage the balance sheet efficiently. So as and when surplus capital arises we will seek to invest that surplus capital firstly into new business. And I should point out you know we are holding new business strain pretty flat. I think it has come down to about £216 odd million down a couple of million from previous years. That is despite heavy growth and that is because the products we now list are capital intensive. So we are investing in the organic elements, where we do have an opportunity that meets our hurdle rates and we are very disciplined about our hurdle rates in terms of inorganic. You know we will look at options that might be able to accelerate that strategy and give us things that we can't get either access distribution or to partnerships or to customer types or products that we haven't had historically. And you saw us announce the Newton Wealth acquisition, very much in line with that. Even if you strip those two back you would say, big businesses all generate far more capital than they actually consume. So over time, yes we expect further capital to emerge. I wouldn't pencil in a special dividend every year. You know, I mean I think that would be a mistake. But over time this is a model that is becoming increasingly capital light and surplus capital will emerge and we will deal with it as and when as you have seen us do today.

David Nish
Keith, do you want to talk about GARS?

Answer : Keith Skeoch
Yes. Well the net inflows in the GARS last year were £7.4 billion. So total assets in the multi asset classes stood at 21.1, dec 31. The reason we call it multi asset class is that not everything that is in there is a pure GARS strategy, so there is a what we call absolute return global bonds which has a GARS type component, but where the asset class is restricted. And we also won during the course of last year, a couple of very large institutional mandates where those institutional mandates are constructed

around a GARS type framework, but it is not a direct map of what you would find in the either unit linked product or indeed the SICAV.

<u>Question 2 : Ashik Musaddi, JP Morgan</u>
Thanks a lot, Ashik Musaddi from JP Morgan. Three questions. First of all can you remind us of your strategy with respect to Canada, which are the businesses where you want to grow like one you mentioned PRPP similar to auto enrolment of UK? And which other businesses like you want to exit, is it like Universal Life? Can you give us some more colour on that?

Second thing, can you give us some colour on the cost basically. I think you have reduced head count in Edinburgh last year, I mean 2012. So when that will flow through the earnings, will it be 2013 or going forward, can you give us some colour? And what amount that would be roughly?

And thirdly, you have done this acquisition of Newton private clients. So should we expect more acquisitions, of similar bolt-on acquisitions and if yes, in which businesses will it be? Thank you.

Answer: David Nish
Okay, great. Why don't I kick off with Canada. Jackie do you want to start on costs and then pass to Paul and maybe if you want to come back and do the acquisitions one again.

In terms of Canada, very consistent with how we have looked at things over the last 2 to 3 years and very much strong focus on long-term savings type business. You have highlighted the pension changes that are hopeful to come through individual provinces within Canada during this year. We understand the leading ones are Quebec and Alberta in terms of looking at implementing PRPP and that is very much to establish an auto enrolment type of framework. Then you will also see that during last year there was a lot of progress made round about mutual fund sales and also segregated fund sales coming through. And again they are viewed very much from an individual view point as long-terms savings vehicles. They don't have the equivalent of ISAs within Canada.

We shut down Universal Life sales in 2005/2006 and then ended all of our Life, traditional life sales at the end of 2011. So very much that business is now run-off. So you will actually see the business developing I think very closely to Paul's business in the UK. You see the same trends in terms of a market and although Canada has had a good crisis, there is still concerns as regards levels of under savings. There is going to be big transitions from a traditional DB market to DC market. And also the creation of longer-term more flexible vehicles for people to save and then essentially de-cumulate from. And also between Keith's business and Charles Guay's business, a lot closer working again to try and drive the investment content through. So in many ways I look upon Canada as being another variant of the UK, it is just in a different time period as regards that development.

Answer : Jackie Hunt
And maybe if I pick up the costs question at the Group level. I will break it into its two key components. On the acquisition cost front, we are already seeing significant reductions. So over the course of the year acquisition costs have gone from £325 million down to £292 million. That is largely as a result of the cost reductions that took place in the UK business in large part. And I am sure Paul will put some more colour onto those.

On the maintenance expense side, it is a more mixed picture so those have gone from £800 million up to £834 million. That is kind of a factor of how we are growing the different businesses. And I have talked about the shape of costs in the past. So the UK from a maintenance perspective continues to focus on it and again I will ask Paul to talk about the UK specifically. On some of our other businesses where you look at Standard Life Investments for example, our intention is not to reduce overall costs because the business is growing really quickly. But to try and hold those costs at around 17 basis points of the assets. So you will see some movement in absolute terms. You are also seeing some investment into our Canadian business at the moment as we refocus it towards the new sort of fee based strategy to make sure that we have the systems and processes that are fit for purpose and some investment into Asia.

In terms of outlook, you know I have talked in the past about the fact that we think all of our systems are scalable. So on an acquisition unit costs of acquisition basis, I expect to see continued downward trends and that's particularly driven by the mature businesses. So the UK operation and the Canadian operation, we have seen some early signs of that, but I expect that to continue.

And on the maintenance side, again we think the opportunities to drive that down from where it has ended the year, you know obviously you do need to invest in customer service, you need to invest in the systems and so the steepness of that fall off is never going to be as great as it will be on the acquisition side.

Paul I don't know if you want to talk about where we are on the cost journey in the UK?

Answer: Paul Matthews
So you have seen, we have taken quite a substantial amount of costs out of the UK Business. We will continue to look at where there are operational efficiencies and to give one example where we are looking is areas like the corporate pensions. So auto enrolment, a huge opportunity for us, you have seen some of the figures. The first three schemes we have taken through, 85% of the 17,000 employees have auto enrolled themselves. So they have either gone online and clicked and joined or they have gone on the telephone and completed a fulfilment process where there is no human interaction on that. And what you will have seen us invest in over the last three years is more about self serve. Whether it be the WRAP platform or our corporate platform. And we will continue to invest in those areas. So I would expect

our UK business to grow, but also at the same time we are constantly looking at these improvements and we expect to continue to see greater efficiencies.

On the Newton one, it is worth touching on that. So again what you have seen us do over the last few years is where we see an opportunity where there is something unique that adds to our proposition we will look at it. So we acquired Vebnet about 3 or 4 years ago which was a front end point of sale technology to go at the front end of corporate pensions. So that allows us to get into flex and into the core pensions market and again we will touch on that again I am sure later on. We acquired Focus about two and a bit years ago. Again that gave us the point of sale of our retail business. Again that allowed us to interact with banks, IFAs and DTC with a point of sale software solutions. Newton was quite different in that we have the fastest growing discretionary fund management business in the UK over the last two years in Standard Life Wealth which we started up. And this is a £450 billion market. We're seeing huge amounts of money going into the discretionary fund management business. Standard Life Wealth operates quite a unique absolute return type strategy and the Newton was more into home market on the equity funding. So you have got quite a nice fit there. I think Newton's have 3,000 clients, £3.6 billion and the average customer has got £1.1 million. Standard Life Wealth 1,700 customers, £1.6 billion, average of £800,000. For us it seems a good opportunity, good fit. We have now got an offshore capability on discretionary fund management business. We have got active and we have got passive and we have got a growing market of £450 billion. With RDR you are going to see more and more assets go into this business.

So we haven't ruled anything out. We will continue to look and where we see something that is exciting we will invest.

<u>Question 3 : Greig Paterson, KBW</u>
Good morning, Greig Paterson, KBW. I noted the dividend you said was up 6%. There are two concerning trends that I see in your income statement and I wonder if you could just discuss how that squares with the dividend. One is the core free surplus generation which is basically your capital generation, dropped 34% over the year. And you said you were growing strongly, but when I look at the value of new business, that was actually flat growth. I mean are they a one off phenomena or do you see those trends reversing? I would be interested to know that. So that is two questions.

The third one, I wonder if you looked at Old Mutual, Old Mutual in the late 1990s and early '00s, spent a lot of money on private wealth, tried to merge, tried to get costs, tried to merge it into the Life business and I think fair to say, a complete failure and I think cost a few hundred million quid to actually reverse. I wondered if you had actually looked at that case study before you actually had a look at Newton?

Answer: David Nish
Why don't I start with your last question. Very interesting one Greig because I do believe in actually looking at history and considering trends. I don't think we are trying

to merge anything back into a traditional Life business. I think if you go through the whole of our Presentation, maybe some of the bits at the front end, you will actually see we are an asset business. We are all about actually how do we connect with customers. We are all about how do we actually generate connectivity either using platforms, through various sorts of wrappers and then very much trying to drive the investment content. So I think we are probably driving more in slightly other directions than maybe you suggest. But very much how we have actually approached the Newton Private Client acquisition, we have worked very hard on how we actually work in an integration team. We have got detailed operating plans that will work once the deal completes. We are fully engaged with the Newton Private Clients staff and that executive team, so as we can work together, so as we can transition all the clients across. And we are looking very carefully in many ways at the minutia of all the things you do when you actually acquire a business. I think it is fair to point out history, it is important to learn from other events. But it is not us.

Answer : Jackie Hunt

If I pick up your earlier comments around sort of the core. The key driver of the lower core earnings is the expected return and that is a mechanical consequence of the fact that the 2011 yields were lower than has historically been the case. That will flow through inevitably into the numbers. I would have expected that most people would actually have that in their models. So that is really the consequence of the sort of environment at which we closed 2011. If you look at yields at the end of 2012, I mean they were broadly unchanged so we don't expect the sort of big downwards pressure we would see a similar sort of return from the pure unwind that is coming through in that particular way.

If you look at the value of new business, I would say in terms of the PVNBP margin it is a mixed picture. So if you look at the UK for example, the margin is up and that is particularly so on things like annuities on some of these products. If you look at Canada which is a yield sensitive business, clearly very low Canadian yields have impacted on our segregated funds business. We are dealing with the result of that yield environment. It is part of the reason we focus so much on managing the other assets in the business. And you have seen us generate significant cash frankly in our pockets as a result of good asset management in Canada. We continue to do that. Canada remains a low yield environment certainly over the course of the next few months. So I would expect to see similar trends continuing there.

As we go into 2014 you know at some stage we believe interest rates will start moving. So we will start seeing a pick up in the Canadian business. A couple of things I should highlight is, I think your analysis really doesn't take into account the contribution from places like Standard Life Investments and some of the other operations as well. And I think it is important to keep that in mind as well.

<u>Question 4 : Andrew Crean, Autonomous</u>

Thank you, good morning, it's Andrew Crean at Autonomous. A couple of questions and I am aware that I may not have read all the press release so it may be in the press release. Could you give us a sense of what the fee, revenue/fee margins were in new retail, corporate and old retail and where you see them going over the medium term?

And secondly, on the Canadian seg pension business, if you go to a capital light strategy, part of it is obviously generating the increase cash flow and distributing it. But there is also part of it where you could get rid of businesses which are capital heavy. I am particularly thinking about the £5 billion seg pension business in Canada, how much capital is that absorbing, how much have you got up against it? And would you like to or is it credible that you could get rid of it? Is it part of the strategy?

David Nish
Right it sounds like they are all Jackie questions to me!

Answer : Jackie Hunt
So in terms of the fee revenue margins, the press release only talks at the overall level about the UK, we talk about the 72 basis points. In terms of, if you look at the split, fee retail new, the sort of revenue basis points again in the sort of low to mid 60s, so pretty much the same trend we would have talked about previously. What is moving significantly on that fee retail new is the costs associated with that business. So when you see this growing contribution and I talked about a fivefold increase in contribution over the twelve months, it is a consequence of really holding those revenue margins broadly flat, you know a lot of it is mix driven. But actually driving down the unit cost of each element of business.

I think you then asked about fee retail old. There again we have got sort of 79/80 odd basis points so again very similar to the trends we have seen in previous sorts of periods. And the thing to highlight really on the fee retail old is you know obviously it is sticky business. You know the AUA flat year on year as a result of increments and market movements. So it is not reducing, not falling off at all.

I might then talk a little bit about the Canadian business

Andrew Crean
Corporate pensions was the other one?

Answer: Jackie Hunt
Corporate pensions, here we have got sort of revenue basis points around the low 70s again. So a little bit up on the half year position. You know there can be noise quarter on quarter, but again no downwards trend, pretty stable sort of across the periods I am looking at.

David Nish
And I will add just before Jackie goes on to Canada, it was the point Jackie made during the Presentation that of course these numbers don't include the read across

into SLI. We have seen particularly in the Retail side, the MyFolio range really pick up really very strongly. And we are beginning to see a trend now where we are able to offer corporates a fuller solution. So not just the administration service, but there is now a lot more Standard Life Investment content being driven across into our corporate pensions.

Further question
I suppose the second part of that question was, where do you think they are going? Because platform margins are much lower, auto enrolment margins, basis points are much lower. So give us a sense of how you see that progressing over a five year period?

Answer: Jackie Hunt
Shall I pick up initially some of the comments about platforms and I am sure Paul would be keen to add as well. You know we have gone out with very transparent pricing, our pricing on our platforms proposition has always been very clear. You know the 60 basis points for fund rebates going back to customers. Our new offering, RDR-compliant offering has been very well received and actually benchmarks well. I have had a number of investors looking at some of the blogs that are out there that compare various pricing levels. And we are certainly not at the expensive end. We benchmark well for what is a full sort of offering in terms of service and capability. So while I know there is some talk about pressure on platforms, over times we plan frankly for customers to want more value for money, to want more cost effective products, that is our internal view, that is why we drive efficiency so hard. We are not seeing huge amounts in the 2012 results of downward pressure at all. Paul?

Answer: Paul Matthews
I think we are in a unique position because of the packaging we do. We don't just sell the tax wrapper for auto enrolment or the pension wrapper. We are selling a whole package. So if you look at the last three months in the corporate space, you will have seen we have got 300 odd schemes we are anticipating enrolling this year. But just the wins in the last three months, 50% of our wins have chosen Standard Life Investments to provide the Investment mandate. Now then you look at things like GARS and some of the investment solutions there, you know we get the attraction and the benefit of that when many companies don't have an investment company that frankly people will invest in.

On the retail space we have a similar operation where a lot of the money now is being driven into Standard Life Wealth and into MyFolio. So I think the figures we showed, MyFolio is up 142%, Standard Life Wealth is up 85%. You know £40 million a week is flying into our investment business. And again, all due respect, we are quite lucky in having a very good investment house where quite frankly we can drive that into this business. So you are seeing that on the UK business, but you will also see it picked up in Keith's business as well. So I think Jackie is right, there will always be pressure on margins, but we are offering a premium proposition which is quite different to some of the people in the marketplace.

David Nish
Jackie on Canada and then we will go to Gordon and then to James.

Answer: Jackie Hunt
So in terms of Canada, I think the question was really about what is capital heavy, where is the strategic focus and what is the prospect for some of the capital heavy parts of the business? I think in some of the earlier responses we have said Canada is in transition, relatively new management team, reallyfocusing on corporate pensions, on savings, on capital light type products. And some positive early signs in terms of the sales numbers you will have seen. Sales numbers up strongly in some of these core areas. These are capital light products, very much strategically in line with what we do elsewhere within the business. PRPPP being only one sort of indication of what is attractive about it. And keep in mind that Canada is the third largest savings market, so we are a savings and investments business. It is a very attractive market from that perspective.

We do have one heritage block of business which was closed to new business back end of 2012 I think it was, I lose track. And that is the Universal Life block of business, I think somebody else mentioned it earlier as well. This is a very long duration block of business. We had actually stopped selling actively Universal Life products probably about three or four years before. The duration of the block of business is you know 35 plus years. So when you see volatility in the Canadian results and when you see capital consumption in the Canadian business, it is largely attributable to this very long tail block of business. And the issue being obviously there is a duration mismatch post the 20 odd year where we just can't get assets that will cashflow match the liabilities on the block. It is clear that it is no longer open, so from that perspective it is not a strategic asset. It is however high quality block of business and I must emphasise this and we have looked at the liabilities, we are very comfortable with the way they are pegged. We have looked at the assets that back it, again very high quality assets. So while it is not a part of the business we are seeking to grow, you know it is a part that generates a return, it is capital consumptive. So it is the drag on the Canadian results.

Further question [Not possible to hear]

Answer: Jackie Hunt
I think you are probably talking I don't know if we have ever made this public, looking for someone who can tell me, we haven't. It is I mean it is a substantial sum. You could be talking you know £800 odd million, that sort of range of capital.

David Nish

What we will do Andrew we will look to see if there is anything we can point to, you know because there might well be Canadian regulatory returns or something like that that give the assets. We will look at that and maybe send an email, okay. Gordon.

<u>Question 5 : Gordon Aitken, RBC</u>
Gordon Aitken from RBC, a couple of questions. Firstly you invested in your propositions in a way that others haven't. And surely in a beauty parade of say UK corporate pension, maybe there are three providers. Surely the others just don't stand a chance. So the question is why are others still winning mandates?

And the second question is, the OFT Review into annuities, I just wondered how you see this panning out and I would like your view on this thesis. So if more customers get forced into the external market or open market, you are going to lose some volume and presumably you want some volume so you are going to cut your price. And given that you offloaded £7 billion of annuities to Great West a few years ago, I am assuming you have got to have a massive appetite for annuities. So do you end up writing less just because the margins are lower?

Answer : David Nish
I will just say something before passing to Paul, actually it was quite interesting the way you worded that Gordon. And so maybe give you a strange reply. I am actually quite happy there is competition. Because at the end of the day competition drives us to work harder. You know because I don't want our business to ever become complacent. And particularly against the backdrop of there is change going on. And people will always make a choice. You know regards, we have got probably two sets of analysts buys and sells. You always have a choice you know with the same sets of facts that are in front of you. But you know very much as Paul will go on to talk about, we enter this year with a very strong pipeline.

Answer: Paul Matthews
So just to follow on from that. I mean there are schemes we won't pitch for. So you know you will see some schemes being won by other companies where we have just refused to tender. Because we are not in the price game. So there is a case where some companies just want the cheap and cheerful proposition and quite frankly that is not our market. We are a premium proposition with a premium price. Typically when we are competing though, we would expect to win around 50% of the tenders we go for and our track record in 2012 was we won 50% of every one we went for. But there will be a considerable number we didn't actually go for.

The second thing was on annuities. And as our regulator is here, you know we are very passionate about customer service and the quality of customer propositions and you will see some of the things we have done for some time now. First company to pull out of commission for example in 2004. When people come to retire it is not just about price. So I think there is a massive difference between being the top annuity provider of rates and the bottom annuity provider on rate. And I think it is absolutely right, we write to customers a year before they retire, we write to customers six months before they retire and we have a conversation with them just as they are retiring.

The difference I think for many customers is that the proposition is really quite critical for them. So to give you an example, a 65 year old male with an average customer for us is £17,000 in 2012. The difference between our rate yesterday for a 65 year old with £17,000 between the very best rate you could get on the market and our rate yesterday with single life is £1.74p a week. But the difference for that customer when they retire is, what is their health like? Are they in good health or in poor health? Do they need to have impaired annuity? Do they need some guarantee on retirement? Do they need a five year guarantee? Do they need a ten year guarantee? Do they need some protection against inflation? Do they need 3% or 5%? So the issue for many of our customers of the thousands we deal with, they want to speak to somebody to give them some guidance to what they want. And we have about a third of our annuity pension customers choose to stay with us and about two thirds decide to leave. I would expect with all the pensions we are writing both in the corporate space and the retail space, for us to continue to have a steady flow of new customers and I would expect us to write without giving vulgar price game of cutting. And we haven't cut at all on any of our products to go and get volume, for customers to choose us because the proposition they get and because we offer them that particular service when then come to retirement. And many companies won't offer that option and many companies quite frankly the price is too different and so customers should move. But I think our proposition is different and we are 38% up this year, not on cutting price, but actually from the conversations we have with customers.

David Nish
Right James, Andy and then we will come forward and do the front group. Okay.

<u>Question 6 : James Pearce, UBS</u>
Morning James Pearce from UBS. A couple of things. Could you expand a bit on the outlook for fee margins in Canada? You have talked a lot about the spread book, but could you talk about fee margins in Canada a bit more? I think it went down a few basis points in 2012.

And second, although overall SLI had another very good year, the third party non covered profit which you will find on page 81 of your Statement, went down again. What is in that business and why is there pressure in that sub segment?

Answer: Jackie Hunt
Okay, should I talk a little bit about fee margins in the first instance in Canada. I mean if we come back to you know what has driven this sort of margin position. Segregated funds business, there have been some changes to the amount of capital we were holding against seg funds and we have also seen some repricing of those funds. In terms of the outlook, and that has put downward pressure on the margins. In terms of the outlook, we do think this is a scalable business. So again as those

assets continue to flow in and there is good momentum in terms of gaining them, we expect that will have a positive benefit. I think this is a relatively slow build. So 2014 is probably where we expect to see the margins starting to recover more generally across that particular line of business as opposed to 2013. You will see some small progress, but it really does require the business to get up to scale.

In terms of the page 81, two observations. So the first is the numbers you are looking at, I don't know if everybody has it in front of you, the 69 to the 62. The £69 million actually had £7 million of money market fees when we transferred the business. So it is distorted. Equally the £62 million has heavier development expenses in it. And there is one that is just, you are not comparing like with like. The other is because of heavier investment into globalising this proposition and you know we talked a bit about the success of that. The more interesting number to look at is the third party, two lines down, the 118, this includes TIP, the number are focusing on excludes TIP and obviously institutional pensions has been a big part of the flows over the course of the year. So actually that is up from 101 to 118. So I think it is just one of these odd numbers and you know one of the people in my team did warn me and say, you know somebody is kind of look at this. I think you are not seeing the full picture. You need to look at it in the round, you need to look at the TIP number as well and strip out that £7 million of money market transfer fee that we were paid in 2011.

Further answer:
It is not just TIP either just for completeness, that some of our segregated funds are actually in insured contracts so that is defining the profitability to some extent of that book.

Further question
What is actually caught by the 62 and is that unit trust?

Answer:
It is anything where the business is not wrapped in an insurance contract so it would include some mutual funds, some SICAV, it is a broad, broad span of business. So it is very difficult to summarise and I think we are quite happy to go through in some detail if you would like James.

Question 7: Andy Hughes, Exane BNP Paribas
Hi thanks very much. It's Andy Hughes, Exane BNP Paribas. A couple of questions related to RDR if I could. The first one is the ISA season is coming up and anyone who has an existing ISA contract on commission basis, obviously won't get commission I assume for the new investment unless the advisorgoes back and restructures the contract in some way. So is this a natural opportunity for a huge amount of assets to start moving on to the WRAP platform? So do we see that as a kind of big catalyst forthcoming?

Second thing is kind of re-registration of assets onto WRAP platforms, obviously post RDR that is another thing that potentially could take off at any time.

And I guess the third point is just your views on how persistency and things have changed in the post RDR world please? Thanks.

Answer : Paul Matthews
Re-reg. I mean it is difficult to know what is the re-reg on the commission side. We predominantly deal with the IFA market place which has been fee charging. So because we haven't been paying commission since 2004, I am not probably the best to ask on that. Where you have come from is probably a better place to ask, but I mean the IFAs that we are dealing with are mostly fee charging so they are offering a complete package and the ISA is just part of that package. So I do think you will see some businesses may, we have already got a number of orphans that have already contacted us who don't have another ISA so can they top up. So I think there is an element of that going to happen. But I think we will find out in the next few months, I think it is a bit early to tell.

The ISAs on commission again, I think it is the same scenario. So if you have got retail ISAs retail mutual funds, it is too early to tell Andy to be honest at the moment I would say.

Third question, re-registration takes a bit of time so I am expecting a lot of re-registration over the next 12 to 18 months. So what you are seeing is a number of advisors now will have to move to a platform. So because you are charging a fee, you are not making money from selling a product. So I would expect the next 12 to 18 months quite a bit of re-reg. It takes time because you have got to go through with the customer and redefine the proposition. But I think we have given a figure of £450 billion of assets moving in the retail space in the next five years. I don't see any reason why that figure is not going to come true. I don't think you should look for it in the next 6 to 12 months but I think you should look at it from the next 12 to 18 months because I think it will take advisors quite a lot of time to get their heads around this and you have got to sit down and go through it with the individual. B ut what you are seeing now is a number of companies deciding they may have used five WRAP platforms a little bit, they are going to move to two in my view. And you will see some companies that have just been using the companies that have been paying commission and using no platform at all and they are going to have to choose a platform. So I would say don't expect too much too quickly, but expect large volumes over the next three years.

<u>Question 8 : Marcus Barnard, Oriel Securities</u>
Marcus Barnard, Oriel Securities. A similar sort of question. Post RDR are you seeing many IFAs coming back to you that previously weren't dealing with you in the pre-RDR world?

And also on that subject, I mean post RDR are you seeing more competition? Are you finding it harder with your IFAs or just business as usual?

Answer : Keith Skeoch

So we are starting to see some IFAs come back to us that felt we had let them down without paying the commission. Again it is a bit too early to tell still. But I think if you are honest, if you are an IFA today having to charge a fee you need a good platform. You need investment solutions. You can't just sell a product. You haven't got the money or the infrastructure to do the investment research. Frankly, the regulator is in the room, you are going to need to justify why you are recommending somebody. You haven't got the expertise or capability. So I would expect as you have seen with Standard Life Wealth and MyFolio, more and more people choosing Investment Solutions rather than doing their favourite phone picker stock. And you will then see them doing more holistic planning on a platform. So again, similar answer to what I answered to Andy, over the next five years you will see the biggest movement of assets in the retail market than we have seen for twenty years. Because if you are in business you have to have a platform, you have to have investment solutions in my view. And I think that will be a gradual period of time so don't expect the next six to twelve months, but I think twelve months to three years it is going to be a very exciting place. And to be honest, back to Gordon's point, that is why we have invested over the last three years in the propositions we have done for RDR and auto enrolment.

Question 9 : Blair Stewart, Bank of America, Merrill Lynch

Thanks, it's Blair Stewart from BofA, Merrill, I think a couple of questions left. On SLI, the third party AUM went up 16%, operating profits up 16%, I might have expected more operational leverage benefit to come through. Is that still to come in the coming year or is there still some pick up on expense levels perhaps as you invest?

Second question, is I noticed the gross flows into fee retail, new and corporate went down in 2012. I guess because of a slower year given RDR was on the horizon, I just wondered if you can guide on expectations for that in the coming year or two, is that going to significantly ramp up or what do you think?

Answer: David Nish

So to take your question Blair, I need to give Keith a harder time than I am doing at the moment! Keith.

Answer : Keith Skeoch

We have always had a long run, as Blair will remember, we have always had a long-run EBIT margin target of about 35% which for the first time we exceeded last year. I would expect that as our business globalises we are probably able to lift that into probably somewhere close to the 40% as a very, very long-run target. Clearly as we are both innovating product and globalising our business, that means there is continued reinvestment in the business. So I would expect operational leverage to continue to come through over a fairly long period of time. It is particularly important where in the institutional world, client demands are changing quite a lot as we speak, that we continue to invest in both talent and technology, as well as our overall distribution framework. So I think it will continue to as I say emerge over a three or four year period.

Answer : Paul Matthews

On the flows I think our focus has been I think consistent for the last two or three years. We have been focused on the proposition to get in a position for RDR and auto enrolment and profitability, as opposed to perhaps volume, would be commission and price. So I think going forward we are in the right place actually. The flows have been slightly lower but the market has been driven to a certain extend by price and commission over the last twelve months as we would expect coming up with a new regime coming up as from January 1st. So I think we are where we would expect to be and over the next three years I think you will see proposition being far more important than pricing when commission is no longer there.

David Nish

And I think it was quite interesting some of the components of Blair's question. Really consistently what we have tried to do is drive the efficiency of our business consistently. And we will continue to do that. Paul has talked a wee bit about some of the examples and that is just one of the examples of many ways we are looking at how our business drives forward. We are consistently investing so we can both increase the ability for us to capture assets, but more importantly to deepen the amount of assets that go through into the business. And there is a lot of successful pointers within the results today to actually guide towards that. And as we talked about in terms of, if you look at the broader reach of the business, a much more broadly spread of business that is developing. And not one that is solely dependent upon the UK.

So I think that is all. So thank you all very much. I know you have got a busy day ahead, but we are around if you want to pick up on anything. Great, thank you.

End of Presentation