

## Standard Life plc IFRS performance reporting 21 July 2010

As indicated at our 2009 Preliminary Results presentation in March 2010, we have reviewed our operating performance reporting under IFRS. Following this review, we are adopting IFRS operating profit as our main IFRS performance measure in place of IFRS underlying profit. We consider that this change will provide shareholders and other stakeholders with a better understanding of our long-term operating performance by removing the impact of short-term economic volatility. In addition, the change will better reflect our internal management approach while also allowing for greater comparability with others in the industry.

The key differences between the previous measure, IFRS underlying profit, and the new measure are as follows:

### Removal of short-term fluctuations in investment return and economic assumption changes

- Under our previous method of reporting, short-term fluctuations in investment return were only partly excluded from IFRS underlying profit through an adjustment for the volatility arising on different asset and liability valuation bases.
- Under the new performance measure, these fluctuations will be excluded, in line with others in the industry. IFRS operating profit is calculated based on expected returns on investments backing shareholder funds, with a consistent treatment of the corresponding expected movements in shareholder liabilities. Impacts arising from the difference between the expected return and actual return on investments, and the corresponding impact on liabilities are excluded from IFRS operating profit, and are reported within the statutory IFRS profit before tax. The impact of changes in economic assumptions is also excluded from IFRS operating profit, and is reported within the statutory IFRS profit before tax.

### Other adjustments

- Volatility arising from changes in reserves caused by changes in tax provisions in our Canadian subsidiary was previously included in IFRS underlying profit. As this item has no overall impact on equity holder profit after tax, this item will be excluded from IFRS operating profit going forward.
- Adjustment will also be made for one-off items which are outside the control of management and which due to their size or nature are not indicative of the long-term operating performance of the Group. In 2009 and 2008, no such one-off items were adjusted in determining IFRS operating profit.

### Impact of change to IFRS operating profit

IFRS operating profit before tax from continuing operations for the year ended 31 December 2009 was £399m (HY 2009: £166m), compared with the IFRS underlying profit before tax of £216m<sup>1</sup> (HY 2009: £27m<sup>1</sup>). The adjustment for short-term fluctuations in investment return and economic assumption changes has the most significant effect on our operations in the UK and Canada. As previously reported our business in Canada is affected by volatility from investment market movements, economic assumption changes and changes in reserves caused by changes in tax provisions. Accordingly, the most significant effect of adopting IFRS operating profit in 2009 relates to Canada, the effect of this volatility had previously reduced IFRS underlying profit by £120m (HY 2009: £84m). IFRS operating profit for the year ended 31 December 2009 benefited from a £63m (HY 2009: £29m) release of reserves in relation to UK deferred annuity business.

IFRS operating profit before tax from continuing operations for the year ended 31 December 2008 was £482m (HY 2008: £368m), compared with the IFRS underlying profit before tax of £117m<sup>1</sup> (HY 2008: £325m<sup>1</sup>). IFRS operating profit for the year ended 31 December 2008 benefited from a £98m (HY 2008: £20m) release of reserves in relation to UK deferred annuity business and a £105m release of reserves following the reinsurance of £6.7bn of UK immediate annuities (HY 2008: £105m). Offsetting these benefits was a £102m cash injection into the Pension Sterling Fund.

An analysis of the movement between IFRS operating profit for 2008 and 2009 is included in Note 2.

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## Standard Life Group Press Release

Expenditure on developing new propositions and IT systems to support our business is written off where that expenditure does not meet the definition of an intangible asset or represent investment in a subsidiary, joint venture or associate. IFRS operating profit includes the element of development expenditure that is written off, which in the year ended 31 December 2009 was £86m. The development expenditure capitalised in the year ended 31 December 2009 was £16m. As highlighted at our 2009 Preliminary Results presentation, in 2010 we are broadly doubling the level of growth investment in our business and will significantly increase expenditure to grow our business consistent with executing our strategy.

The tables below set out the effect of the above changes to the measure of IFRS operating performance for the year ended 31 December 2009 and the six months ended 30 June 2009 and the year ended 31 December 2008 and the six months ended 30 June 2008. Following the announcement in May 2010 that we have entered an agreement to sell our healthcare business, Standard Life Healthcare Limited, the tables below present the results of Standard Life Healthcare Limited as a discontinued operation. Following its disposal on 1 January 2010, the results of our banking business, Standard Life Bank plc, are also shown as a discontinued operation.

We will continue with the development of our reporting of IFRS performance consistent with the evolution of our strategy as a long-term savings and investments business.

	IFRS underlying reported FY 2009 £m	Effect of change of measure £m	IFRS operating FY 2009 £m	IFRS underlying reported HY 2009 £m	Effect of change of measure £m	IFRS operating HY 2009 £m
<b>2009</b>						
<b>Underlying/operating profit before tax from continuing operations</b>						
UK	184	38	222	36	44	80
Canada	(7)	120	113	(10)	84	74
International <sup>2</sup>	18	5	23	(4)	(4)	(8)
Global investment management	66	7	73	21	6	27
Other	(45)	13	(32)	(16)	9	(7)
<b>Underlying/operating profit before tax from continuing operations</b>	<b>216</b>	<b>183</b>	<b>399</b>	<b>27</b>	<b>139</b>	<b>166</b>
<b>Discontinued operations<sup>1</sup></b>	<b>75</b>	<b>-</b>	<b>75</b>	<b>20</b>	<b>-</b>	<b>20</b>
<b>Total underlying/operating profit before tax</b>	<b>291</b>	<b>183</b>	<b>474</b>	<b>47</b>	<b>139</b>	<b>186</b>

	IFRS underlying reported FY 2008 £m	Effect of change of measure £m	IFRS operating FY 2008 £m	IFRS underlying reported HY 2008 £m	Effect of change of measure £m	IFRS operating HY 2008 £m
<b>2008</b>						
<b>Underlying/operating profit before tax from continuing operations</b>						
UK	201	137	338	229	42	271
Canada	(102)	148	46	66	(28)	38
International <sup>2</sup>	13	(4)	9	-	(2)	(2)
Global investment management	42	55	97	25	27	52
Other	(37)	29	(8)	5	4	9
<b>Underlying/operating profit before tax from continuing operations</b>	<b>117</b>	<b>365</b>	<b>482</b>	<b>325</b>	<b>43</b>	<b>368</b>
<b>Discontinued operations<sup>1</sup></b>	<b>37</b>	<b>-</b>	<b>37</b>	<b>20</b>	<b>-</b>	<b>20</b>
<b>Total underlying/operating profit before tax</b>	<b>154</b>	<b>365</b>	<b>519</b>	<b>345</b>	<b>43</b>	<b>388</b>

<sup>1</sup> Our banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, we entered into an agreement to sell our healthcare business, Standard Life Healthcare Limited. Both businesses have been classified as discontinued operations.

<sup>2</sup> International comprises the Group's operations in Europe and Asia.

## Standard Life Group Press Release

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## Notes to Editors:

1 The tables below show the reconciliation from IFRS underlying profit to IFRS operating profit, and also provide a reconciliation to the statutory IFRS result.

	Continuing operations FY 2009 £m	Discontinued operations <sup>1</sup> FY 2009 £m	Total FY 2009 £m	Continuing operations HY 2009 £m	Discontinued operations <sup>1</sup> HY 2009 £m	Total HY 2009 £m
<b>2009</b>						
Underlying profit before tax	216	75	291	27	20	47
Operating profit adjustments	183	-	183	139	-	139
<b>Operating profit before tax</b>	<b>399</b>	<b>75</b>	<b>474</b>	<b>166</b>	<b>20</b>	<b>186</b>
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	(214)	40	(174)	(186)	26	(160)
Other operating profit adjustments <sup>2</sup>	13	-	13	1	-	1
Impairment of intangible assets	(2)	(5)	(7)	-	-	-
Restructuring and corporate transaction expenses	(52)	(7)	(59)	(28)	(1)	(29)
Impairment loss on discontinued banking operations	-	(10)	(10)	-	-	-
Loss attributable to non-controlling interests	(33)	-	(33)	(29)	-	(29)
<b>Profit/(loss) before tax attributable to equity holders' profit</b>	<b>111</b>	<b>93</b>	<b>204</b>	<b>(76)</b>	<b>45</b>	<b>(31)</b>
Tax (expense)/credit attributable to operating profit	(34)	(29)	(63)	(39)	(5)	(44)
Tax credit/(expense) attributable to adjusted items	54	(15)	39	34	(8)	26
<b>Total tax credit/(expense) attributable to equity holders' profits</b>	<b>20</b>	<b>(44)</b>	<b>(24)</b>	<b>(5)</b>	<b>(13)</b>	<b>(18)</b>
<b>Profit/(loss) for the year/period</b>	<b>131</b>	<b>49</b>	<b>180</b>	<b>(81)</b>	<b>32</b>	<b>(49)</b>

	Continuing operations FY 2008 £m	Discontinued operations <sup>1</sup> FY 2008 £m	Total FY 2008 £m	Continuing operations HY 2008 £m	Discontinued operations <sup>1</sup> HY 2008 £m	Total HY 2008 £m
<b>2008</b>						
Underlying profit before tax	117	37	154	325	20	345
Operating profit adjustments	365	-	365	43	-	43
<b>Operating profit before tax</b>	<b>482</b>	<b>37</b>	<b>519</b>	<b>368</b>	<b>20</b>	<b>388</b>
Adjusted for the following items:						
Short-term fluctuations in investment return and economic assumption changes	(343)	(94)	(437)	(195)	43	(152)
Other operating profit adjustments <sup>2</sup>	(69)	-	(69)	12	-	12
Impairment of intangible assets	-	-	-	-	-	-
Restructuring and corporate transaction expenses	(67)	(5)	(72)	(42)	(2)	(44)
Impairment loss on discontinued banking operations	-	-	-	-	-	-
Loss attributable to non-controlling interests	(83)	-	(83)	(3)	-	(3)
<b>(Loss)/profit before tax attributable to equity holders' profit</b>	<b>(80)</b>	<b>(62)</b>	<b>(142)</b>	<b>140</b>	<b>61</b>	<b>201</b>
Tax credit/(expense) attributable to operating profit	8	(9)	(1)	(48)	(5)	(53)
Tax credit/(expense) attributable to adjusted items	132	28	160	21	(11)	10
<b>Total tax credit/(expense) attributable to equity holders' profits</b>	<b>140</b>	<b>19</b>	<b>159</b>	<b>(27)</b>	<b>(16)</b>	<b>(43)</b>
<b>Profit/(loss) for the year/period</b>	<b>60</b>	<b>(43)</b>	<b>17</b>	<b>113</b>	<b>45</b>	<b>158</b>

<sup>1</sup> Our banking business, Standard Life Bank plc, was sold on 1 January 2010. On 11 May 2010, we entered into an agreement to sell our healthcare business, Standard Life Healthcare. Both businesses have been classified as discontinued operations.

<sup>2</sup> Other operating profit adjustments relate to volatility arising from changes in reserves caused by changes in tax provisions in our Canada subsidiary. As this item has no overall impact on equity holder profit after tax, it is excluded from IFRS operating profit.

2 Analysis of movement in IFRS operating profit FY 2008 to FY 2009.

	£m
<b>FY 2008 operating profit</b>	<b>482</b>
2008 reserving change on annuity reinsurance	(105)
2008 Pension Sterling Fund	102
2008 reserving change on deferred annuities	(98)
2009 reserving change on deferred annuities	63
Decreased management charge income	(66)
Decreased operating costs	18
Other	3
<b>FY 2009 operating profit</b>	<b>399</b>