



# Standard Life Reducing Risk and Raising Returns

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Group Chief Executive

# Disclaimer



This presentation may contain certain “forward-looking statements” with respect to certain of Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Standard Life's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Standard Life and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard Life's actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in Standard Life's forward-looking statements. Standard Life undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

The basis of preparation of the EEV operating profit and of the IFRS underlying profit is set out in the Standard Life Half Year Report 2006 which is published on the Group's website at [www.standardlife.com](http://www.standardlife.com) (“the Half Year Report 2006”). These results have been calculated for the half year ended 30 June 2006 using assumptions to show the results which would have been attributable to shareholders had the company been owned by shareholders under the terms of the Scheme of demutualisation which was effective on 10 July 2006.

# Old Business Model – High Risk, Low Return

## Old Business Model



# Old Business Model - Low Returns



## Key Performance Indicators for 13.5 months of 2004<sup>(1)</sup>

New Business Contribution (£m)

**(132)**

New Business Margin<sup>(2)</sup>

**-1.2%**

EEV operating profit before tax (£m)

**180**

IFRS profit before tax<sup>(3)</sup> £m

**(340)**

(1) Accountancy period was for 13.5 months to 31 December 2004

(2) New Business Contribution/PVNBP

(3) Before tax attributable to shareholders and minority interest

## Conclusions of the Strategic Review

- Core businesses identified as having significant potential
- UK Life and Pensions financial position required strengthening
- Requirement to access more capital to support growth
- To demutualise and float on the stock market

# New Business Model – Lower Risk, Higher Returns



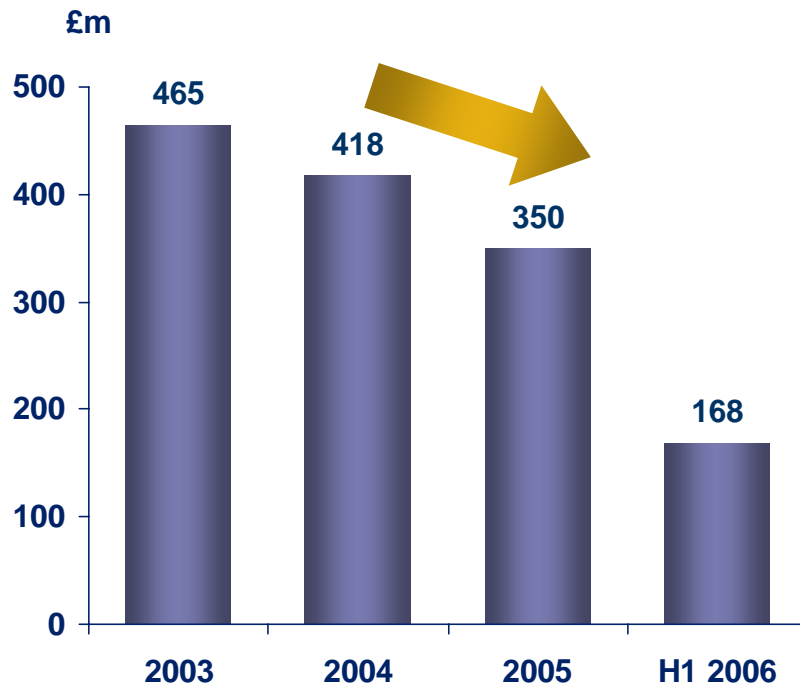
## New Business Model



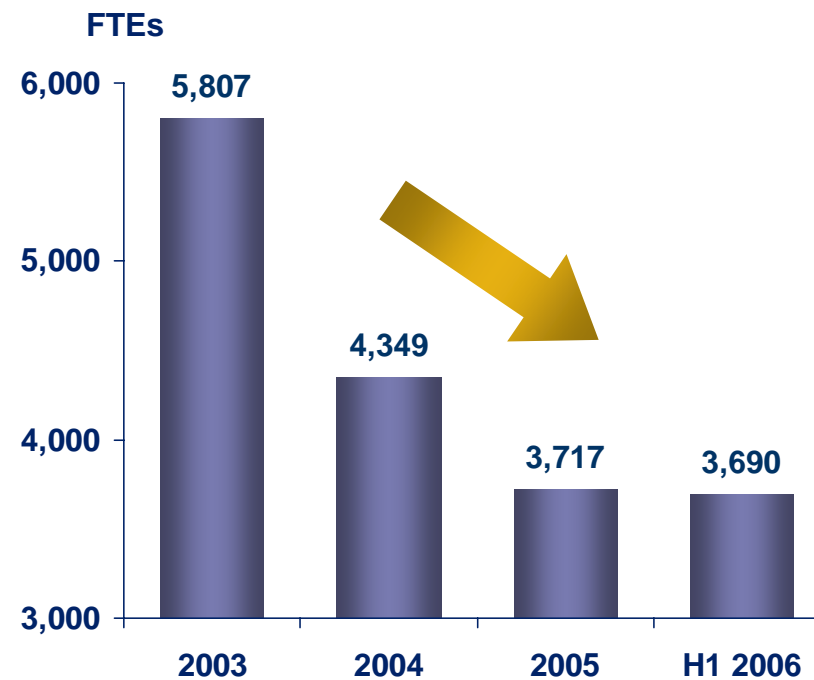
# Reduce Risk - Continuing To Focus on Cost Base in UK Life and Pensions



## Expenses



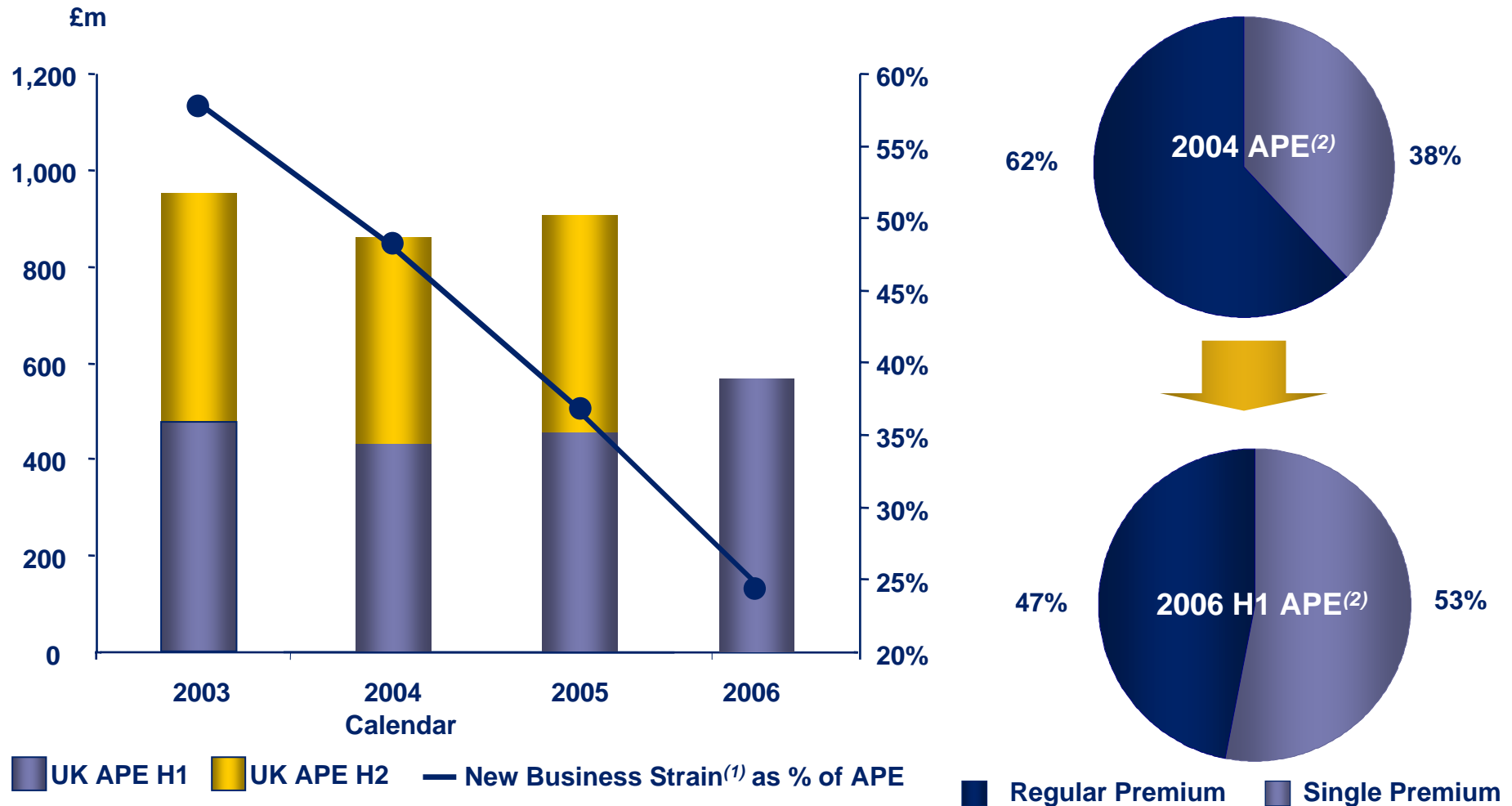
## Headcount<sup>(1)</sup>



On track to deliver cost reduction of £30m by end 2007<sup>(2)</sup>

- (1) Headcount is FTEs inc temps but excluding overtime
- (2) £30m cost reduction based on 2005 costs

# Reduce Risk - Shift to Less Capital Intensive, Higher Margin Products



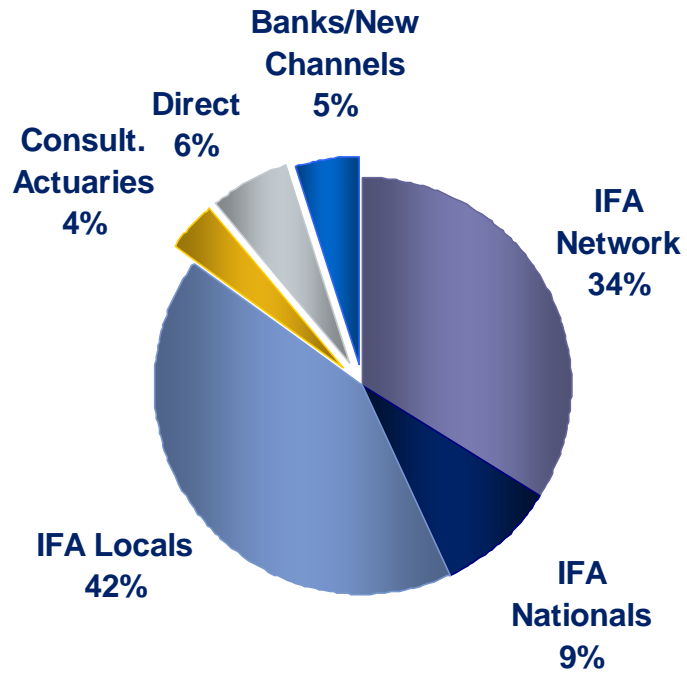
**New business strain is being optimised to generate profitable business**

(1) Calculated as initial expenses plus initial commission plus initial reserve minus premium received in the year – pre tax  
 (2) UK and Europe

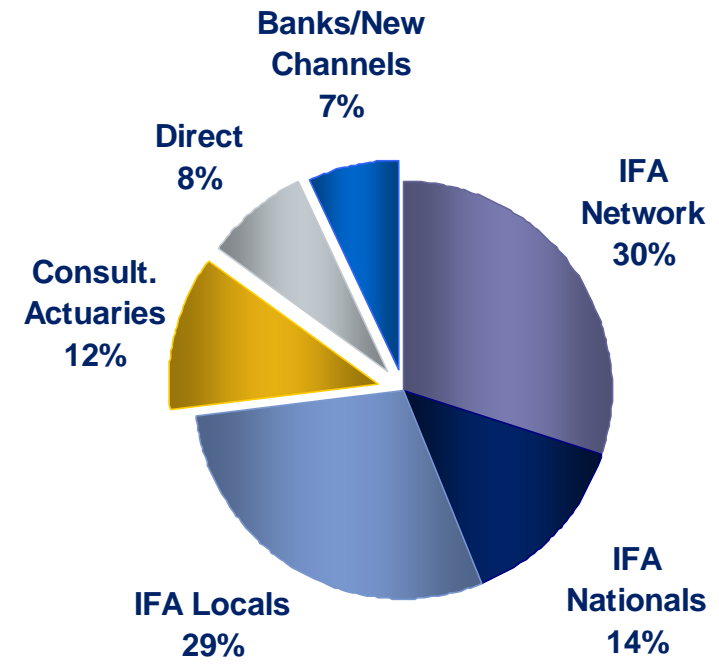
# Diversifying Distribution

**In H1 2006 almost 30% of new business came from outside the traditional IFA sector**

**2003 Distribution mix by APE**



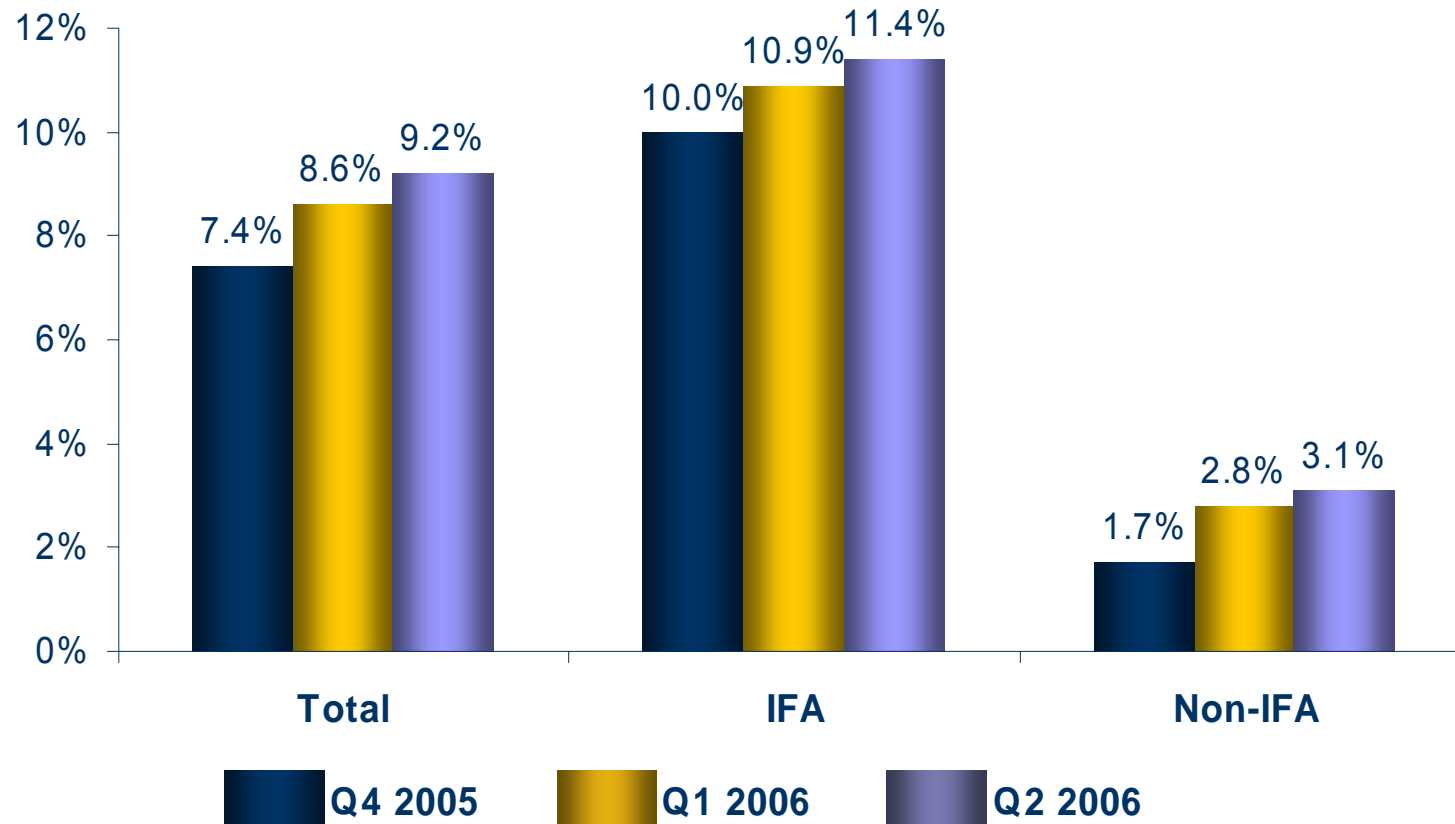
**2006 H1 Distribution mix by APE**



# Market share growing in new distribution channels



## UK Life and Pensions market share – Q4 2005 through to Q2 2006



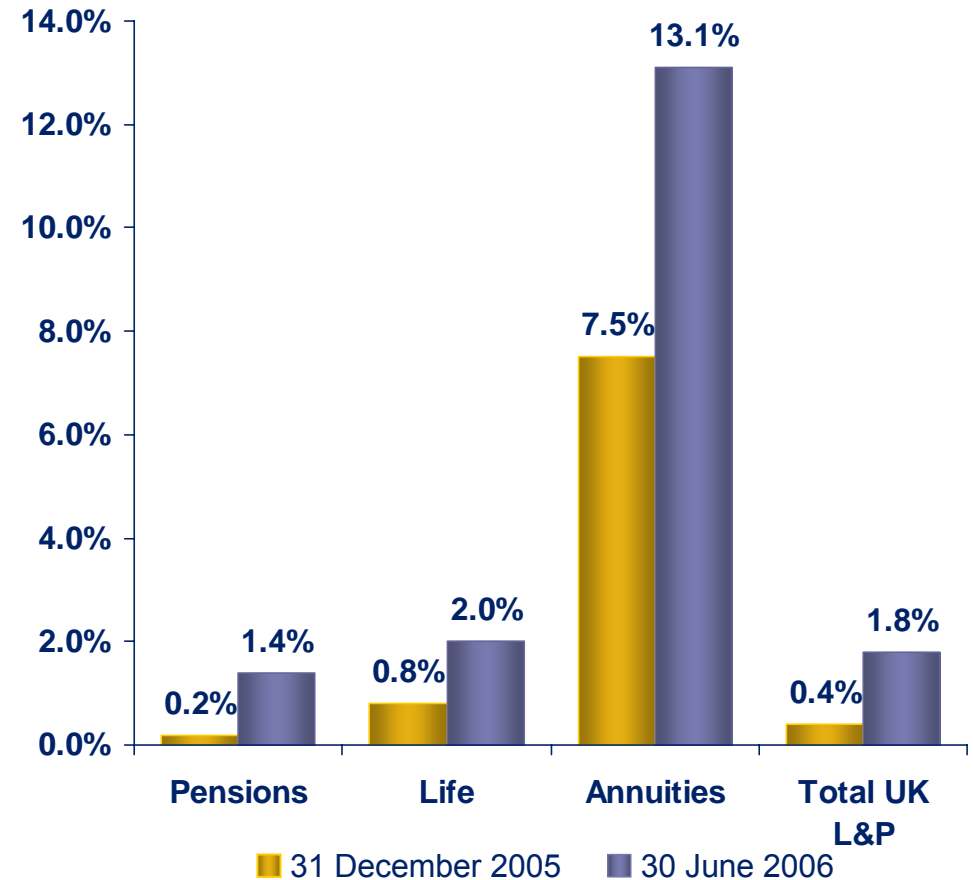
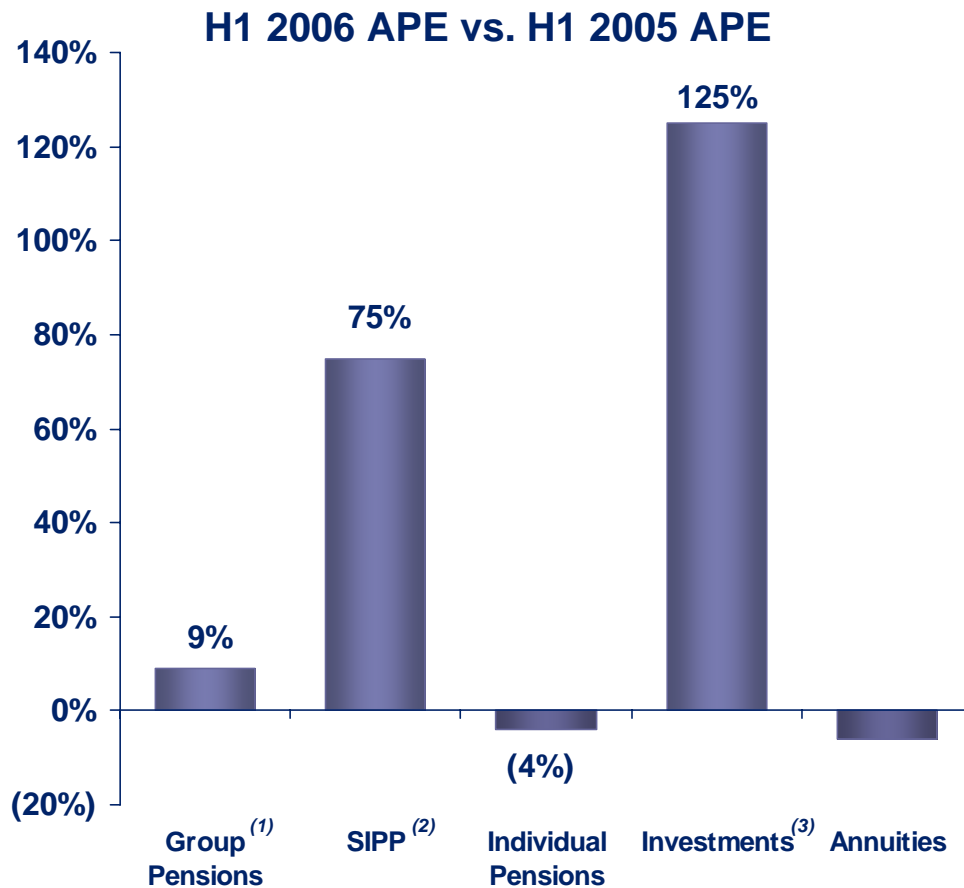
Source: ABI

# Growth and Margin Improvement



## UK L&P product growth....

## ...with margin improvement<sup>(4)</sup>



- (1) Includes TIPP and PPIP
- (2) Including Drawdown
- (3) Includes Investment Bonds, Offshore Bond and Other
- (4) NBC as a percentage of PVNBP

# Positioned for a rapidly transforming market - pensions

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**We have experienced higher lapse rates in recent weeks and we believe we are well positioned to manage this market dynamic**

- Following A-Day we believe the industry is going through a period of heightened activity as customers consolidate their pension arrangements.
- Excellent product and customer service generates customer satisfaction and retention.
- Strong relationships with our distribution channels helps meet customer and distributors long term needs.
- New products offer customer flexibility and choice.
- Moving from old to new business model does not reward churn and helps reduce loss of future value and capital investment.

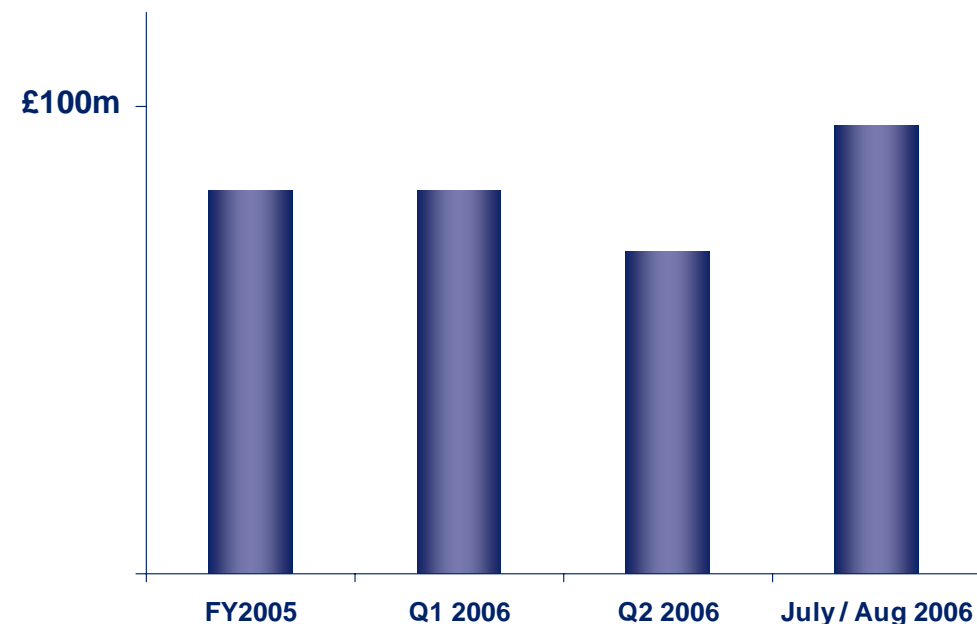
# Current experience: New Single Premium Pensions Outstrips Surrender Volume



## Standard Life is a clear winner from A-Day

- Strong demand for single premium products continues to out pace lapse rates
- We expect to retain a significant and growing percentage of surrendering pension monies

## Monthly run-rate of single premium pension inflows<sup>(1)</sup>

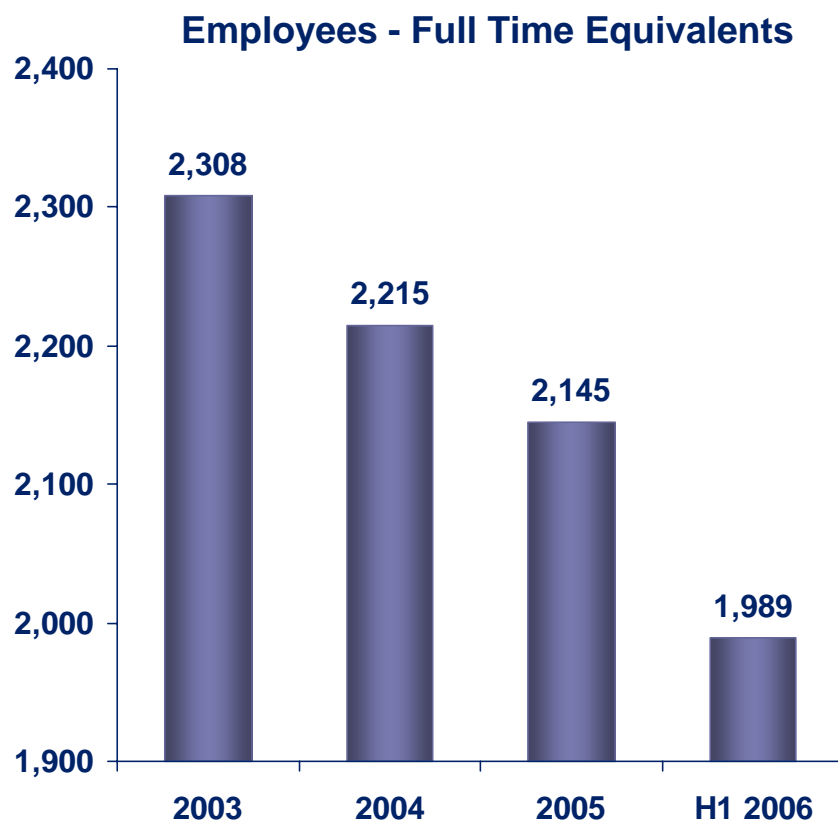


Source: Internal Standard Life Information

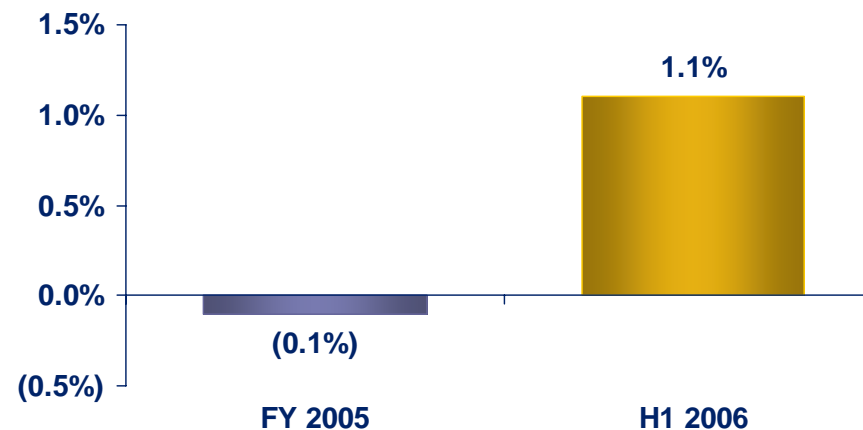
(1) Monthly new Single Premium pensions business excludes annuities and TIPP / PPIP. Single Premium data does not include non-insured SIPP (£438m impact in H1 2006)

# Improving Returns - Standard Life Canada

## Canadian Cost Management Underpins Profit Growth



## Margin Improvement



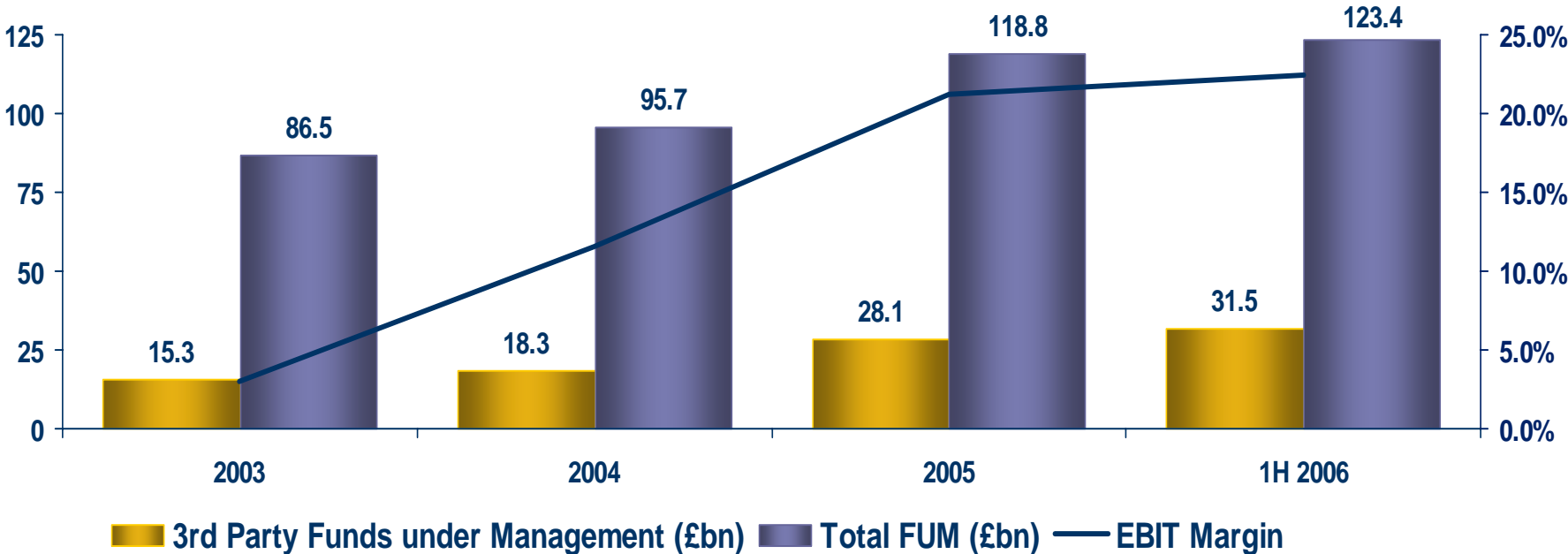
## Market share

	H106	FY05
Group S&R	23.9%	23.2%
Group Insurance	2.2%	4.0%
Individual Insurance S&R	4.8%	7.4%
<b>Total</b>	<b>7.8%</b>	<b>9.8%</b>

# Strong Funds and Earnings Growth: Standard Life Investments



## Growing funds under management and EBIT margin<sup>(1)</sup>

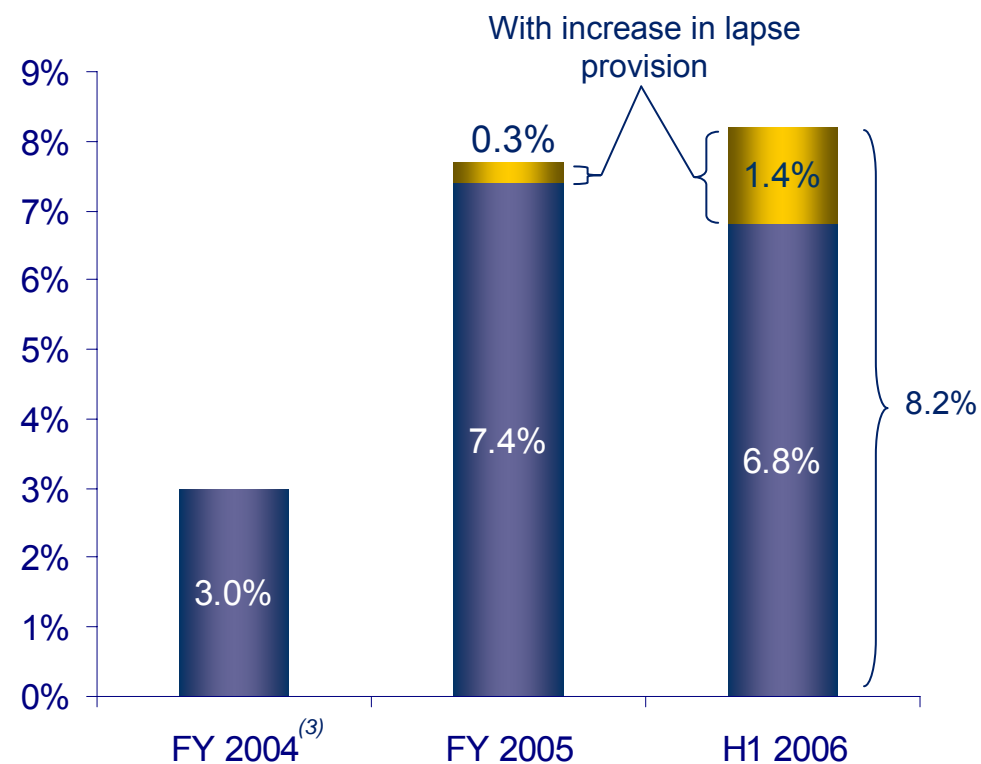
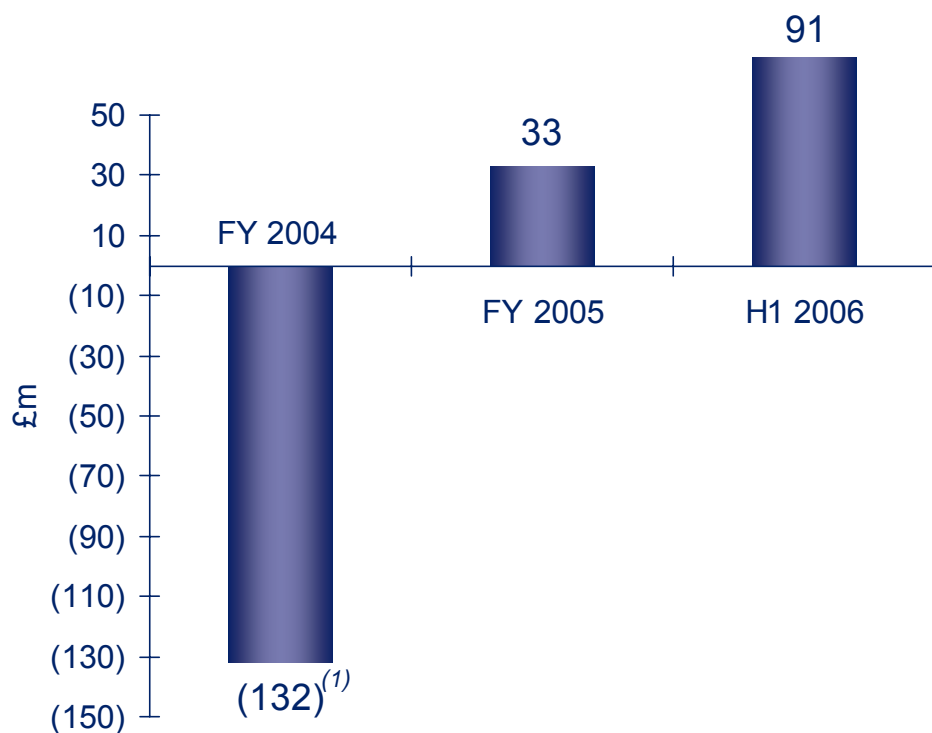


(1) The EBIT margin is calculated by dividing EBIT by fee and commission income. EBIT is derived by taking profit before tax attributable to shareholders and adding back interest expense and deducting net investment return.

# Result: Significant Financial Turnaround Achieved

**New Business Contribution changed from a loss of £132m to a profit of £91m in H1 2006**

**Return on Embedded Value more than doubled since 2004<sup>(2)</sup>**

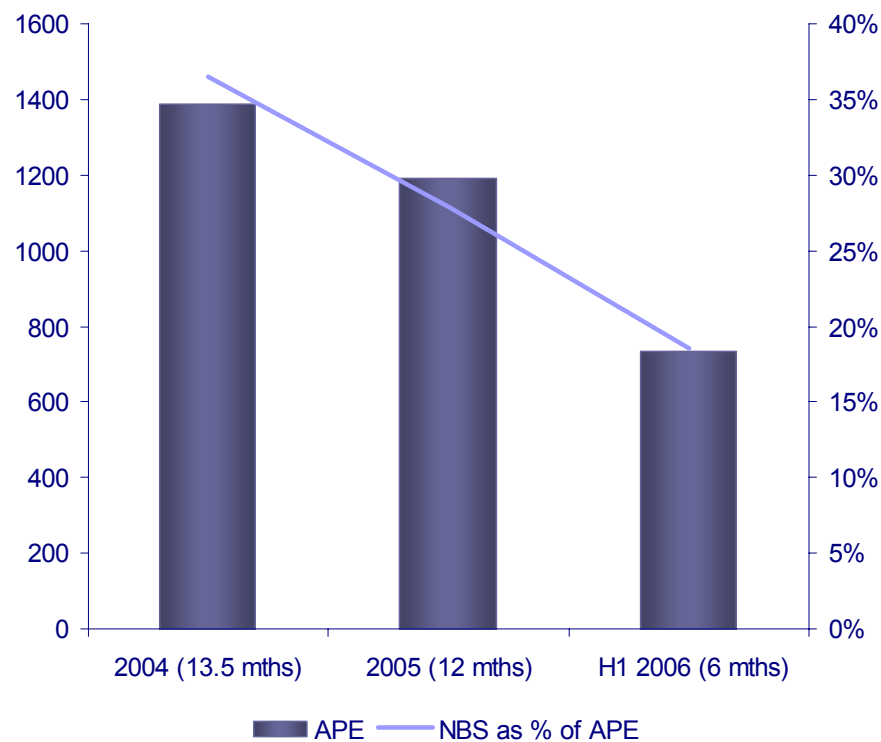


- (1) 13.5 month to 31 December 2004
- (2) Based on opening EEV
- (3) Pro rata

**Focus on profitable business resulted in positive New Business Contribution**

# Result: Improved Cash Generation

## Group APE and New Business Strain



## Cash movement

	6 months to 30 June 2006	12 months to 31 December 2005
Operating cash flows	73	69
Total cash movement	156	22
Other non-life	(33)	(39)
<b>Total</b>	<b>123</b>	<b>(17)</b>

New business strain is calculated before Required Capital Movements

All cash flows are net of tax

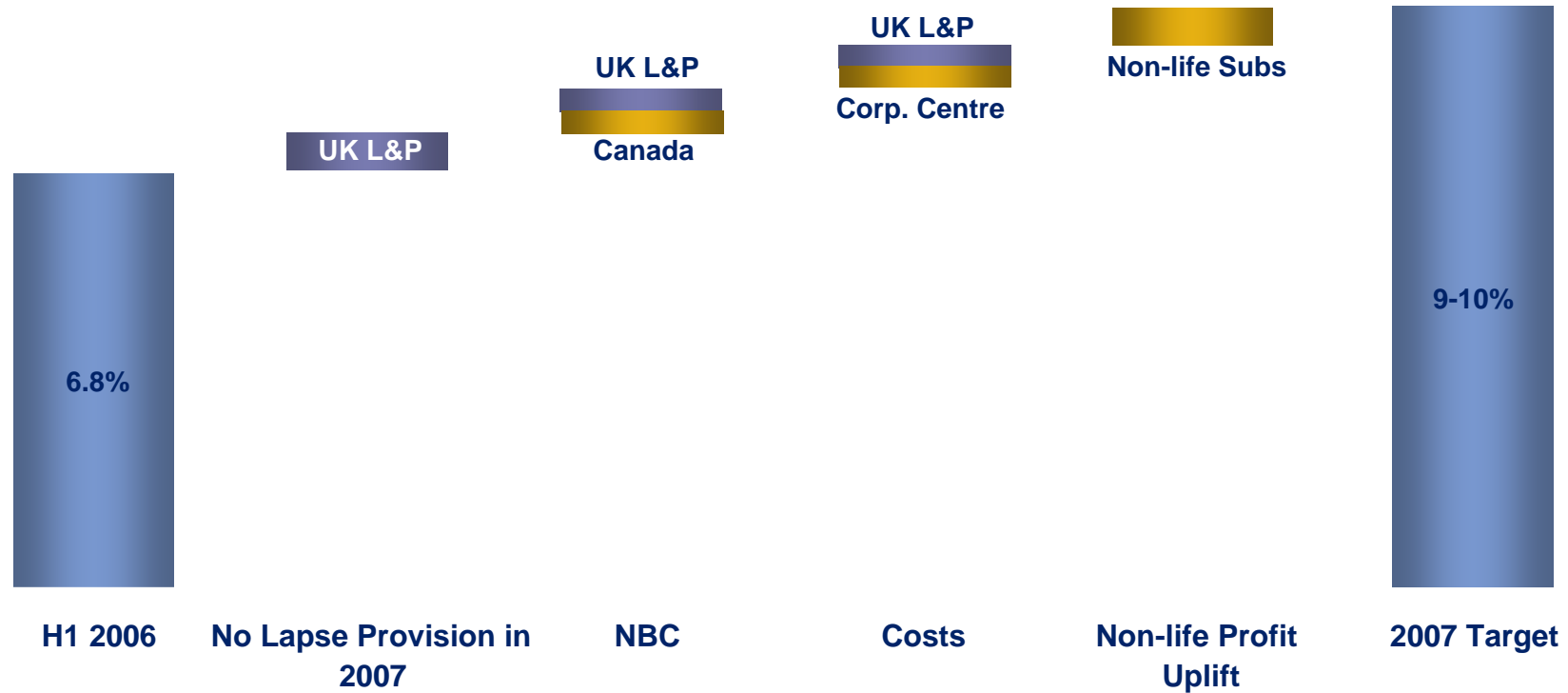
## Result: Dividend

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### Well-capitalised for sustainable growth in profit and dividends

- Objective to pay a progressive dividend
- Approximately 5.4p per share to ordinary shareholders (May 2007)
- Represents half of the total dividend
- Annualised yield of 4.5% of opening 2006 EEV

# Targeted improvement in Group RoEV



Confident in Meeting 2007 RoEV Target of 9- 10%



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# Questions and Answers

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Calls may be recorded/monitored

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