



# Preliminary Results 2004 Presentation



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17 March 2005

Sir Brian Stewart  
Chairman

# Agenda

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- Overview
- Operating and Financial Review
- Business Review
- Summary
- Questions & Answers

# Overview - Results Highlights

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- Worldwide insurance APE sales £1.42bn
- Worldwide gross investment sales £2.35bn
- SLI third party FUM increase to £18.3bn
- Total group funds under management a record £108bn
- Standard Life Bank mortgages under management £10.2bn
- Capital resources of £5.5bn (statutory basis)
- UK Life and Pensions repositioned for profitability and growth

# Standard Life's Strengths

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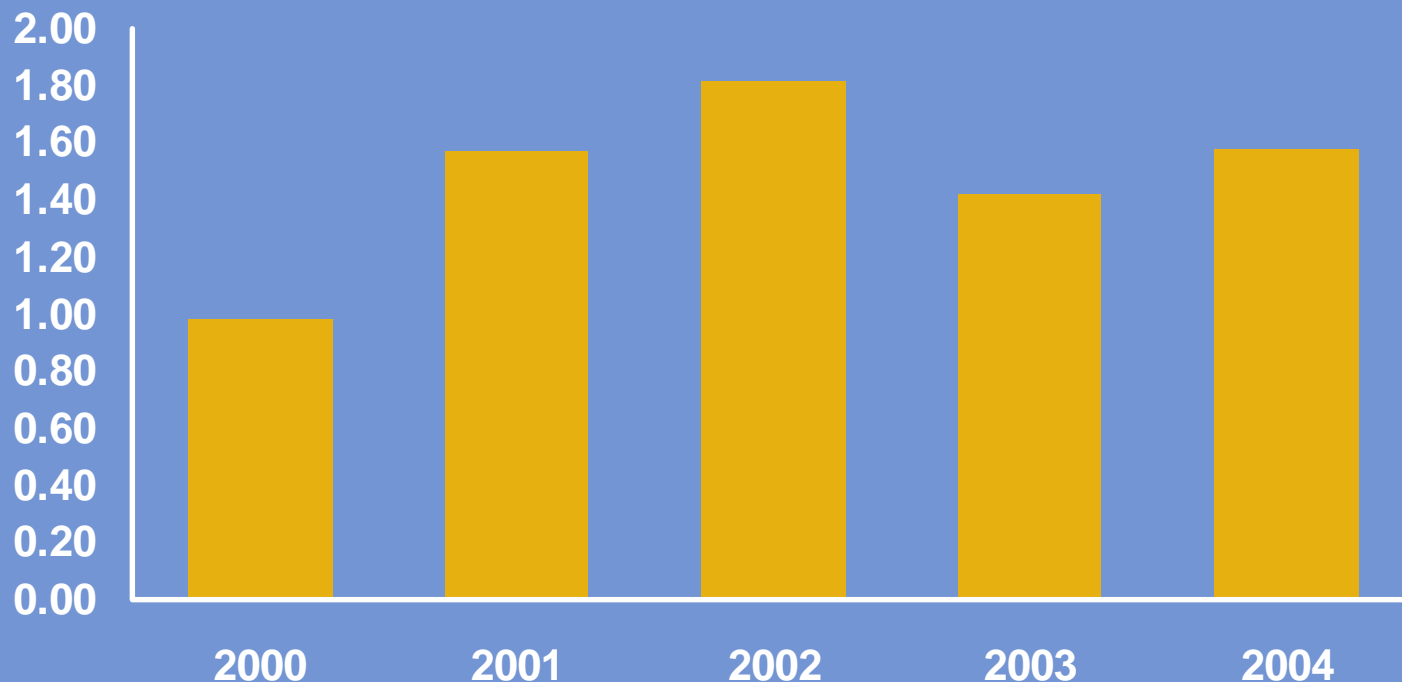
- Clear vision of the future
- Leading brand
- Innovative range of quality products
- Market leading standards of customer service
- Strong long term fund performance
- Opportunities for synergies across business operation
- Determination to deliver excellent results for stakeholders

# Operating and Financial Review

John Hylands  
Group Finance Director

# Worldwide APE £1.6bn

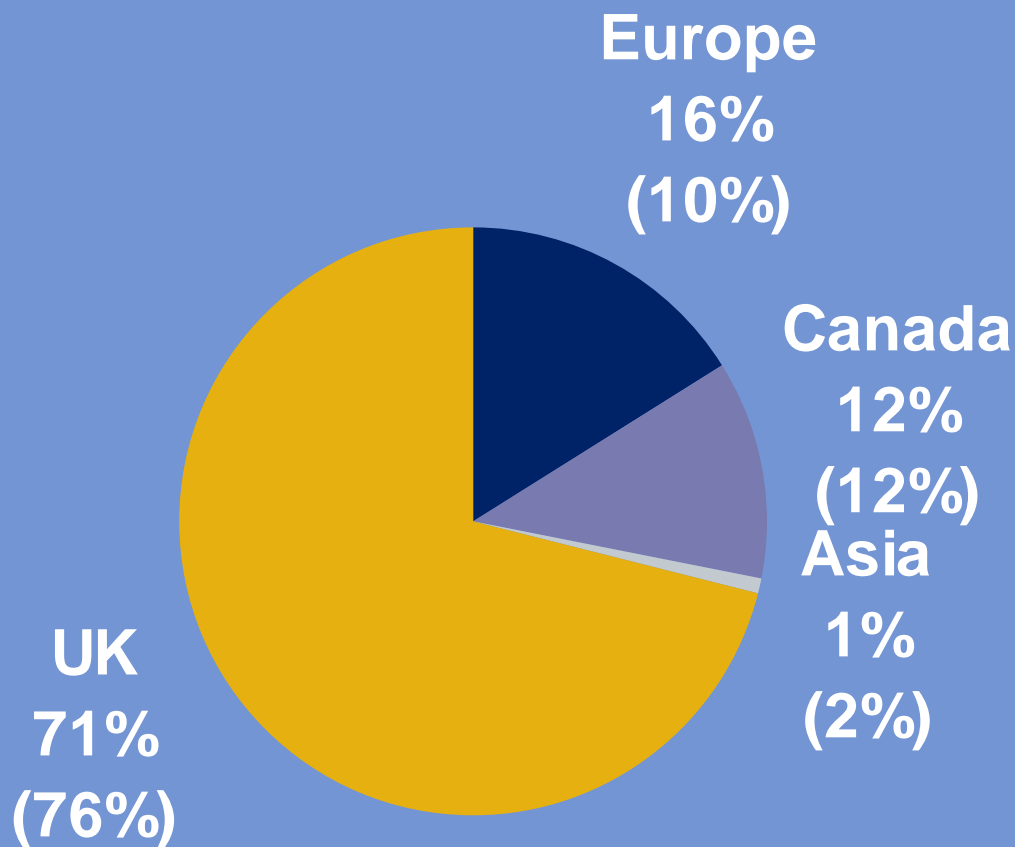
£bn



2000-2003 12 months to 15 November  
 2004 13.5 months to 31 December

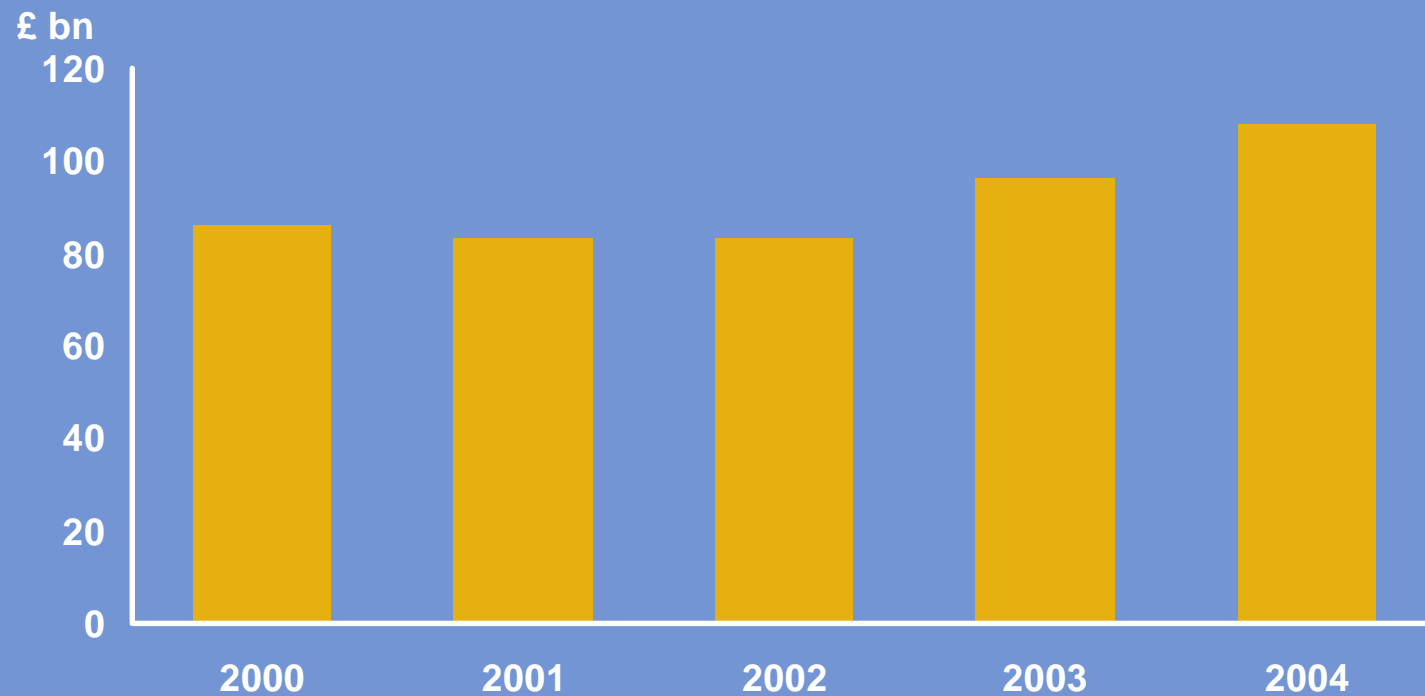
Life and pensions APE + 10% of investment sales

# Geographic Breakdown APE



Insurance APE + 10% of investment sales  
 2004 31 December year end ( ) 2003 15 November year end

# Group Funds Under Management £108bn



2003 includes £2bn securitisation and 15 November year end

2004 includes £3bn securitisation and 31 December year end

# Financial Position as at 31 December 2004

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## Companies Act

	31 December 2004 (£m)	15 November 2003 (£m) Restated
Assets	<b>99,322</b>	<b>88,565</b>
Technical provisions	<b>84,030</b>	<b>74,830</b>
Other liabilities	<b>10,836</b>	<b>9,455</b>
Fund for future appropriations	<b>4,456</b>	<b>4,280</b>

# Statutory and Realistic Solvency (unaudited)

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	2004 £m
Capital Resources	<b>5,468</b>
Capital Resources Requirement (CRR)	<b>2,513</b>
Realistic Assets of the Fund	40,495
Realistic Liabilities of the Fund	37,207
Realistic assets exceed realistic liabilities	3,288

# Capital position

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	2004 £m
Fund for future appropriations	4,456
Adjustment on to regulatory basis	(1,007)
Other Qualifying Capital	
Subordinated members' accounts (MACS)	548
Subordinated loans	971
Implicit item	500
	2,019
Total capital to meet regulatory requirements	<hr/> 5,468
Regulatory capital resources requirement	2,513

Year end as at 31 December

# Credit Ratings

	<b>S&amp;P Rating</b>	<b>Outlook</b>	<b>Moody's Rating</b>	<b>Outlook</b>
<b>Financial Strength</b>	A+	Negative	A1	Negative
<b>SL Finance</b>	A-		A3	Negative
<b>SL MACS</b>	A-		Baa1	Negative

## Business Review

Sandy Crombie  
Group Chief Executive

# Overview – A year of Progress

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## Management Actions

- Strategic Review
- Established numerous projects to set course for demutualisation and flotation
- Repositioned for profitability and growth
- Cost reductions
- Changed commission structures to improve profitability
- Variety of actions taken to strengthen capital position
- Over subscribed capital issue of £550m
- Strive towards achieving peer group returns

# Overview – A year of Progress

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## Achievements Delivered

- Sales maintained but mix changed towards improved profitability
- Successful product launches
- Maintained leading brand
- Customer service awards
- Strong investment performance
- Secure financial position

# Business Unit Review

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- UK Life and Pensions
- Bank
- Healthcare
- Investments
- Canada
- International

## UK Life and Pensions

# UK Life and Pensions New Business APE

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- Total APE sales £939m (£957m)
- Focus on profitable market share
- Total APE market share Q4 8% (Q3:8.4%)
- Deliberately stood back from chasing sales for improved profitability and to guard capital
  - Protection down 57% yoy
  - Annuities drove Retirement Income down 24% yoy
- Utilise less capital to get better return
- Strengthened systems to support strong customer/ IFA service

All % relate to 13.5 months to December 04 vs 12 months to 15 November 03

# UK Life and Pensions Repositioning

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- Focus on profitable growth
- With profit fund pre-tax investment return of 10.4%
- Exciting product launches
  - SIPPS
  - Secured Capital Plan
  - Individual Buy-Out Plan
  - New protection proposition
  - *sigma*
- Strong service levels and innovative products to drive profits and growth
- Market outlook has improved

2003 12 months to 15 November    2004 13.5 months to 31 December

# UK Life and Pension Depolarisation

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- IFA's remain key
- Attractions to having multi-tie agreements
- Our strengths
  - Product range and quality
  - Product performance
  - Service standards
  - Information technology and supporting systems
- Recent multi-tie announcements to date
  - Barclays
  - Thinc-Destini
  - Lighthouse Group
  - Prestbury Holdings
- Feet under most negotiating tables

# Investments

# Investment Highlights

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- Performance strong across main asset classes
- Money weighted average well above median for 1 year and upper quartile over three years

13.5 months to 31 December 2004

Past performance is not necessarily a guide to future performance

# Active Investment Performance – by Product



at 31 December 2004

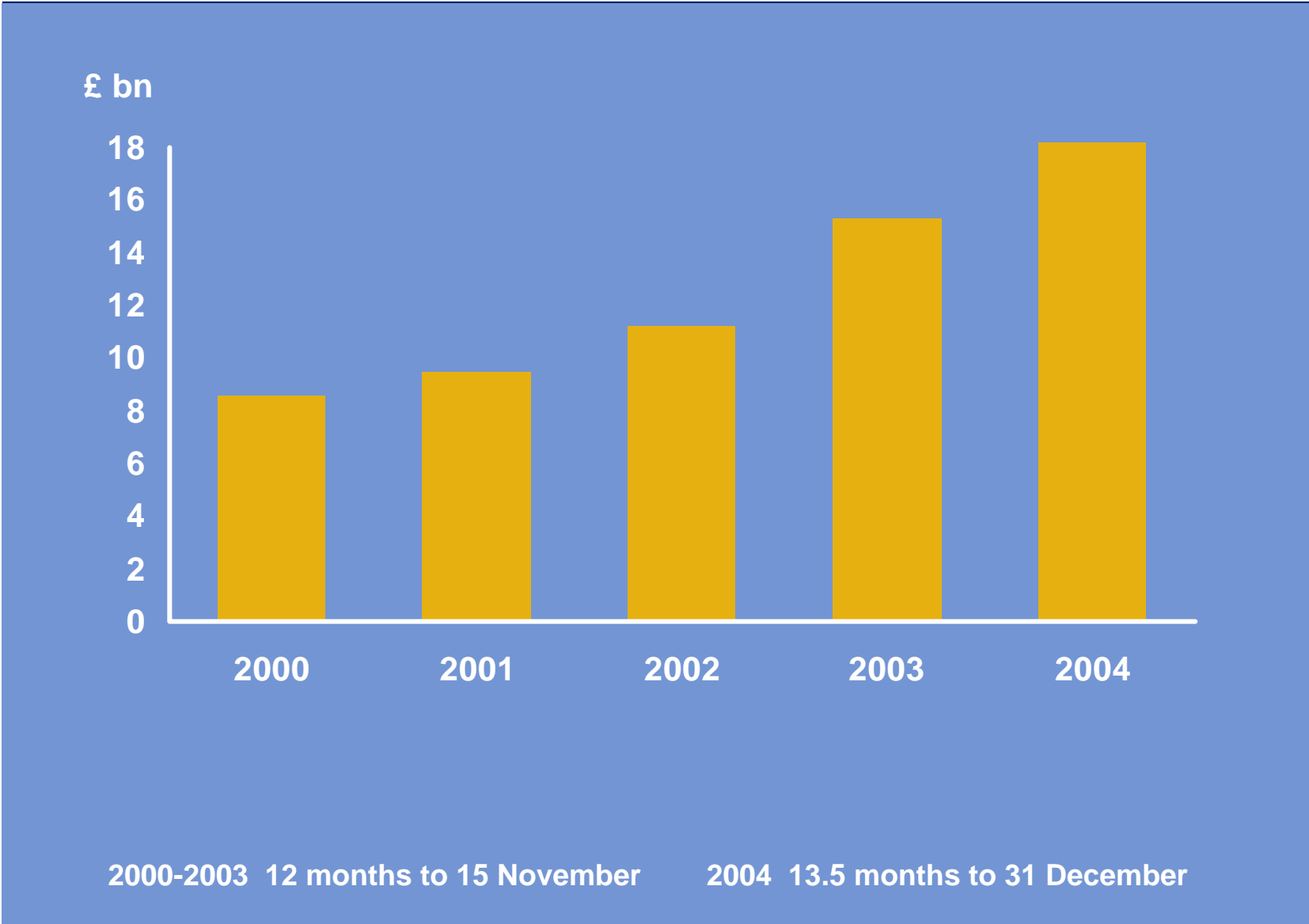


# Standard Life Investment Sales

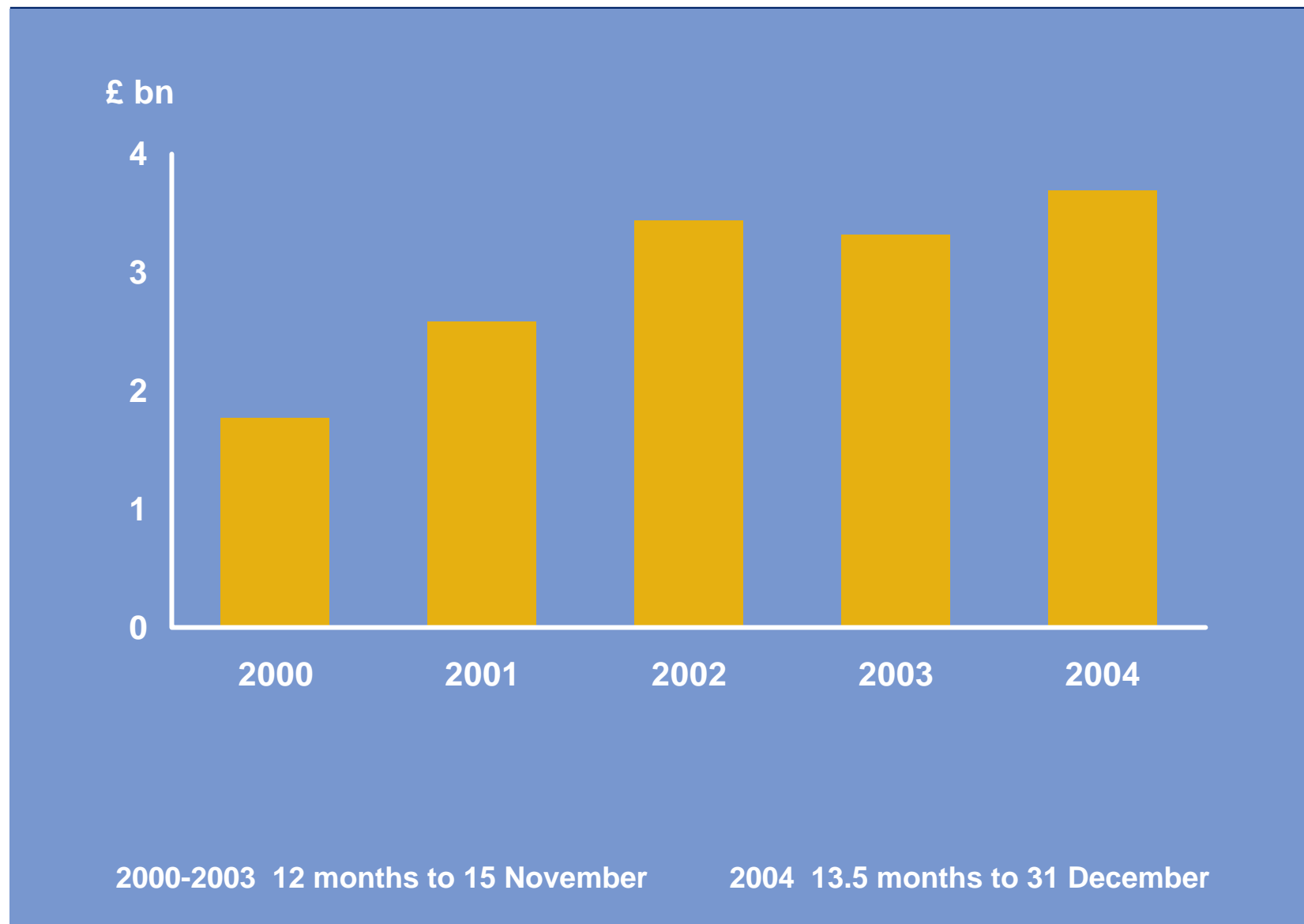
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- Achieved record institutional sales of £1.8bn and won major segregated institutional mandates
- Third party FUM Gross inflows of £3.7bn
- Strong start to 2005

# Standard Life Investments Third Party FUM £18.3bn



# Third Party Gross Inflow £3.7bn

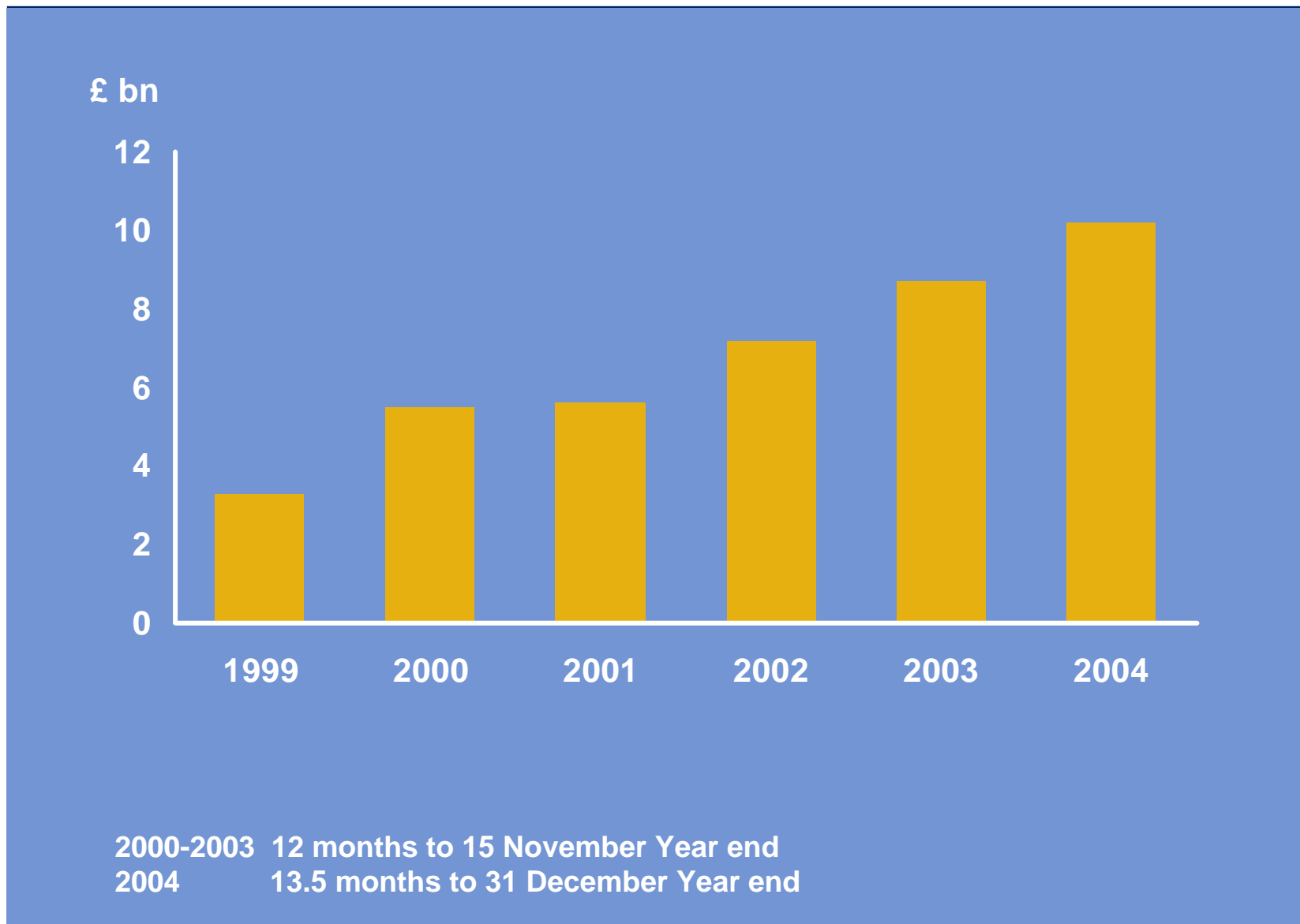


# Bank

- £9.1m profit (£4.6m)
- Mortgages under management increased by 17% to £10.2bn (£8.7bn)
- Gross mortgage lending increased by 24% to £4.6bn (£3.7bn)
- Mortgage business quality remains outstanding
  - Average indexed loan-to-value ratio of the mortgage book fell from 46.3% to 44.7%
  - Mortgage arrears (3 months or more) 0.12% (0.08%) vs industry average 0.8%\*

- Substantial improvements in efficiency
  - Mortgages under management double over 4 years
  - Staff numbers have reduced by 18% in the same period
- Customer engagement strong
  - 64% of customers use flexible features of the mortgage
  - Increasing usage as a financial planning tool
- Diversified funding strategy in place
  - £4bn retail savings, £6bn wholesale and securitised
  - Latest £1.25bn securitisation (Feb 2005) record breaking UK Retail Mortgage Backed securitisation, pricing achieved, (Libor 9.5bp over lifetime)

# Standard Life Bank Mortgages Under Management £10.2bn



# Healthcare

# Standard Life Healthcare

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- Inforce premiums increased by 12%
- Customer retention continues to build
- Customer satisfaction 98% Q3 04
- Premiums increased in response to claims experience
- Cost issues addressed
- Moving towards break even (H1 £4m loss H2 £2.1m loss)

% relate to 13.5 months to December 04 vs 12 months to 15 November 03

# Standard Life Healthcare In-force Premium Income £217m



# Canada

- Group Savings and Retirement leader in Canadian market, with highest market share increase from 2003 and 2<sup>nd</sup> overall in 2004 as measured by EAP (from 15% to 26%)
- Market share of 2004 new sales:
  - Group Savings and Retirement 26%
  - Group Insurance 4%
  - Individual Life 6%
  - Individual Savings and Retirement (including Mutual Funds) 2%
- Produced 12% of Group's new insurance business last year
- New business volume (excluding mutual funds) increased to £173m (£150m)
- Premiums and deposits were up by 21% to £1.9bn
- Assets Under Management increased to £11.7bn (10.4bn)

2003 12 months to 15 November    2004 13.5 months to 31 December

- Domestication achieved, offering greater capital flexibility
- New chief executive appointed 1 January 2005
- Growth in 2005 will be generated from all product lines
  - Expanded product offering for Group Savings and Retirement with the objective to increase our share of the Defined Benefit plan market
  - Expanded target market for Group Insurance
  - Increased distributor reach and penetration in Retail Markets

2003 12 months to 15 November    2004 13.5 months to 31 December

# International

# Overseas Operations Highlights

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- Germany/Austria
  - Exceptional growth of new business up 164%
  - Expect 2005 APE sales to revert to more normal levels
- India
  - HDFC Standard Life insurance market share around 8%
  - Expanding our geographic footprint
- China
  - Sales ahead of target
  - Developing product range and distribution
  - Approval for Qingdao branch

2003 12 months to 15 November

2004 13.5 months to 31 December

# Summary

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- Year of change, success and solid performance
- Repositioning and restructuring to improve profitability and maximise value for members
- Strong products, performance, service and brand
- Secure financial position
- Standard Life on a new track

## Questions & Answers



# Preliminary Results 2004 Presentation

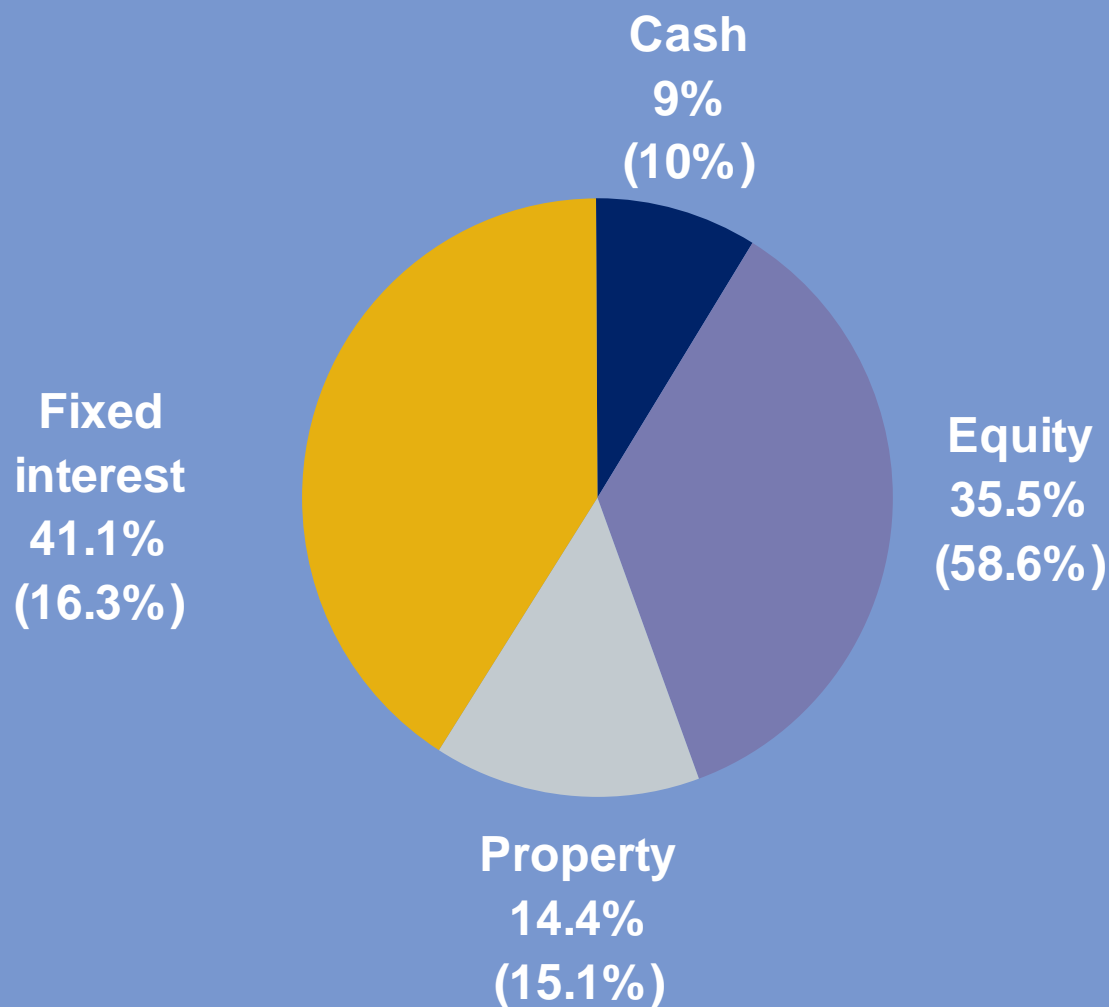
# Appendix

# Overview – Award winning Performance

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- IFA Company of the Year award (7<sup>th</sup> consecutive year)
- MMFS award for Best Pension Provider
- MMFS award for Best Healthcare Provider
- FAS Award for the ‘Investment provider 5-Star Award’ (9<sup>th</sup> successive year)
- 1st place in 2004 Standard & Poor’s Ten year UK Individual Pensions and Property sector (3<sup>rd</sup> successive year)
- Financial Adviser magazine five-star service award for Standard Life Bank (6<sup>th</sup> successive year)

# UK With Profits Business £31bn



Comprises the assets backing the With Profits Fund as at 31 December 2004 (31 December 2003) Value includes corporate assets



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# Full Year Results 2004

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The Standard Life Assurance Company\* is a mutual company registered in Scotland (No. SZ4)  
Head Office Standard Life House 30 Lothian Road Edinburgh EH1 2DH.  
The Standard Life group includes Standard Life Pension Funds Limited\*  
SLTM Limited\* Standard Life Investments (Mutual Funds) Limited\*  
\*Authorised and regulated by the Financial Services Authority  
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