

Debt Capital Roadshow

May 2005



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1. Executive Summary

Executive Summary



- Inaugural capital issue for Standard Life Bank
- Core part of Standard Life group
- Builds on established brand
- Technologically advanced telephone and internet-based mortgage lender and savings bank
- Outstanding asset quality
- Well placed for continuing profitable growth
- Committed to investor relations

2. Standard Life Bank

Standard Life Bank



- Integral part of The Standard Life Assurance Company (“Standard Life”)
 - Wholly-owned subsidiary of Standard Life, benefiting from shared name, brand, senior management in key areas, and rating agency credit
 - Standard Life has provided the FSA with a letter of comfort regarding its responsibilities with respect to Standard Life Bank
- Mortgages Under Management of £10.2bn; savings balances of £4.2bn (31 Dec 2004)
- Telephone and internet-based mortgage and savings bank, supported by a unique, state-of-the-art technology platform
- Financially astute customers, innovative products and targeted distribution channels

Credit Ratings*	Moody's	S&P
Long Term	A2	A-
Short Term	P1	A2
Anticipated UT2 issue rating	A3	BBB

* Negative outlook from both agencies

Operating Objectives



- Complete Standard Life group's suite of key long-term financial products
- Originate a 'Superior Prime' residential mortgage book
- Engage customers with innovative products
- Provide an appropriate return to Standard Life
- Safeguard and enhance the Standard Life brand & values

5 year strategy focused on active pursuit of profitable growth to ensure critical mass, margins and unit costs required for long term success

Standard Life Bank's Customer Proposition – Freestyle Finance



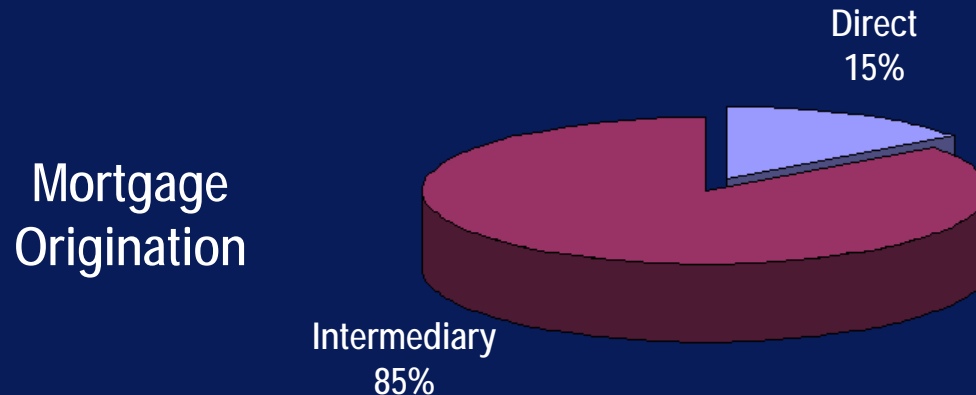
- High quality, flexible mortgage products offering financial planning capability
- Sophisticated underwriting techniques
- Competitively-priced , transparent retail savings
- Clearly defined audience of financially-astute customers and their advisers
- Characterised by innovation, outstanding customer service and integrity

Products



- Core product is the Freestyle® range - flexible mortgages designed as financial planning tools, incorporating offsetting, cash reserve and overpayments
- Additional mortgage products include Buy to Let, Lifetime Mortgages and a 25 Year Capped Rate Futureperfect® mortgage
- Standard Life Bank does not offer credit cards, unsecured loans, auto loans or commercial loans
- Saving products provided to both personal and business customers
- Direct access, notice and term bond accounts, utilising innovative pooling features
- Award winning products
 - *“Best Flexible Lender”* – Mortgage Magazine Awards 2004
 - *“Gold Offset Lender of the Year”* – Financial Adviser Mortgage Awards 2004
 - *“Best Flexible Mortgage Lender”* – Mortgage Strategy Magazine 2005

Distribution Channels



- No branch network minimises costs and builds on Standard Life group's leading position in the IFA market
- Products and features associated with the provision of professional financial advice
- Intermediaries extended to include Mortgage Only Intermediaries and Estate Agents, further ensuring a geographically-diverse portfolio

Mortgage Underwriting



- Fully automated process
- Decisions incorporate credit score, affordability, bespoke underwriting rules and fraud management
- Offers based on affordability not income multiples
- Highly experienced underwriters compliment automated process
- All valuations involve full site visit by Independent Valuers
- Conservative lending criteria

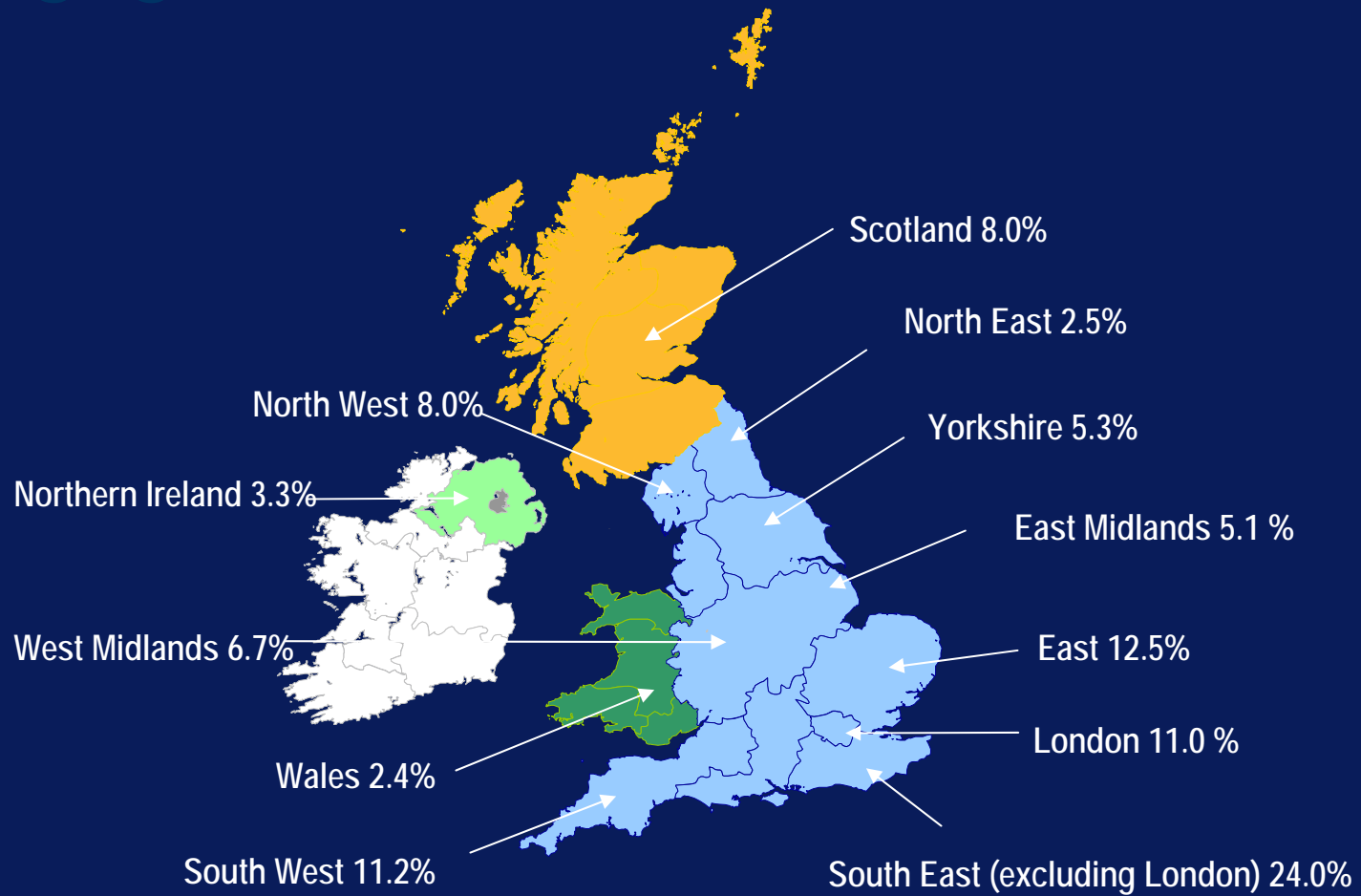
Standard Life Bank's portfolio and all new lending is reviewed monthly by Standard Life Bank's Credit Risk & Business Analysis department

Mortgage Customer Profile



Average Initial Balance	£104,332
Average Offer Amount	£123,519
Average Property Valuation	£182,665
Average Borrower Age	38 yrs
Remortgage	53.8%
Average Gross Income	£45,198
Weighted Average Seasoning	26 months
Weighted Average Initial Loan to Value	67.8%
Weighted Average Current Loan to Value	65.8%
WAVG Indexed Current LTV	54.6%
Weighted Average Offer Amount	74.3%
February 2005 SVR	6.20%

Geographically Diverse Mortgage Portfolio



Pro-Active Arrears Management



- Arrears levels are monitored daily
- Highly reactive customer contact strategies, utilising loan behaviour and score cards (both internal and external). Resulting high “roll rates” reflected in low level of arrears
- Experienced arrears management staff and cross-training in place
- Litigation and repossession outsourcing agreements in place with “best of breed” providers

3. Financials

Key Financials



	13 ½ months to 31 December 2004	12 months to 15 November 2003
Arrears Rates(%) Standard Life Bank v CML	12bps v 80bps	8bps v 81bps
Mortgages under management £bn	10.2	8.7
Funding% (Ret/Ws/Sec)	40/30/30	48/27/25
Profit before tax £m	8.1*	6.8**
Average staff during period	899	912

* Pro rata

** Commission accounting restated

Exceptional Arrears Performance

- Arrears run at a fraction of the CML's UK industry average
- Only 19 properties repossessed in 5 years, resulting in a total write-off to date of £122,475

Standard Life Bank Arrears Experience Versus Industry Benchmarks

Number of Months	CML*	Standard Life Bank**
3 – 6 Months	0.47%	0.08%
6 – 12 Months	0.23%	0.04%
12+ Months	0.10%	0.01%
Total	0.80%	0.12%

“The performance of the Lothian collateral pool has clearly been exceptional...”

Lehman Brothers - Fixed Income - Euro Structured Finance Research
Reto Bachmann

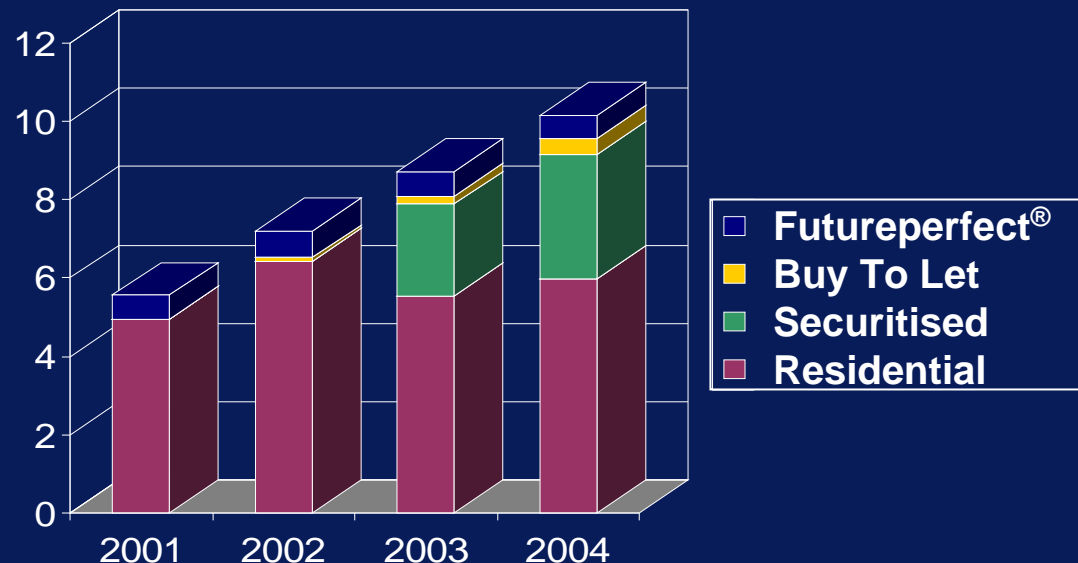
* As sourced from CML Jan 2005 – Half 2 2004

** Standard Life Bank as at 31 Dec 04

Asset Growth

- Rapidly established as a leading player in the UK mortgages and savings market
- Mortgages were launched on 4 January 1999, balances over £10.2bn as at 31st Dec 2004
- Growth to date all organic; asset quality maintained
- Established presence in RMBS markets, well placed to support future growth

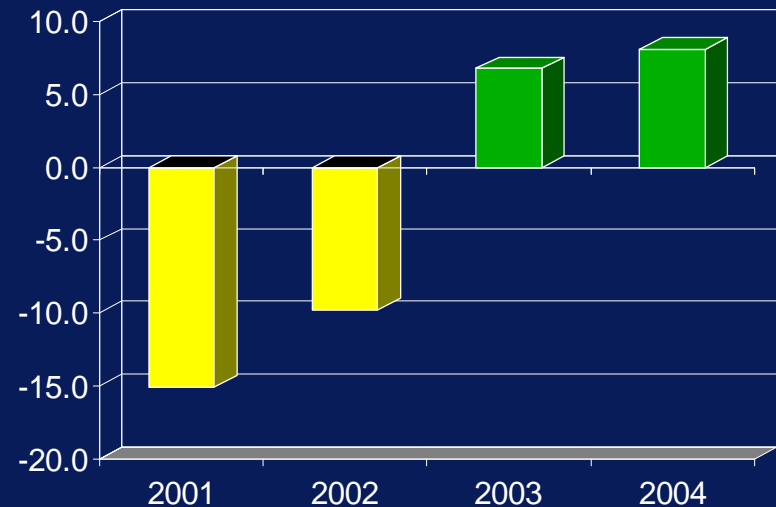
Mortgage Growth £bn



Increasingly Profitable

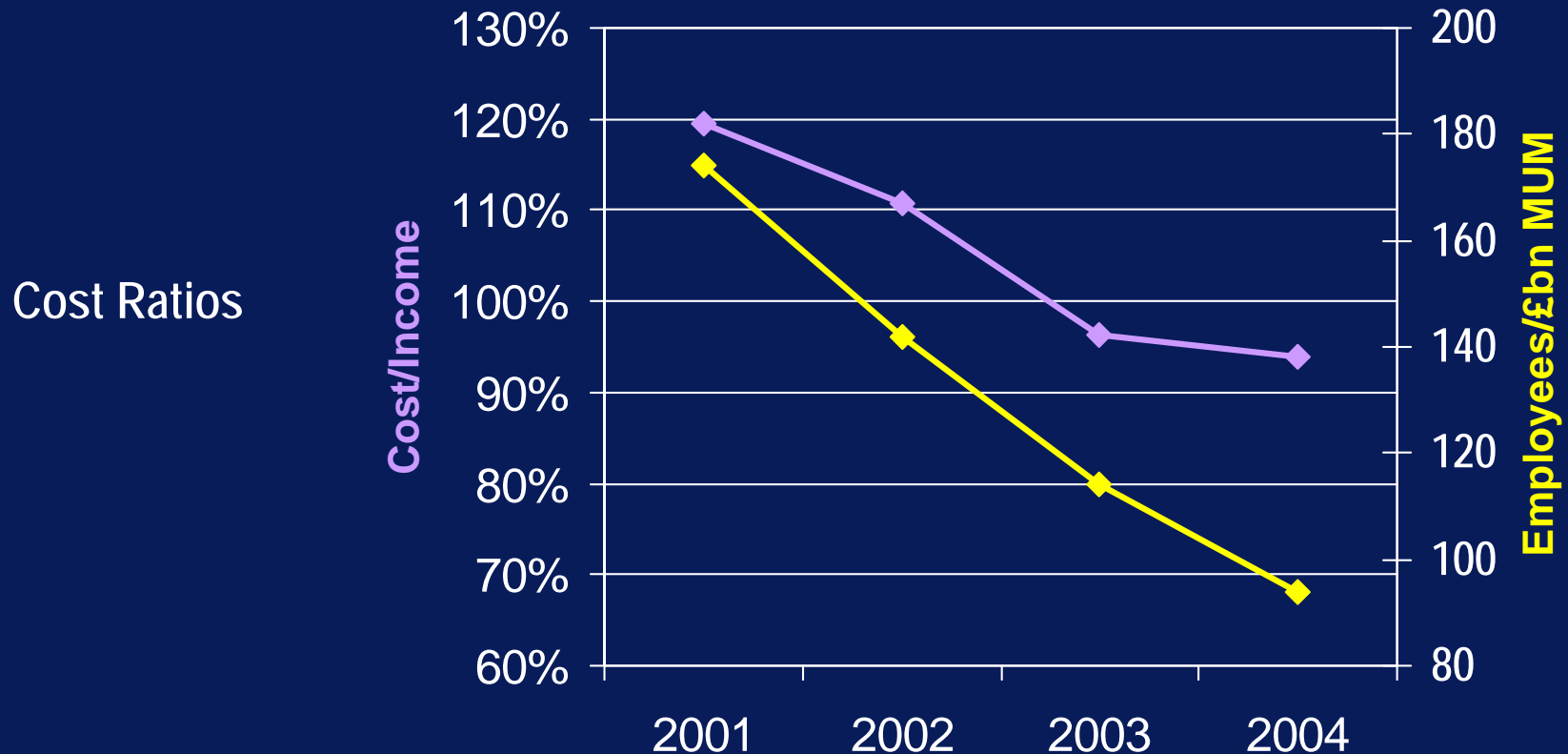
- Profitability achieved in 2003
- Well placed for continuing profitable growth based on
 - Enhanced distribution
 - Widened product range by simple innovation
 - Integration of delivery channels
 - Improvement of customer loyalty

Profit Before Tax (£m)



Efficiency of Operations

- Increasing operational leverage
- Between 2001-2004 mortgages under management increased by 83% whilst FTEs decreased by 9%



2004 – A Challenging Year

- Ratings downgrade
- Mortgage regulation
- Decreased significance of retail book
- Extreme and prolonged divergence between Libor and Base Rate



Financial Objectives



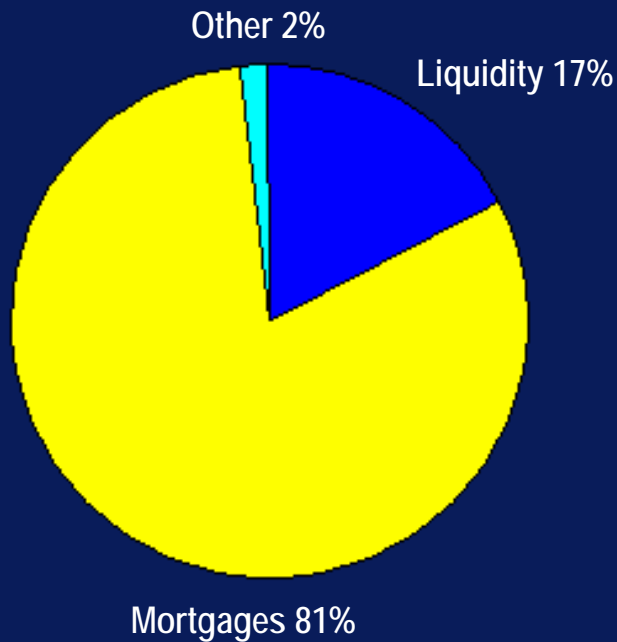
	Target	2004*	2003	2002
Mortgage book growth	15%	17%	21%	29%
Cost income ratio	60-65%	94%	96%	112%
ROE	15-20%	3%	2%	-4%

* 13.5 Months

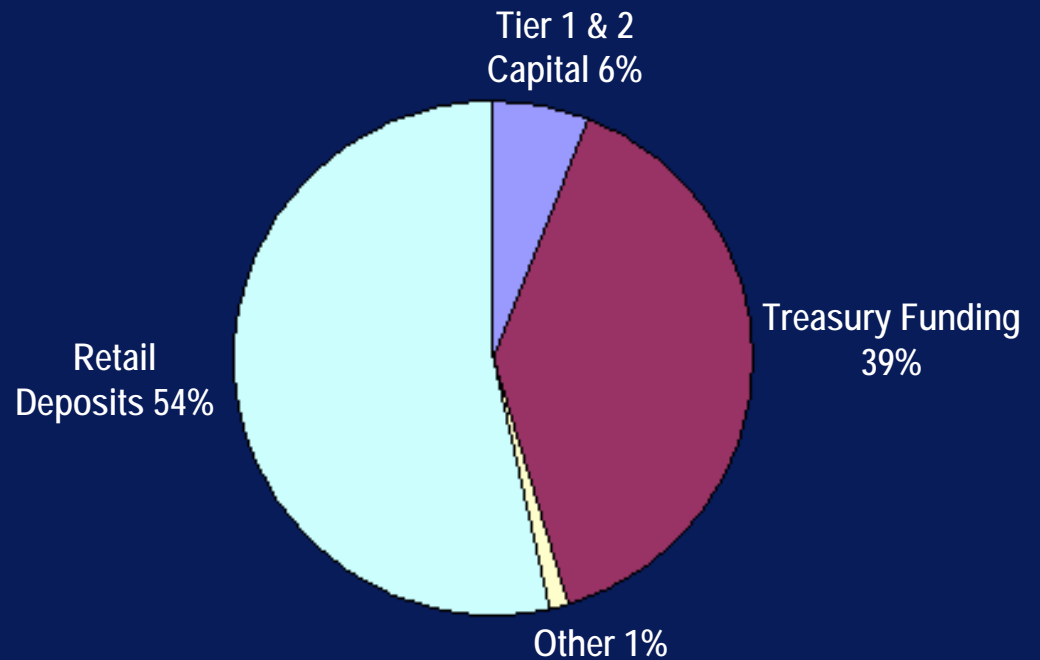
Balance Sheet Structure

- Low risk and transparent asset-liability mix

Assets



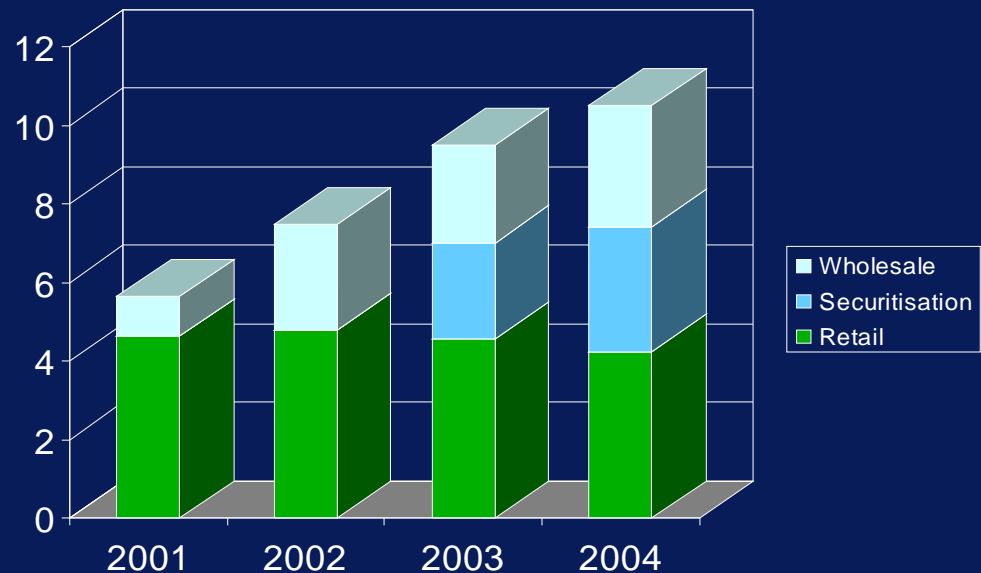
Liabilities



Wholesale Funding Sources

- €4bn ECP Programme
- \$2bn USCP Programme
- €4bn EMTN Programme
- Deposit, CD and term loan facilities
- Lothian Securitisation Programme

Diversified Funding Base £MM



Capital Structure



	<u>2004</u>	<u>2003</u>
Tier 1 (Equity 100% owned by Standard Life)	£252m	£245m
Tier 2 (Subordinated debt 100% taken up by Standard Life + General Provision)	£234m	£233m
Capital / Risk Asset Ratio	10.87%	12.05%

- Proposed issue aims to:
 - Ensure most efficient capital structure for Standard Life group under EU Financial Conglomerates Directive
 - Demonstrate financial flexibility of increasingly profitable business by accessing external debt capital
 - Provide another form of capital management in addition to securitisation

4. Strategic Review & Demutualisation

Strategic Review & Demutualisation



- 2004 Strategic Review
 - Standard Life should proceed towards demutualisation
 - Proposals to be put to members by 2006 AGM
 - Standard Life Bank to remain a core part of the group
- Good progress with UK L&P repositioning, which is key to successful demutualisation
- Strategic review of overseas business completed
- New internal group structure, separating group functions and UK L&P
- Governance and organisational structures being evaluated

5. Indicative Terms of the Offering

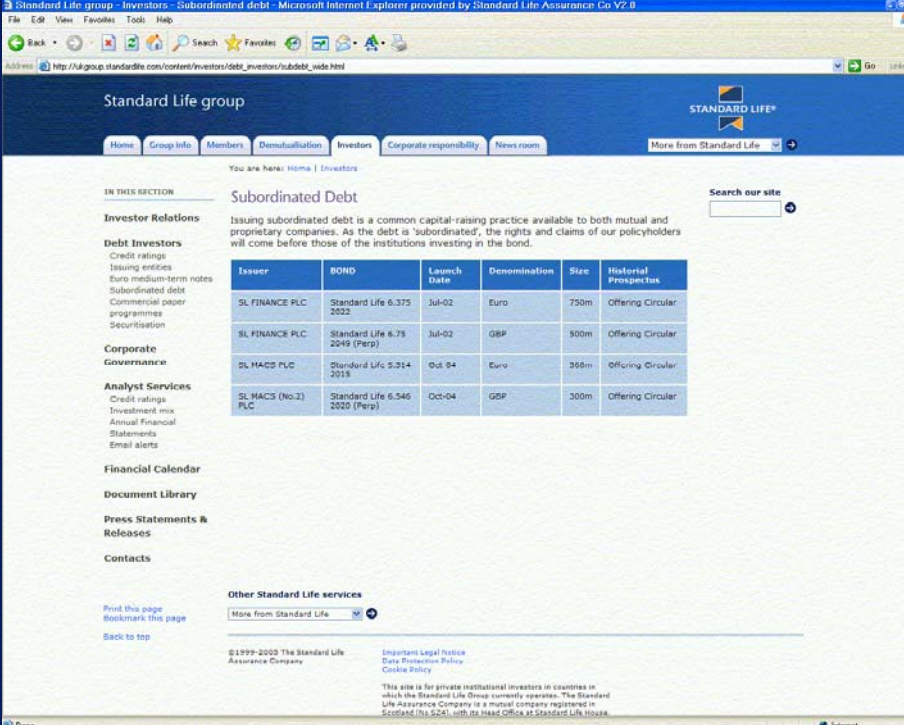
Indicative Terms of the Offering



Issuer:	Standard Life Funding B.V.
Guarantor:	Standard Life Bank
Securities:	Upper Tier 2 Capital
Expected Issue Ratings:	A3 (Moody's) / BBB (S&P)
Currency:	GBP
Size:	Benchmark
Coupon Structure:	Fixed / Float
Maturity:	Perpetual
Call Date:	[TBC]
Step-up:	100bps
Listing:	London
Lead Managers:	Morgan Stanley / UBS

Investor Relations

- Dedicated debt investor website – www.standardlifedebtinvestors.com
- Specific results presentation for debt analysts
- Regular investor open days
- Commitment to transparency



The screenshot shows a web browser displaying the Standard Life group website. The page is titled "Subordinated Debt" and features a navigation menu with options like Home, Group info, Members, Demutualisation, Investors, Corporate responsibility, and News room. The main content area includes a search bar, a table of debt issuances, and various service links.

Issuer	BOND	Launch Date	Denomination	Size	Historical Prospectus
SL FINANCE PLC	Standard Life 6.375 2022	Jul-02	Euro	750m	Offering Circular
SL FINANCE PLC	Standard Life 6.75 2019 (Perp)	Jul-02	GBP	300m	Offering Circular
SL MACO PLC	Standard Life 5.214 2019	Oct-04	Euro	300m	Offering Circular
SL MACS (No.2) PLC	Standard Life 6.546 2020 (Perp)	Oct-04	GBP	300m	Offering Circular

- This presentation can be viewed on website

Summary



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