

Standard Life plc
Preliminary Results 2010
10 March 2011

Strong operating performance and investment delivering profitable growth

Significant increase in assets and net inflows

- Group assets under administration (AUA) 16% higher at £196.8bn
- Net adjusted inflows across the Group up 46% to £8.3bn³, with long-term savings net flows up 77% to £4.7bn
- Standard Life Investments third party assets under management (AUM) 26% higher at a record level of £71.6bn

Strong financial performance

- 16% increase in fee based revenues to over £1.1bn reflecting strong net inflows and asset growth
- IFRS operating profit before tax from continuing operations up 7% to £425m⁴
- IFRS profit after tax attributable to equity holders more than doubled to £432m
- Core EEV operating profit before tax from continuing operations up 24% to £629m⁵
- EEV per share 12% higher at 322p per share

Cash flow supports higher investment and an increased dividend

- 57% increase in investment for growth to £201m
- EEV core capital and cash generation after tax from continuing operations 6% lower at £289m, reflecting growth investment⁵
- Full year dividend up 6.2% to 13.00p

Commenting on the key aspects of the results, Chief Executive David Nish said:

“Standard Life had a good year in 2010. Our financial performance has been strong, with higher net flows and markets increasing the value of assets and revenues and leading to growth in profits. We’ve also made significant operational progress to drive efficiencies and are on track to meet our target of £100m of margin improvement by 2012. We’ve refocused our portfolio and the acquisitions of threesixty, Focus Solutions and Aida Capital have strengthened our capabilities and accelerated the delivery of our strategy.

“The UK in particular continues to develop rapidly as a result of both regulatory changes and customer trends. These changes are increasing the opportunities available to us and we are seeing real benefits from our increased investment. This February alone, we have seen a significant step up in our delivery of propositions with a new online ISA, the re-launch of Adviserzone, and the launch of Lifelens, our innovative benefits solutions for Corporates. There is more to come in the year ahead. The investment in new products, customer propositions, services and marketing is helping us to increase our presence significantly in both the retail and corporate pensions and savings markets.

“Overall, there remains a great deal to be done but I am even more confident that our clear strategy and our customer and performance focused approach will continue to deliver profitable growth, supporting our progressive dividend policy.”

Unless otherwise stated, all comparisons are in Sterling and are for the year ended 31 December 2009.

www.standardlife.com

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Group Highlights

Standard Life is a leading, long-term savings and investments business, with customers' needs at the heart of everything we do. Over the year we've increased the metabolic rate at which we are delivering our strategy and have made step changes in our operational performance. We have a new, talented top team and over 40 per cent of the wider leadership team has changed in 2010.

In March 2010, we set our key strategic priorities and targeted a significant increase in the level of investment to grow our business. We are now just over one year into our three year transformation to deliver our strategy and drive improved performance. We are making strong progress and are firmly on track to deliver.

Building on our strength in pension savings and corporate benefits

We delivered a number of exciting new propositions over the year, including the launch of our Corporate ISA and Trust Based Pensions, where we have already won several new schemes. We also significantly enhanced the web-based support we give both to our intermediaries and customers and launched Active Money Life Plan, an easy way of saving for retirement.

February 2011 saw a significant step-up in our delivery of propositions with the launch of **Lifelens**, our innovative benefits solution for Corporates. We have a strong pipeline of business already, with a number of Corporates going live on this new technology in 2011.

We had a record year for UK corporate pension sales securing 182 new schemes, representing 72,000 employees in total. Our Vebnet business has also implemented 32 new clients with approximately 108,000 employees. Outside of the UK, our performance has also been strong, with our market share of Canadian corporate pensions sales more than doubling to 21%.

Focusing on the savings and investment needs of customers in our chosen segments

We have one of the fastest-growing Wrap platforms in the UK, with assets under administration recently passing the £7bn milestone. Our acquisition of threesixty gives additional depth to the support we provide to intermediaries. The acquisition of Focus Solutions brings a leading provider of software and consultancy to the Group and allows us to accelerate our multi-channel distribution strategy by offering end-to-end solutions to IFAs, bank distribution partners, and end customers.

In September we launched MyFolio, a proposition designed to help customers find the right investment solution for them. Since its launch MyFolio has quickly secured over £100m of AUM, with higher than expected investment into actively managed funds at Standard Life Investments. In February of this year we launched a new online ISA and a complete refresh of Adviserzone, our market-leading adviser platform.

Expanding the global reach of our investment management business

Standard Life Investments continued its excellent record of strong and profitable growth in 2010. Our Global Absolute Returns Strategies (GARS) fund now totals over £7bn and is among the top sellers on five of the UK's leading investment platforms. We have also achieved significant growth in our UK retail business, becoming the third largest manager by net retail sales of mutual funds. Significant progress has been made across a number of asset classes.

We took a 75.1% stake in Aida Capital to extend our alternative investments offering, and our strategic alliance with the Chuo Mitsui Asset Trust and Banking Company gives us access to the Japanese market and helps extend our global franchise.

Maximising the value from our Joint Venture relationships in Asia

Performance across our joint venture businesses in Asia has been very strong in 2010, with net flows increasing by 20%. Our Indian joint venture, HDFC Life, marked its tenth anniversary with a strong year for the business, with exceptional trading and a strong rise in market share despite difficult market conditions. HDFC Asset Management, in which we have a 40% share, is also the fastest growing and second largest mutual fund company in India. We continue to be focused on driving the performance from our business in China.

Driving efficiency

We've made a number of significant organisational changes, with a 'Take to Market' focus established in each of our markets. This brings together distribution and marketing functions, allowing us to respond more effectively to changing customer needs and to develop new propositions faster. We've also continued to drive further efficiencies. In September, we announced a net reduction of 500 jobs in the UK, phasing out 600 existing roles while creating 100 new ones, by the end of 2011. Many of these moves have now happened, helping us to deliver the margin improvement we are targeting by 2012.

Focusing the Group portfolio

We've sold Standard Life Bank and Standard Life Healthcare. The acquisitions of Aida Capital, threesixty and Focus Solutions are all in line with our strategic, customer-centric focus on long-term savings and investments.

Outlook

Although the economic background remains uncertain we strongly believe that the underlying demographic and regulatory trends in our key markets continue to support our future growth potential.

There are very large individual and employer markets available to us in the UK and Canada and we believe we have the products and propositions to capitalise on these. In the UK, there is a growing demand for platform-based wealth management solutions in the run up to the Retail Distribution Review and we are the market leader in this space. We are accelerating our plans over the next eighteen months to grow from our leadership position. Similarly, we are very well placed to benefit from the changes arising from auto enrolment in the corporate market, with our recently launched **Lifelens** proposition significantly strengthening our offering to this market. We welcome the pension reform measures that were recently announced by the UK Government, as well as the end of compulsory annuitisation, as these should encourage more people to save for the long term. Sales in the UK are strongly up in the first two months of this year and the pipeline for our pensions business is very good.

Standard Life Investments is well positioned to continue its strong and profitable growth. The pipeline for both institutional and mutual fund products remains good, with fixed income and GARS attracting significant interest both in the UK and continental Europe.

Our International businesses in Ireland and Hong Kong have had a strong start to trading in 2011. Volumes and margins are weaker in the Indian market following the regulatory changes introduced in September. However, our long-term savings joint venture with HDFC continues to perform very strongly relative to competition, increasing its market share. In China, we are continuing to work with our joint venture partner TEDA to develop the business.

We have made good progress in 2010 and have had a strong start to 2011. There will be no let up in our pace of delivery as we continue to invest to develop market leading propositions. Our programme of delivery in 2011 includes the following propositions that will drive revenue growth:

Corporate

- **Lifelens**, our market-leading pensions, savings and employee benefits proposition
- Broader investment solutions, including model portfolio, blended funds and discretionary fund management
- The next phase of our Trust based pension offering

Retail

- New Adviserzone website launched in February 2011
- Leveraging the capabilities of Focus Solutions in bank and retail distribution
- Guaranteed Lifetime Withdrawal Benefit proposition launching in Canada

Global investment management

- Extension of GARS platform
- Strengthening our alternatives capabilities in areas such as private equity and European property
- Growing our share of the wholesale market

These developments, combined with our ongoing drive to achieve productivity improvements, will provide us with a springboard to step up further our operational and financial performance.

We are excited by the opportunities in our chosen markets and are confident that the investments we are making and the propositions we are launching will lead to continued strong growth in assets and cash profitability, supporting the Group's progressive dividend policy.

Strong growth in net flows

Demand for our innovative products and services has continued to be strong and has led to good growth in customers and net inflows across the Group. Excluding volatile and lower revenue yield UK money market funds and India cash funds, total net inflows across the Group were very strong, increasing by 46% to £8.3bn (2009: £5.7bn).

In total, net flows were 11% higher at £7.2bn. This, and positive market movements, have led to 16% growth in the total assets we administer and invest for our customers. At the end of 2010 assets under administration (AUA) amounted to £196.8bn. The growth in AUA has been driven by a significant increase in fee business AUA both in the long-term savings and third party investment management businesses.

Assets under administration

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business (£bn)	138.9	23.3	(15.4)	7.9	16.3	163.1
Spread/risk business (£bn)	22.3	1.4	(2.4)	(1.0)	2.2	23.5
Other (£bn) ²	8.9	0.4	(0.1)	0.3	1.0	10.2
Group AUA (£bn)	170.1	25.1	(17.9)	7.2	19.5	196.8

Net flows

	12 months 2010	12 months 2009	Growth
Fee business (£bn)	7.9	6.9	14%
Fee business (adjusted) (£bn) ³	9.0	6.1	48%
Spread/risk business (£bn)	(1.0)	(0.6)	(67%)

Fee business AUA has increased 17% to £163.1bn, driven by a 14% increase in net inflows to £7.9bn and higher markets. Spread/risk business AUA has increased 5% over the year to £23.5bn. The rise in AUA has been driven by positive market movements, offsetting the £1.0bn of net outflows in the year.

UK

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business AUA (£bn)	85.5	13.2	(9.6)	3.6	9.5	98.6
Spread/risk business AUA (£bn)	13.1	0.5	(1.1)	(0.6)	0.9	13.4
Total AUA backing products (£bn)	98.6	13.7	(10.7)	3.0	10.4	112.0
Fee business revenue (bps)	75					77

UK fee business AUA is 15% higher at £98.6bn due to positive market movements and net inflows, which have more than doubled to £3.6bn. Net inflows into institutional pensions, mutual funds and SIPP have been strong. The average revenue yield on fee business has strengthened to 77bps (2009: 75bps)⁶.

Customer numbers in our core propositions continue to rise. Individual SIPP customers are up 28% to 107,100 (31 December 2009: 83,900). Customers on our Wrap platform are up 80% to 57,000 (31 December 2009: 31,600). The number of IFA firms using the platform increased by 41% to 820 (31 December 2009: 583). Our corporate business continues to perform well, with 182 new schemes won (2009: 168), the average value of which was much higher than last year. This included the 5,000 member Logica scheme in the second quarter.

UK spread/risk business AUA has increased by 2% to £13.4bn. Positive market movements have offset £0.6bn of net outflows.

Canada

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business AUA (£bn)	11.3	2.2	(1.8)	0.4	2.3	14.0
Spread/risk business AUA (£bn)	9.2	0.9	(1.3)	(0.4)	1.3	10.1
Total AUA backing products (£bn)	20.5	3.1	(3.1)	-	3.6	24.1
Fee business revenue (bps)	116					118

Fee business AUA in Canada is 24% higher at £14.0bn, mainly driven by positive market movements. Net inflows of £0.4bn include a good performance in individual insurance, savings and retirement product lines. The average revenue yield has strengthened to 118bps (2009: 116bps).

Canada spread/risk business AUA has increased by 10% to £10.1bn. Positive market movements have more than offset £0.4bn of net outflows in the year.

International

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Wholly owned fee business AUA (£bn)	9.1	2.2	(0.8)	1.4	0.6	11.1
Joint ventures AUA (£bn)	0.8	0.4	(0.1)	0.3	0.1	1.2
Fee business revenue (bps)	248					212

Fee business AUA across our wholly owned International operations is 22% higher at £11.1bn. Net inflows were 56% higher at £1.4bn with a strong performance in both Ireland and Hong Kong. In Ireland, we have seen higher inflows into offshore bonds and our domestic business. Flows in Germany were 1% lower in constant currency, reflecting the challenging conditions across the whole industry. Flows in Hong Kong almost tripled, helped by the launch of a new product in the second half of the year.

The average revenue yield across International was lower at 212bps (2009: 248bps). This was expected and reflects the continued shift away from premium based charges in Germany.

Net flows in the India and China joint venture businesses increased by 20%. In India, the growth and increased market share reflect our success in the bancassurance channel.

Global investment management

Third party

	1 Jan 2010	Gross inflows	Redemptions	Net inflows	Market and other movements	31 Dec 2010
Fee business (£bn)	56.9	12.4	(6.2)	6.2	8.5	71.6
Excl. UK money market and India cash funds (£bn)	50.8	13.5	(6.2)	7.3	8.1	66.2
Fee business revenue (bps)	34					35

Assets under management (AUM) in our third party fee business are up 26%, reaching a record level of £71.6bn. Strong growth in domestic and overseas business saw net inflows, excluding volatile UK money market and India cash funds, 50% higher at £7.3bn (2009: £4.8bn), representing 14% of third party assets under management at the start of the year. We continue to see strong demand for our fixed interest and GARS products. Sales of mutual funds in the UK were up considerably making us the third largest manager by Net retail sales⁸. We increased our market share of gross retail sales to 3.8%⁹ (2009: 2.1%) with net retail sales of 8.4%⁹ (2009: 2.6%). Our SICAV range in Europe continues to remain popular. The success of GARS and our UK wholesale business has pushed up the average revenue we made on new business. The average revenue yield across our third party business has strengthened to 35bps (2009: 34bps).

Investment performance has been strong. The money-weighted average performance for third party assets remains above median over one, three, five and ten years.

IFRS results	2010 £m	Restated 2009 £m
By source		
Fee based revenue	1,131	972
Spread/risk margin ⁴	370	461
Total income	1,501	1,433
Acquisition expenses	(267)	(240)
Maintenance expenses	(673)	(628)
Growth investment spend	(149)	(106)
JV businesses	(23)	(27)
Group corporate centre costs	(50)	(50)
Capital management	27	17
Change in UK pension scheme liabilities ⁴	59	-
IFRS operating profit before tax from continuing operations	425	399
By segment		
UK	234	222
Canada	110	113
International	15	23
Global investment management	103	73
Other	(37)	(32)
IFRS operating profit before tax from continuing operations	425	399
Tax on operating profit	(89)	(34)
IFRS operating profit after tax from continuing operations	336	365
Diluted IFRS operating EPS from continuing operations	15.0p	16.6p
IFRS profit attributable to equity holders after tax	432	213
Diluted EPS	19.2p	9.7p
EEV results	2010 £m	Restated 2009 £m
Covered business by source		
New business contribution	308	213
Contribution from in-force business	530	720
Other covered	(67)	(63)
Covered business operating profit	771	870
Non-covered business		
Global investment management	33	42
Other non-covered and corporate costs	(17)	(68)
Non-covered business operating profit/(loss)	16	(26)
EEV operating profit before tax from continuing operations	787	844
Tax on operating profit	(249)	(247)
EEV operating profit after tax from continuing operations	538	597
Diluted EEV operating EPS from continuing operations	23.9p	27.1p
EEV profit after tax	816	305

For more information please read Section 1.9 – Basis of preparation and the IFRS pro forma reconciliation of consolidated operating profit to profit for the year in Section 2 of the Preliminary Results 2010.

IFRS operating profit up due to higher fee assets and revenues

IFRS operating profit before tax from continuing operations was 7% higher at £425m after expensing a significant increase in growth investment spend as we pursue our strategy for profitable growth. The IFRS operating result in 2010 includes a £59m benefit arising from a change in the basis of future pension increases in the UK staff pension scheme and a £5m benefit from reserve releases in respect of UK deferred annuities. In 2009, the IFRS operating result similarly benefited from £63m of reserve releases in respect of deferred annuities. Excluding these items and the increase in investment spend, IFRS operating profit was 20% higher at £404m (2009: £336m) due to the higher inflows in our fee business, as well as positive market movements, which have pushed up assets and revenues. Total income was 5% higher at £1,501m. IFRS profit after tax attributable to equity holders more than doubled to £432m.

Revenues from our fee business were 16% higher at £1,131m and now make up 75% of our total income (2009: 68%). The remaining 25% (2009: 32%) of total income is a margin on our spread/risk business. Lower annuity volumes, coupled with a reduction in reserve releases that benefited the result in 2009 has led to this margin being 20% lower at £370m.

Acquisition expenses are the costs we incur in writing new business. These were up 11% at £267m with higher costs in all geographies due to the strong growth in sales levels across the business, with costs expressed as a proportion of sales falling from 171bps in 2009 to 149bps. Maintenance expenses are the ongoing costs we incur in servicing and administering customer policies. These were higher at £673m, partly due to foreign exchange movements in respect of our overseas operations. Similar to acquisition expenses, maintenance expenses were lower at 42bps (2009: 47bps) when expressed as a proportion of average customer assets over the year. Both expense trends demonstrate the scalability of our business.

Last year we said that we would increase our investment for growth in product development, marketing and technology. The programme is progressing well, with a number of customer propositions launched in 2010. The total investment spend expensed against IFRS operating profit has increased by 41% to £149m. The total amount invested in 2010 was £201m, including amounts invested in the China and India joint ventures and technology spend capitalised.

A change in the basis of future pension increases in the UK staff pension scheme has resulted in additional operating profit of £59m in 2010. This action, together with strong investment performance, contributions and assumption changes, has resulted in the net position of the UK staff pension scheme improving significantly from a net deficit of £56m in 2009 to a surplus of £281m.

At our Preliminary Results last year we said that we were targeting £100m of annual margin improvement by 2012. We achieved a margin improvement of £61m in 2010 of which £34m relates to our 2012 target. All previous cost savings targets have been achieved. We remain on track to achieve our 2012 target.

EEV cash flow comfortably covering new business strain and growth investment

Core operating capital and cash generation after tax from continuing operations was 6% lower at £289m, reflecting a significant increase in the investment we have made in our business during 2010. The benefits of this investment will contribute to cash flow in 2011. Before this increase in growth investment, core operating capital and cash generation was 7% higher at £330m (2009: £307m). Within this, capital and cash from existing business was 11% higher at £604m and comfortably covered the cost of writing new business (new business strain) by almost three times (2009: three times).

In total, operating capital and cash generation from continuing operations was 23% lower at £287m, largely due to reserve releases in respect of deferred annuities which drove a £71m back book management result in 2009.

Significant growth in Core EEV operating profit

Core EEV operating profit was 24% higher at £629m. Within this, new business contribution was 45% higher at £308m, with increased sales and strengthened margins leading to a higher contribution from all regions. The expected return on existing business has also strengthened. Offsetting this, core EEV profits within our non-covered business, including our Global investment management business, were lower, mainly due to increased growth investment spend.

Efficiency contributed £132m to profit (2009: negative contribution of £14m), driven by the ongoing reduction in the cost of managing our business and the growth in business volumes.

We continue to work on driving increased value from the management of our back book. The positive back book management result of £26m includes profits arising from the change in the UK pension scheme. In 2009 the back book management result of £349m benefited from a number of management actions to de-risk the business. As a result, EEV operating profit before tax from continuing operations was 7% lower at £787m.

Increased 2010 dividend

The Board have proposed a final dividend of 8.65p per share (2009: 8.09p). This makes a total of 13.00p (2009: 12.24p) for the year, an increase of 6.2%. The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

Strong balance sheet

Our balance sheet has strengthened on both an embedded value and IFRS basis. Our embedded value of £7,321m (31 December 2009: £6,435m), represents an embedded value per share of 322p (31 December 2009: 288p). IFRS equity excluding intangible assets and non-controlling interests was £3,768m (31 December 2009: £3,351m), representing 166p per share (31 December 2009: 150p). The increase in Group embedded value and IFRS equity primarily reflect profit for the year and favourable foreign exchange rate movements as well as a significant improvement in the net position of the UK staff pension scheme, partly offset by dividend payments made in 2010.

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Newswires and online publications

We will hold a conference call for newswires and online publications from 8:00 – 9:00am. Participants should dial +44 (0)1452 555566 and quote Standard Life 2010 Preliminary Results. The conference ID number is 47499346. A replay facility will be available for seven days. Investors and analysts should dial +44 (0)1452 550000. The pass code is 47499346#.

Investors and Analysts

A presentation for investors and analysts will take place at 9:30am at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N. A live webcast of the presentation and the presentation slides will be available on the Group's website. In addition a replay will be available on this website later today.

There will also be a live listen only teleconference to the investor and analyst presentation at 9:30am. Investors and analysts should dial +44 (0)20 3059 5845. Callers should quote Standard Life 2010 Preliminary Results. A replay facility will be available for 14 days. Investors and analysts should dial +44 (0)121 2604861. The pass code is 1182010#.

Notes to Editors:

- 1 Assets under administration (AUA), net flows, IFRS and EEV operating profit and EEV capital and cash generation exclude our discontinued banking and healthcare operations. Prior period figures have been restated accordingly.
- 2 AUA are the adjusted gross assets of the Group and include assets administered on behalf of customers, including both those managed by the Group and those placed with third party managers.

Other assets included within AUA of £10.2bn (2009: £8.9bn) comprise assets not backing products, joint ventures, non-life assets and consolidation / elimination adjustments.
- 3 The 46% increase in net inflows across the Group to £8.3bn excludes net flows in respect of UK money market funds and India cash funds. Outflows from these lower revenue yield and highly volatile funds amounted to £1.1bn in 2010 (2009: net inflow of £0.8bn). Including these funds, total net flows across the Group increased by 11% to £7.2bn (2009: £6.5bn).
- 4 IFRS operating profit includes the following items:

	2010	Restated 2009
	£m	£m
IFRS operating profit	425	399
Adjustments:		
Reserve releases for UK deferred annuities included in spread/risk margin	(5)	(63)
Change in UK pension scheme liabilities	(59)	-
Profit including increased growth investment spend	361	336

- 5 Core elements comprise new business contribution (NBC), expected return on in-force business, non-covered business profits and development costs for covered business other than those directly related to back book. Core EEV capital and cash generation reflects the after tax net worth impact of the core EEV result attributable to shareholders.
- 6 In the UK, the 77bps revenue yield is calculated based on revenue and average assets excluding conventional with profits (CWP) and institutional pensions. The AUA for this business was £76.2bn at 31 December 2010 (31 December 2009: £66.6bn).
- 7 A SICAV (société d'investissement à capital variable) is an open-ended collective investment scheme common in Western Europe. SICAVs can be cross-border marketed in the EU under the UCITS directive.
- 8 Source: Pridham Report.
- 9 Source: Standard Life Investments and the Investment Management Association (IMA).
- 10 The 2010 Preliminary Results are available on the Financial Results page of the Standard Life website at www.standardlife.com