

### Standard Life plc Full year results 2013 27 February 2014

#### Strong market positions delivering growth in assets, revenue and returns

- Assets under administration up 12% to £244.2bn, driven by strong net inflows up 92% to £9.6bn
- Strong operational performance with fee revenue up 15% to £1,459m
- Business unit underlying performance\* up 25% to £704m
- Operating profit<sup>1</sup> before tax 13% lower at £751m, reflecting lower benefit of other operating income
- Strong balance sheet and cash generation<sup>2</sup> up 9% to £497m before other operating income
- Final dividend up 8.0% to 10.58p making a total of 15.80p or £375m for the year

#### David Nish, Chief Executive, commented:

*“Standard Life has had another strong year with business unit underlying performance\* up 25% to £704 million. We continue to invest to meet the large scale changes to our markets. As a result, higher growth has been delivered.*

*“In the UK we are capitalising on the opportunities created by the Retail Distribution Review and auto enrolment. We attracted 340,000 new customers and increased assets by 13% to £150 billion. Standard Life Investments had a particularly good year with third party net inflows of over £10 billion as a result of excellent investment performance, broadening geographical reach and an expanding investment offering. In Canada, we are delivering against our transformation strategy.*

*“Our balance sheet remains strong. We are generating significant cash flows and have once again increased our dividend.*

*“Our business has been shaped and positioned to benefit from evolving customer needs and regulatory changes. This, combined with our investment expertise and focus on providing value for our customers, is driving demand for our propositions across the retail, workplace, institutional and wholesale channels. We remain very well positioned for the future and look forward with confidence to delivering growing returns for our shareholders.”*

\* Business unit underlying performance is Group operating profit before tax after excluding the impact of spread/ risk operating actuarial assumption changes, specific management actions, group centre costs and group centre capital management in the reporting period. A full reconciliation to profit for the year attributable to equity holders of Standard Life plc is presented on page 2 of this release.

## Financial Highlights

	2013 £m	2012 <sup>3</sup> £m
<b>Group profitability</b>		
Fee based revenue	1,459	1,271
Spread/risk margin	403	340
Total income	1,862	1,611
Acquisition expenses	(325)	(292)
Maintenance expenses	(876)	(831)
Capital management	16	47
Share of joint ventures' and associates' profit before tax	27	26
<b>Business unit underlying performance</b>	<b>704</b>	<b>561</b>
Group centre costs/ capital management	(66)	(27)
<b>Group underlying performance</b>	<b>638</b>	<b>534</b>
Operating assumption and one-off reserving changes (spread/risk margin)	68	84
Canada specific management actions	45	153
Professional indemnity insurance claim	-	96
Other operating income	113	333
<b>Group operating profit before tax</b>	<b>751</b>	<b>867</b>
Tax on operating profit	(141)	(124)
Share of joint ventures' and associates' tax expense	(8)	(9)
<b>Operating profit after tax</b>	<b>602</b>	<b>734</b>
Non-operating items	(187)	(142)
Tax on non-operating items	51	73
<b>Profit for the year attributable to equity holders of Standard Life plc</b>	<b>466</b>	<b>665</b>

	2013 £m	2012 <sup>3</sup> £m
<b>Business unit underlying performance</b>		
UK and Europe	336	304
Standard Life Investments	192	145
Canada	182	109
Asia and Emerging Markets	(6)	3
<b>Business unit underlying performance</b>	<b>704</b>	<b>561</b>

	2013	2012 <sup>3</sup>
<b>Other performance indicators</b>		
Group operating profit before tax (£m)	751	867
EEV operating profit before tax (£m)	915	1,083
EEV operating capital and cash generation (£m)	582	701
Assets under administration (£bn)	244.2	218.1
Net flows (£bn)	9.6	5.0

	2013	2012 <sup>3</sup>
<b>Other financial highlights</b>		
IGD surplus (£bn)	3.8	4.1
Embedded value (£bn)	8.4	8.1
Diluted operating EPS (p)	25.3	31.0
Diluted EPS (p)	19.6	28.1
Final dividend per share (p)	10.58	9.80

## Group performance

Standard Life had a strong 2013, continuing to improve performance and deliver further value for our customers and shareholders.

Group assets under administration (AUA) increased by 12% to £244.2bn while Standard Life Investments third party assets under management (AUM) increased by 17% to £97.4bn. The increase in Standard Life Investments third party AUM was driven by third party net inflows of £10.1bn (2012: £6.1bn). AUA across the rest of the group benefited from strong net inflows into corporate pensions in the UK and ongoing growth in our retail propositions. Market movements were mainly positive but were partly offset by the negative impact of foreign exchange as Sterling strengthened against other currencies, including the Canadian Dollar and the Indian Rupee.

Group operating profit was £751m (2012: £867m<sup>3</sup>), reflecting lower other operating income which during 2012 included significant management actions in Canada and the benefit from the UK professional indemnity claim. Operating profit, before other operating income of £113m (2012: £333m), increased by 19% to £638m (2012: £534m). This reflected strong performance from the business units driven by a 15% increase in fee revenue to £1,459m, as a result of growing demand for our propositions and higher asset market levels. In the UK, fee revenue increased by 9% while tight control over costs and the scalability of our business have resulted in a further reduction in unit costs. In Canada, fee based revenue increased by 15%<sup>4</sup> to £194m while the cost of running our business reduced by £9m, despite the growth in fee based revenue. Standard Life Investments delivered another set of strong results driven by a 28% increase in revenue to £521m (2012: £408m) which included a 34% increase in revenue from third party assets to £392m (2012: £292m).

IFRS profit after tax attributable to equity holders amounted to £466m (2012: £665m<sup>3</sup>) and reflected lower other operating income, an increase in yields on debt securities and the expected increase in the tax charge. The prior year benefited from a release of deferred tax.

EEV operating profit before tax of £915m (2012: £1,083m<sup>3</sup>) reflected a steady contribution from core business of £687m (2012: £697m) and lower contribution from efficiency and back book management. Group EEV operating capital and cash generation was £582m (2012: £701m<sup>3</sup>). Before the benefit from other operating income of £85m (2012: £247m), EEV operating capital and cash generation increased by 9% to £497m (2012: £454m).

The Board has proposed a final dividend of 10.58p per share (2012: 9.80p), an increase of 8.0% making a total for the year of 15.80p (2012: 14.70p). The Group will continue to apply its existing progressive dividend policy taking account of market conditions and the Group's financial performance.

## Outlook

Our UK business has been shaped and positioned to benefit from regulatory, market and demographic changes. Our retail platform is gaining market share as we continue to deepen relationships with a growing number of advisers. Our corporate business has a good pipeline for 2014 which includes significant auto enrolment activity.

Standard Life Investments remains focused on delivering excellent investment performance, expanding its investment capabilities and increasing its distribution channels and geographic reach. This is reflected in a robust pipeline of institutional business and continued demand for our wholesale propositions.

Canada continues to build momentum in its fee based propositions, however its contribution in 2014 at Group level will be impacted if weakness in the Canadian Dollar continues. Our Asia and Emerging Markets business is well positioned for future growth in the attractive international markets in which it operates.

We look forward to the future with confidence as we continue to capitalise on the strong distribution capabilities of our long-term savings businesses and our global investment expertise. We are innovating and driving efficiency to deliver the right propositions and value for our customers. These strengths, combined with our strong balance sheet, mean we can continue to deliver value for customers and grow returns for our shareholders.

## Business highlights

Our goal is to create shareholder value through being a leading customer-driven business focused on long-term savings and investments propositions in our chosen markets. This is underpinned by a simple business model: increasing assets, maximising revenue and lowering unit costs while optimising the balance sheet.

During 2013 we have continued to make good progress in each of our businesses. Growth in revenue reflects customer demand for our propositions, while continued work on controlling costs has enabled us to increase operating leverage, in turn driving an ongoing improvement in underlying performance.

### Continuing strong growth from the UK business

- Underlying performance up 13% to £295m (2012: £261m<sup>3</sup>)
- Fee business AUA up 19% to £101.3bn driving a 9% increase in fee based revenue to £727m
- Acquisition expenses improved to 106bps (2012: 133bps) and maintenance expenses improved to 26bps (2012: 31bps)
- 340,000 new customers, reflecting the success of our business model and also the opportunities created by the Retail Distribution Review and auto enrolment
- Undertook 290 auto enrolment implementations and now have relationships with over a third of FTSE 350 companies
- Successful launch of “Good to go” for SMEs and agreements with 22 strategic partners to provide auto enrolment solutions
- Number of adviser firms using our platform up 9% to 1,236 firms and number of adviser firms with assets on Wrap of greater than £20m up 41% to 228 firms
- c25% of Wrap platform AUA managed by SLI

### Strong flows and investment performance driving Standard Life Investments profit

- Operating profit before tax up 32% to £192m (2012: £145m)
- Third party net inflows up 66% to £10.1bn (2012: £6.1bn) contributing to 34% increase in third party revenue to £392m (2012: £292m)
- Excellent investment performance with third party AUM above benchmark: one year 99%; three years 94%; and five years 96%
- Ongoing product innovation with 10 funds launched in 2013
- £5.3bn or 53% of net inflows from outside the UK
- Net flows well balanced between wholesale (54%) and institutional (46%)

### Growing our fee based business in Canada

- Underlying performance up 67% to £182m (2012: £109m<sup>3</sup>)
- Canada fee based AUA up 17%<sup>4</sup> to £17.3bn (2012: £15.9bn) and fee based revenue up 15%<sup>4</sup> to £194m (2012: £172m)
- Maintained leading position in individual segregated funds - ranked 1st by net flows and market share of 13%<sup>5</sup>
- Leveraging Standard Life Investments' expertise with launch of 20 new funds and expanded bank distribution

### Continued progress in Asia and Emerging Markets

- Operating loss of £6m (2012: profit of £3m) reflects investment in growth of our wholly-owned operations
- Our business in Hong Kong was ranked 3rd in the savings and investment market and is the market-leader in the broker and IFA segment with sales up 46%<sup>4</sup> to £374m (2012: £252m) and net flows up 28%<sup>4</sup> to £71m (2012: £55m)
- HDFC Life paid its first dividend to shareholders in December 2013 and continues to reinforce its strong market position in the private market in India

## Business segment performance

### UK and Europe

#### Strategy

We continue to strengthen our leading long-term savings and investment business by providing high quality innovative propositions and investment solutions combined with strong customer service and a highly scalable business model. Our strong market positions, along with demographic and regulatory changes in the UK such as RDR and auto enrolment, provide us with significant opportunities to drive profitable growth across our UK and Europe businesses.

#### Operating profit

	2013 £m	2012 <sup>3</sup> £m
Fee based revenue	927	839
Spread/risk margin	118	119
<b>Total income</b>	<b>1,045</b>	<b>958</b>
Acquisition expenses	(227)	(203)
Maintenance expenses	(270)	(289)
Investment management fees to SLI	(215)	(174)
Capital management	3	12
<b>Business unit underlying performance</b>	<b>336</b>	<b>304</b>
Other operating income	44	89
<b>Operating profit before tax</b>	<b>380</b>	<b>393</b>

- UK and Europe underlying business performance up 11% to £336m driven by a strong UK performance with all parts of the UK business contributing to growing profitability
- UK underlying performance up 13% to £295m (2012: £261m)
- 9% increase in UK fee based revenue reflecting 19% growth in retail and corporate fee based AUA
- Ongoing reduction in unit costs: UK acquisition expenses 106bps (2012: 133bps); UK maintenance expenses 26bps (2012: 31bps)

#### AUA and flows

- Total AUA up £19.8bn or 14% to £166.0bn (2012: £146.2bn)
- Fee retail new net inflows up 11% to £3.1bn reflecting stronger gross inflows
- Corporate net inflows increased by £0.8bn to £2.0bn (2012: £1.2bn) despite the impact of anticipated outflows from schemes secured by competitors on a commission basis prior to RDR
- Positive net flows in Germany and Ireland contributed to a 15% increase in fee based AUA to £15.7bn
- Continued growth in higher margin propositions:
  - MyFolio AUA increased by 82% to £4.0bn (2012: £2.2bn)
  - Standard Life Wealth AUA more than doubled to £5.8bn (2012: £1.8bn) following the acquisition of the private client division of Newton Management Limited<sup>6</sup>, completed in September 2013

#### Operational highlights

- Delivered a simple, consistent and tax-efficient platform pricing structure, along with clear discounts from external fund managers, demonstrating our buying power
- Number of adviser firms using our platform increased by 9% to 1,236 firms and number of adviser firms with assets on Wrap of greater than £20m up 41% to 228 firms
- 292,000 (2012: 118,500) employees joined our corporate pension schemes with total employees now 1.4 million
- Secured 243 (2012: 203) corporate schemes, which will bring an estimated 118,000 (2012: 88,000) new employees
- Launched online SME auto enrolment solution and entered into strategic arrangements with 22 partners

## Business segment performance *(continued)*

### Standard Life Investments

#### Strategy

We remain very well positioned to deliver profitable growth. We are increasing our domestic and global presence and expertise across a range of asset classes while delivering consistently strong investment performance and strengthening relationships with our distribution partners. We also continue to leverage our investment expertise to maximise opportunities and revenues for the wider Group.

#### Operating profit

	2013 £m	2012 £m
Fee based revenue	521	408
Maintenance expenses	(351)	(281)
Share of joint ventures' and associates' profit before tax	22	18
<b>Operating profit before tax</b>	<b>192</b>	<b>145</b>
Interest and exchange rate movements	-	-
<b>Earnings before interest and tax (EBIT)</b>	<b>192</b>	<b>145</b>

- Operating profit and EBIT up 32% driven by a 28% increase in fee based revenue
- EBIT margin increased to 37% (2012: 36%)
- Average fee revenue yield from third party business increased to 44bps (2012: 40bps) benefiting from a shift in mix towards higher margin products and higher market levels
- Maintenance expenses expressed as a proportion of average AUM were 19bps (2012: 17bps) reflecting ongoing development of our investment management capability and expanding distribution and geographic reach
- Our associate, HDFC AMC, remains the largest mutual fund company in India with AUM of £10.2bn contributing £22m (2012: £18m) to operating profit

#### AUA and flows

- Total AUM increased by 10% to £184.1bn (2012: £167.7bn)
- Third party AUM increased by £14.4bn or 17% to £97.4bn (2012: £83.0bn)
- Third party net inflows of £10.1bn representing 12% of opening third party AUM
- Increased institutional client base in UK and Europe by 11% to 880 clients
- UK wholesale retail business recorded the highest net sales in the industry in 2013, almost double those of our nearest competitor
- Amongst the best retention rates in industry with redemptions of just 15% of opening third party AUM
- Overseas clients accounted for £5.3bn or 53% of third party net inflows, with net inflows from the US of £2.1bn
- Assets managed for John Hancock exceed US\$4.5bn

#### Operational highlights

- Excellent investment performance over one, three and five years with the money weighted average for third party assets well above median over all key time periods
- AUM across the MyFolio fund range of £4.0bn
- Extended our geographical footprint with expansion in Boston and Hong Kong
- Became the first designated Worldwide Partner in the history of the Ryder Cup extending the reach of our brand globally
- Significant new product launches, including:
  - Enhanced-Diversification Growth to support the rapidly growing DC pension market
  - John Hancock Global Conservative Absolute Return Fund
- Strong pipeline of new and innovative investment solutions in development

## Canada

### Strategy

We continue to grow our fee based business, capitalising on the opportunities created by demographic and market changes. We are achieving this through providing innovative retirement and investment solutions as well as exceptional levels of customer service. We continue to focus on maximising the value of our back book of spread business, improving its profitability, capital efficiency and risk exposure.

### Operating profit

	2013 £m	2012 <sup>3</sup> £m
Fee based revenue	194	172
Spread/risk margin	285	221
<b>Total income</b>	<b>479</b>	<b>393</b>
Acquisition expenses	(76)	(79)
Maintenance expenses	(211)	(220)
Investment management fees to SLI	(23)	(20)
Capital management	13	35
<b>Business unit underlying performance</b>	<b>182</b>	<b>109</b>
Other operating income	69	244
<b>Operating profit before tax</b>	<b>251</b>	<b>353</b>

- Canada underlying performance improved by £73m to £182m (2012: £109m) benefiting from growth in fee based business, lower expenses and improved underlying spread/risk margin
- Fee revenue increased by 15%<sup>4</sup> to £194m reflecting growth in our corporate and retail fee propositions
- Spread/risk margin of £285m (2012: £221m) reflected higher benefit from asset liability management, favourable experience variances and higher returns from existing business following higher interest rates

### AUA and flows

- Total AUA up 7%<sup>4</sup> to £27.4bn driven by net inflows into fee based propositions of £0.6bn and positive market movements which offset expected outflows from the spread/risk business
- Strong position in corporate pensions with fee based AUA gross inflows of £1.8bn (2012: £1.9bn). Net inflows of £248m (2012: £500m) reflect the uneven pattern of this business
- Leveraging Standard Life Investments expertise in global and multi-asset funds including launching 20 new funds and expanding distribution in dealer channel
- Momentum in sales of retail segregated funds with market share up to 13%<sup>5</sup> (2012: 9%) and net inflows up 38% to £457m (up 65% when excluding discontinued GLWB product)

### Operational highlights

- No.1 by net flows of retail segregated funds for the second year running
- Introduced GARS for retail segregated funds and new commission-free segregated funds to appeal to fee based advisers
- Improved customer experience and efficiency with ability to self-service online through our corporate VIP room
- Launched Financial Education Centre to assist customers with their financial and investment needs
- Created a Group Retirement Centre with customer planning tools which generated net flows of £90m
- Added 16,700 members (2012: 19,600 members) to our corporate pensions

## Business segment performance (continued)

### Asia and Emerging Markets

#### Strategy

We are focused on delivering profitable growth through our two joint ventures and through the expansion of our retail savings and investments in Asia and the Middle East. The expansion into two new attractive international and offshore wealth management markets leaves us well placed to leverage our existing offshore capability. We continue to work with our joint venture partners on developing our businesses in India and China.

#### Operating (loss)/profit

	2013 £m	2012 £m
Fee based revenue	54	46
Acquisition expenses	(22)	(10)
Maintenance expenses	(43)	(41)
<b>Total wholly owned</b>	<b>(11)</b>	<b>(5)</b>
India and China JV businesses	5	8
<b>Operating (loss)/profit before tax</b>	<b>(6)</b>	<b>3</b>

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\* Calls may be monitored and/or recorded to protect both you and us and help with our training. Call charges will vary.

#### Newswires and online publications

We will hold a conference call for newswires and online publications on 27 February at 08:00 (UK time). Participants should dial +44 (0)20 3059 8125 and quote Standard Life Full year results 2013. A replay facility will be available for seven days after the event. To access the replay please dial +44 (0)121 260 4861 and use pass code 4575338#.

#### Investors and Analysts

A presentation for investors and analysts will take place at 10.15am (UK time) at 200 Aldersgate, St. Paul's, London EC1A 4HD. There will also be a live webcast and teleconference at 10.15am (UK Time), both of which will have the facility to ask questions at the end of the formal presentation. Participants should dial +44 (0)20 3059 8125 and quote Standard Life Full year results 2013.

#### Notes to Editors:

1. Operating profit is IFRS profit before tax adjusted to remove the impact of market driven short-term fluctuations in investment return and economic assumptions, restructuring costs (including Solvency 2), impairments of intangible assets, amortisation of intangible assets acquired in business combinations, profit or loss on the disposal of a subsidiary, joint venture or associate, changes in Canada insurance contract liabilities due to resolution of prior year tax matters and other significant one-off items outside the control of management.
2. Cash generation is EEV operating capital and cash generation, a measure of the underlying shareholder capital and cash flow of the Group.
3. Comparatives have been restated to reflect an amendment to IAS19 *Employee Benefits*.
4. In constant currency.
5. As at 31 December 2013.
6. Standard Life Wealth, one of the UK's fastest growing discretionary fund management businesses, successfully completed the acquisition of the private client division of Newton Management Limited at the end of September 2013. Assets of £3.2bn were transferred in on acquisition.
7. For more detailed information on the statutory results of the Group and a glossary of financial terms, refer to the Annual Report and Accounts 2013.