Standard Life plc
Full year results 2014
20 February 2015

Increased focus on fee business driving growth and performance

- Assets under administration from continuing operations increased by 38% to £296.6bn, driven by net inflows, positive market movements and the acquisition of Ignis Asset Management:
  - SLI continues to deliver strong investment performance in volatile markets with total AUM from continuing operations now £245.9bn
  - UK retail and corporate fee business AUA up 7% to £102.8bn
  - During the year we have added over 340,000 new customers in the UK through auto enrolment and over 560,000 since auto enrolment began
- Fee based revenue up 14% to £1,433m including benefit of Ignis acquisition in second half of the year
- Group underlying performance* up 21% to £561m and operating profit[1] before tax from continuing operations up 19% to £604m
- Sale of Canada increases focus on fee business and enables proposed return of £1.75bn to shareholders
- Strong and resilient balance sheet with IGD surplus of £2.9bn and Group underlying cash generation[2] up 21% to £408m
- Final dividend of 11.43p making a total of 17.03p, up 7.8%, for the year

David Nish, Chief Executive, commented:

"Standard Life has continued to perform well driven by a focus on delivering value for money for our customers and clients. We have increased revenues, profits and cash generation and now have assets under administration of almost £300bn.

"We have made good strategic progress during the year with the acquisition of Ignis Asset Management and the sale of our Canadian operations increasing focus on fee business and enabling a £1.75bn return to shareholders. We are also well positioned to deal with the far-reaching reforms to the savings and retirement income rules in the UK and to support customers through these changes. Standard Life Investments has continued to perform strongly and expand internationally.

"Although investment markets are unsettled and may affect the near-term pace of asset and revenue growth, we are very well placed for the future. We have an excellent track record of succeeding in evolving markets and have the products, experience and proven investment performance to help our customers and clients in all of our markets to save and invest, so that they can look forward to their financial futures with confidence."

Unless otherwise stated, all figures are reported on a continuing operations basis[3].

* Group underlying performance is Group operating profit before tax from continuing operations after excluding the impact of spread/risk operating actuarial assumption changes and specific management actions 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

Group profitability from continuing operations[3]	2014 £m	2013 £m
Fee based revenue	**1,433**	1,256
Spread/risk margin	**140**	118
Total income	**1,573**	1,374
Acquisition expenses	**(232)**	(243)
Maintenance expenses	**(767)**	(633)
Capital management	**10**	3
Share of associates' and joint ventures' profit before tax	**39**	27
Business unit underlying performance	**623**	528
Group centre costs/ capital management	**(62)**	(66)
Group underlying performance	**561**	462
Operating assumption and actuarial reserving changes (spread/risk margin)	**43**	44
Group operating profit before tax	**604**	506
Tax on operating profit	**(82)**	(77)
Share of associates' and joint ventures' tax expense	**(5)**	(7)
Operating profit after tax	**517**	422
Non-operating items	**(159)**	(100)
Tax on non-operating items	**40**	19
Dubai included in discontinued operations segment[4]	**(22)**	(6)
Profit for the year attributable to equity holders of Standard Life plc	**376**	335

Business unit underlying performance from continuing operations[3]	2014 £m	2013 £m
Standard Life Investments	**257**	197[5]
UK and Europe	**347**	331[5]
Asia and Emerging Markets	**19**	-
Business unit underlying performance	**623**	528

Other performance indicators from continuing operations[3]	2014	2013
Group operating profit before tax (£m)	**604**	506
Group underlying cash generation (£m)	**408**	336
Assets under administration (£bn)	**296.6**	214.7
Net inflows (£bn)	**1.0**	8.8

Other financial highlights	2014	2013
IGD surplus (£bn)	**2.9**	3.8
Embedded value (£bn)	**9.2**	8.4
Diluted operating EPS from continuing operations (p)	**21.6**	17.7
Diluted EPS from continuing operations (p)	**15.7**	14.1
Final dividend per share (p)	**11.43**	10.58
Full year dividend per share (p)	**17.03**	15.80

Group performance

Standard Life continues to perform well driven by a focus on delivering value for money for our customers and clients.

Group assets under administration (AUA) from continuing operations increased to £296.6bn (2013: £214.7bn) benefiting from £60.5bn of assets acquired with Ignis as well as from £20.4bn of positive market movements and net inflows of £1.0bn.

Net inflows of £1.0bn comprised outflows from spread/risk business of £0.9bn which were more than offset by net inflows of £0.2bn from our insurance joint ventures and net inflows into our fee propositions of £1.7bn. Excluding natural run-off from conventional with profits of £1.0bn and assets managed for the Phoenix Group of £1.6bn, as well as previously announced outflows from two low revenue margin mandates of £2.3bn and the Ignis Absolute Return Government Bond Fund (ARGBF) of £2.6bn, adjusted net inflows into our fee based propositions were strong at £9.2bn (2013: £10.8bn).

Following the announcement in September 2014 and subsequent completion of the disposal of our Canadian operations in January 2015, assets of £31.8bn have been presented within discontinued operations.

Standard Life Investments continued to deliver strong investment performance and saw total assets under management (AUM) increase by 45% to £245.9bn (2013: £170.1bn) reflecting the completion of the acquisition of Ignis. Within this, third party AUM (excluding strategic partner life business) increased to £117.5bn (2013: £89.8bn) and benefited from net inflows of £1.7bn, favourable market movements and the acquisition of Ignis. Excluding Ignis, third party net inflows were £6.0bn, representing 6.7% of opening third party AUM. Strategic partner life business AUM, which includes assets managed on behalf of Standard Life Group and the Phoenix Group, increased to £128.4bn (2013: £80.3bn). This reflected the acquisition of Ignis and positive market movements, partly offset by expected natural net outflows of £4.0bn.

AUA across the rest of the Group benefited from a 16% increase in regular contributions into UK corporate pensions as well as strong inflows into our retail new propositions driven by ongoing demand for our Wrap platform. Total UK corporate and retail new net inflows of £5.1bn represented 8% of opening AUA. Steady net inflows in Europe and Asia and Emerging Markets also contributed to the growth in AUA. Market movements were mainly positive but were partly offset by the negative impact of foreign exchange as Sterling strengthened against other currencies, including the Euro.

Group operating profit from continuing operations increased by 19% to £604m (2013: £506m) benefiting from strong demand for our fee based propositions, a further reduction in unit costs and the acquisition of Ignis. Operating profit also benefited from higher spread/risk margin which reflected a higher level of asset liability management partially offset by a reduction in annuity new business profit. Fee based revenue increased by 14% to £1,433m benefiting from growth in AUA including the acquisition of Ignis in the second half of the year. In the UK, demand for our auto enrolment solutions, including from SMEs, helped us to add in excess of 360,000 new customers and secure over 1,300 new corporate schemes. Our UK business now looks after 1.6m workplace customers with over 560,000 joiners since the start of auto enrolment. Standard Life Investments revenue increased by 33% to £686m (2013: £514m), which included a 43% increase in revenue from third party assets to £557m (2013: £390m).

IFRS profit after tax attributable to equity holders from continuing operations increased to £376m (2013: £335m) and reflected increased Group operating profit before tax.

The Board has proposed a final dividend of 11.43p per share making a total of 17.03p per share (2013: 15.80p), an increase of 7.8%. Following the sale of Canada for C$4bn (£2.2bn fully hedged) the Board has also proposed a return of £1.75bn to shareholders and a subsequent 9 for 11 shares consolidation to maintain comparability of per share metrics. The final dividend will be paid on the reduced number of ordinary shares following the share consolidation. The Group will continue to apply its progressive dividend per share policy taking account of market conditions and the Group's financial performance.

Outlook

We enter 2015 with strong positions in our markets.

Standard Life Investments remains focused on delivering excellent investment performance, expanding its investment capabilities, strengthening its distribution and increasing geographic reach. The integration of Ignis is progressing well and we remain on track to achieve £50m of planned annual cost savings and our EBITDA margin target of 45% by 2017.

Following changes announced in the Budget in March 2014, we have seen a significant reduction in demand for individual annuities and consequently expect a step down in the profitability of our spread/risk business in the coming years. In 2015, we expect the contribution from annuity new business to reduce by between £10m-£15m and the contribution from asset liability management to reduce by between £30m-£40m.

The investments we have made in our UK business in recent years leave us well positioned to benefit from evolving customer needs and regulatory changes. This, combined with our investment expertise and focus on providing value for our customers, continues to drive demand for our propositions across the retail, workplace, institutional and wholesale channels. Our fee business, including our leading income drawdown proposition, is well placed for future growth. As our business in Germany continues to accelerate its transition away from with profits to unit linked products, we expect the combined profit from our German and Irish savings businesses to remain stable over the medium term.

In Hong Kong and Singapore, our wholly owned operations are seeing more challenging conditions due to regulatory changes. Our JV in China is continuing to focus on profitable growth and in India, HDFC Life and HDFC AMC continue to perform strongly. We continue to monitor developments in respect of foreign direct investment rules in India.

Although investment markets are unsettled and may affect the near-term pace of asset and revenue growth, we are very well placed for the future. We have the products, experience and proven investment performance to help our customers and clients in all of our markets to save and invest, so that they can look forward to their financial futures with confidence.

Business highlights – continuing operations[3]

Our goal is to create shareholder value through being a leading customer-driven business focused on long-term investment savings 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.

We continue to make good progress in each of our businesses:

Consistently strong performance by Standard Life Investments

- Benefiting from the acquisition of Ignis, strong investment performance, ongoing product innovation, high levels of client service, and an expanding global distribution capability and footprint
- Operating profit before tax increased by 30% to £257m with a 43% rise in third party revenue to £557m
- Stable EBITDA margin of 39% (2013: 39%) benefited from the acquisition of Ignis offset by the acquisition of the private client division of Newton Management Limited and the negative impact of foreign exchange as the Sterling strengthened against other currencies, including the Indian Rupee
- Continue to target a 45% EBITDA margin by 2017
- Third party net inflows (excluding strategic partner life business) of £1.7bn were impacted by £2.3bn of previously announced low revenue margin outflows from two mandates and £2.6bn of outflows from the Ignis Absolute Return Government Bond Fund (ARGBF)
- Excluding Ignis, third party net inflows amounted to £6.0bn and represented 6.7% of opening third party AUM
- Net inflows into higher margin wholesale channel of £5.2bn (2013: £5.2bn) with strong demand for MyFolio, equities, real estate and multi-asset strategies
- £4.1bn of third party net inflows (excluding strategic partner life business) from outside the UK with assets managed by our Boston office now exceeding US$25bn across equities, fixed income and real estate
- Strong investment performance in volatile market conditions with third party AUM (excluding strategic partner life business and Ignis) above benchmark: one year 69%; three years 98%; and five years 88%
- Integration of Ignis progressing well however outflows of £2.6bn from ARGBF will impact revenue in 2015.

Continuing growth from the UK business with UK retail and corporate fee business AUA over £100bn

- The UK business continues to benefit from structural market changes, careful strategic positioning, as well as its attractive propositions and investment solutions
- Underlying business performance up 6% to £308m with fee business contribution up 5% to £370m
- Margin from annuity new business sales was 66% lower reflecting the impact of the UK Budget. However, the underlying spread/risk margin of £134m (2013: £114m) benefited from a higher contribution from asset liability management of £68m (2013: £11m).
- Added over 360,000 (2013: 290,000) new customers during the year driven by auto enrolment and the success of our "Good to Go" proposition for SMEs, and now have 1.6 million workplace customers
- Our Wrap platform continued to attract advisers and assets with AUA up 26% to almost £21bn and is fully compliant with upcoming regulatory changes, including removal of fund rebates, ahead of the 2016 deadline
- Around 25% of Wrap platform AUA and all "Good to Go" default funds are managed by Standard Life Investments.

Continued progress in Asia and Emerging Markets

- Operating profit before tax from wholly owned operations improved to £1m (2013: loss £5m) benefiting from lower commission payments in Hong Kong. However, the changing regulatory environment may impact sales and profitability over the medium term.
- Announced closure of Dubai business in November 2014
- Operating profit before tax from JV businesses up to £18m (2013: £5m) reflecting continuing progress in China and India.

Business highlights – discontinued operations

Sale of business in Canada to Manulife for £2.2bn

The sale of our Canadian business, comprising Canadian long-term savings and retirement, individual and group insurance business and Canadian investment management business to Manulife was completed on 30 January 2015:

- Sale proceeds of C$4.0bn (£2.2bn fully hedged) represent attractive earnings and book value multiples
- Proposed return of £1.75bn of value to shareholders on 1 April 2015, via B/C share scheme and share consolidation to maintain comparability of share metrics
- Canadian business operations, including AUA of £31.8bn (31 December 2013: £29.5bn), have been classified as discontinued
- Following the announcement of the sale on 3 September 2014, previously planned management actions were no longer pursued which together with the impact of weaker Canadian Dollar resulted in a decrease in operating profit before tax to £136m (2014: £251m).

Business segment performance
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

	2014 £m	2013[5] £m
Fee based revenue	**686**	514
Expenses	**(450)**	(339)
Share of associates' and joint ventures' profit before tax	**21**	22
Operating profit before tax	**257**	197
Interest, depreciation, amortisation[6]	**9**	5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**266**	202

- Operating profit up 30% and EBITDA up 32% driven by acquisition of Ignis and shift in mix towards higher margin products such as UK mutual funds and multi-asset investment solutions
- Stable EBITDA margin of 39% (2013: 39%) benefited from the acquisition of Ignis offset by acquisition of the private client division of Newton Management Limited and the negative impact of foreign exchange as the Sterling strengthened against other currencies, including the Indian Rupee
- Average fee revenue yield from third party business (excluding strategic partner life business) increased to 53bps (2013: 50bps[5]) helped by net inflows into higher margin products
- Strategic partner life business fee revenue yield increased to 16bps (2013: 15bps) and included Ignis performance fees of £14m
- Maintenance expenses expressed as a proportion of average AUM of 22bps (2013: 21bps[5]), reflecting ongoing development of our investment management capability, expanding distribution and geographic reach
- Our associate, HDFC AMC, remains the largest mutual fund company in India with AUM of £15.1bn (2013: £10.2bn) contributing £21m (2013: £22m) to operating profit.

AUM and flows
- Total AUM increased by 45% to £245.9bn (2013: £170.1bn[5]) benefiting from acquisitions, positive market movements and strong net inflow momentum
- Third party AUM (excluding strategic partner life business) increased to £117.5bn (2013: £89.8bn[5]), representing 48% of total AUM, while strategic partner life business AUM increased to £128.4bn (2013: £80.3bn), both benefiting from the acquisition of Ignis
- Third party net inflows (excluding strategic partner life business) of £1.7bn were impacted by £2.3bn of previously announced low revenue margin outflows from two mandates and £2.6bn of outflows from the Ignis Absolute Return Government Bond Fund (ARGBF)
- Excluding Ignis, third party net inflows amounted to £6.0bn and represented 6.7% of opening third party AUM
- Increased institutional client base in UK and Europe by 12%
- Assets managed by our Boston office now exceed US$25bn across equities, fixed income and real estate.

Operational highlights
- Strong investment performance from Standard Life Investments with third party AUM (excluding strategic partner life business and Ignis) above benchmark: one year 69%; three years 98%; and five years 88%
- Collaborating across the Group to maximise the Group's share of the value chain – AUM across our market-leading range of MyFolio risk-based funds, which is used extensively within the UK & Europe business, has reached almost £6bn
- Continued investment to expand our geographical footprint with ten new international offices opened or shortly opening in New York, Los Angeles, Toronto, Munich, Tokyo, Zurich, Stockholm, Brussels, Milan and Madrid, providing closer support to our clients
- Strong pipeline of new investment initiatives and further diversification of product offering, including the launch of a Short Duration Credit Fund to meet demand for funds with less vulnerability to a rise in interest rates
- AUM in our Global Equity Unconstrained Fund broke through the £100m mark. The fund has produced top quartile performance over one year and top decile performance over three and five years.

UK and Europe

Strategy

We continue to strengthen the business by building on our innovative propositions and investment solutions. We remain focused on meeting the needs of our customers in an evolving regulatory and economic environment. Our market-leading solutions make effective use of technology to offer individual customers, advisers, employee benefit consultants and employers the choices and support necessary to meet their long-term savings objectives. This multi-channel approach, strengthened by a direct digital offering and recent launch of a UK-wide advice business, and ability to leverage the close relationship with Standard Life Investments continues to benefit not only customers but also our business and Standard Life Group as a whole.

Operating profit

	2014 £m	2013[5] £m
Fee based revenue[7]	**619**	603
Spread/risk margin	**134**	114
Total income	**753**	717
Acquisition expenses	**(178)**	(181)
Maintenance expenses	**(193)**	(166)
Investment management fees to Standard Life Investments[7]	**(85)**	(83)
Capital management	**11**	3
UK business unit underlying performance	**308**	290
Operating assumption and actuarial reserving changes (spread/risk margin)	**42**	40
UK operating profit before tax	**350**	330

- UK operating profit up 6% to £350m (2013: £330m[5]) including a 5% increase in profit contribution from fee business to £370m
- Europe operating profit of £40m (2013: £45m) with lower profit in Germany partly offset by growth in Ireland
- 3% increase in UK fee based revenue reflecting growth in fee based AUA partly offset by change in business mix
- Margin from UK annuity new business sales was 66% lower reflecting the impact of the UK Budget however, the total spread/risk margin of £134m (2013: £114m) benefited from a higher contribution from regular asset liability management of £68m (2013: £11m)
- UK spread/risk margin benefited from operating assumption and actuarial reserving changes of £42m (2013: £40m)
- UK maintenance expenses included £17m relating to the adjustment of historical payments from the Heritage With Profits Fund
- Total UK expenses, excluding the adjustment of historical payments and expressed as a percentage of average fee business AUA, improved to 40bps (2013: 43bps) as we continue to benefit from the scalability of our business.

AUA and flows

- UK AUA up 7% to £128.1bn (2013: £119.7bn[7])
- UK fee retail new net inflows increased by 4% to £2.9bn (2013: £2.8bn) with gross inflows up 7% to £5.9bn (2013: £5.5bn) as our Wrap continued to lead the adviser platform market[8]
- UK corporate net inflows increased by 10% to £2.2bn (2013: £2.0bn) reflecting our success in securing new schemes and the positive impact of auto enrolment which drove a 16% increase in regular contributions
- Continuing to grow assets managed by Standard Life Investments with MyFolio assets up 48% to £5.9bn (2013: £4.0bn)
- Europe AUA up 16% to £17.8bn (2013: £15.4bn) including strong net inflows of £1.1bn (2013: £1.1bn).

Operational highlights

- Increased Wrap platform assets by 26% to £20.9bn (2013: £16.6bn) with the highest net sales in the advised platform market[8]
- Number of adviser firms using our Wrap platform increased by 8% to 1,340 firms (2013: 1,236) and number of adviser firms with assets on Wrap greater than £20m up 14% to 259 firms (2013: 228)
- Corporate pension members up to 1.6 million (2013: 1.4 million) driven by 2,768 auto enrolment implementations and over 340,000 new customers added through auto enrolment
- Secured 1,334 new schemes reflecting the success of our new “Good to Go” propositions for SMEs which attracted 1,184 new schemes.

Business segment performance *(continued)*

Asia and Emerging Markets

Strategy

Our Asia and Emerging Markets business consists of wholly owned operations in Hong Kong and Singapore, and life joint ventures in China and India. Our wholly owned businesses focus on meeting the needs of a wide range of customers, developing new propositions and promoting transparency to create a more sustainable and growing business. We continue to work with our joint venture partners on developing our businesses in China and India.

Operating profit/(loss)

	2014 £m	2013 £m
Wholly owned	**1**	(5)
Insurance JV businesses	**18**	5
Operating profit before tax	**19**	-

- Following recent changes in regulatory landscape in the UAE we have announced the closure of our Dubai business which has been classified as a discontinued operation
- Operating profit increased to £19m (2013: £nil) benefiting from lower commission payments in Hong Kong and continuing progress in our joint ventures:
  - China made a profit during 2014 driven by strong investment returns
  - Strong net inflows and market performance in India driving 42% increase in AUA to £1.7bn
  - Growing profit and dividend from our insurance JV in India

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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 20 February at 7.30am (UK time). Participants should dial +44 (0)20 3059 8125 and quote Standard Life full year results 2014. 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 0103704#.

Investors and Analysts

A presentation for investors and analysts will take place on 20 February at 9.00am (UK time) at Deutsche Bank, Winchester House, 1 Great Winchester Street, London EC2N 2DB. There will also be a live webcast and teleconference at 9.00am (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 2014. A replay facility will be available for seven days after the event. Participants should dial +44 (0)121 260 4861 followed by 0105501#.

Notes to Editors:

1. Operating profit is IFRS profit before tax adjusted to remove the impact of short-term market driven fluctuations in investment return and economic assumptions, restructuring costs, impairment of intangible assets, amortisation of intangible assets acquired in business combinations, profit or loss on the sale of a subsidiary, associate or joint venture and other significant one-off items outside the control of management and not indicative of the long-term operating performance of the Group.
2. Cash generation is Group underlying cash generation from continuing operations which replaces EEV operating capital and cash generation as a key performance indicator. Group underlying cash generation reflects our ability to generate cash that supports the payment of dividends to our shareholders and further investment in the business.
3. Continuing operations excludes the Canadian business and our Dubai business, the closure of which we announced in November 2014. The sale of the Group's Canadian long-term savings and retirement, individual and group insurance business (Standard Life Financial Inc.) and Canadian investment management business (Standard Life Investments Inc.) completed on 30 January 2015. Under the agreements entered into in September 2014, the business of the SLAL Canada Branch will transfer to Manufacturers Life Insurance Company and one or more subsidiaries of Manulife once certain conditions to completion, including regulatory approval, are fulfilled.
4. Under IFRS 5, Dubai does not constitute a discontinued operation and is included under continuing operations in the consolidated income statement. Therefore the analysis of Group operating profit by segment includes the reclassification of Dubai results between discontinued and continuing operations.
5. Restated to reflect Standard Life Wealth's move to be reported as part of Standard Life Investments.
6. Excludes amortisation of intangibles acquired in business combinations which is excluded from operating profit before tax.
7. Institutional pensions managed by Standard Life Investments are now excluded from UK and Europe results. Comparatives have been restated.
8. Source: Fundscape 2014 Q3.
9. For more detailed information on the statutory results of the Group refer to the Annual report and accounts 2014.