

Immediate Release

2004 Annual Results



- Worldwide insurance annual premium equivalent (APE) sales for the 13.5 months to 31 December 2004 of £1.42 billion
- Worldwide gross investment sales for the 13.5 months to 31 December 2004 of £2.35 billion
- Total group funds under management reach a record £108 billion
- Standard Life Investments' third party funds under management increase to £18.3 billion
- Standard Life Bank mortgages under management of £10.2 billion
- Capital resources of £5.5 billion on a statutory basis
- Repositioning of UK Life and Pensions business for profitability and growth

Commenting on the results Group Chief Executive Sandy Crombie said:

"I am pleased to announce these results which underline Standard Life's position as one of the leading players in the industry.

"Standard Life has been through a period of considerable change and throughout this the Company's day-to-day business has continued to perform well. Worldwide sales of both insurance and investment products are in line with the previous year's and we ended 2004 with a secure financial position.

"Standard Life is on a new track. We have a strong leadership team, a clear vision of the future and the determination to deliver excellent results for all our stakeholders. I believe that we have the products, performance, service standards and brand strength necessary to capitalise on the opportunities in a rapidly evolving market. Additionally, we are repositioning and restructuring our business to improve profitability and ensure our planned demutualisation delivers maximum value for members.

"There are some signs of improvement in market confidence. Changes in distribution for the long-term savings industry represent an opportunity for us, given our market presence, strong investment performance and broad and innovative product range. I am confident that our performance this year will establish a new base from which Standard Life can grow strongly and profitably in the future."

Change of year-end

Standard Life has changed its year-end from 15 November to 31 December to bring it into line with its peer group. Therefore, all 2004 new business figures are for the 13.5 month period from 16 November 2003 to 31 December 2004. A comparison with the 12 month period to 15 November 2003 is provided at the end of this press release. The final weeks of 2004 saw lower sales volumes than at other times of the year, reflecting seasonal fluctuations.

Financial Overview

The strategic review of the organisation carried out between January and March 2004 identified a need for Standard Life to access more capital. As a result the Company decided, in principle, to demutualise and currently intends to seek a stock market flotation. This will ensure that the Company has the appropriate capital structure in place and will also allow it to access forms of capital that it cannot as a mutual to support its future growth.

Standard Life's capital position is now assessed on a more rigorous basis. The Financial Services Authority (FSA) has introduced a new minimum capital standard, the Capital Resource Requirement (CRR). As at 31 December 2004 the Company had capital resources of £5.5 billion (including an implicit item of £500 million) - more than twice its CRR.

At the end of 2003 it was recognised that for a variety of reasons the Company's capital position was becoming increasingly constrained. As a result a number of significant management decisions were taken to strengthen the capital position of the group. This included the sale of £7.5 billion of equities in its with profits fund during the first quarter of 2004. This was followed later in the year by a hybrid tier 1 capital issue which raised £550m.

Following the strategic review the Board announced a series of decisions regarding changes to the Company's bonus philosophy, including its approach to paying benefits of mutuality, the cessation of further reserving for the Mortgage Endowment Promise and the time barring of complaints for mortgage endowment mis-selling.

The group identified and implemented a range of cost reductions in 2004 which have already resulted in annual savings of over £100m. The vast majority of these savings are in the UK Life and Pensions business. Headcount across the group fell by more than 2,200 over the 13.5 month period of which approximately 52% was a result of redundancies with the remainder achieved through natural attrition.

The Standard Life group ended 2004 with funds under management at a record level of £108 billion, up from £96 billion at 15 November 2003.

UK Life and Pensions

The strategic review identified a need to reposition the UK Life and Pensions business to achieve profitable growth in the future. The repositioning exercise began in April 2004 and was given fresh impetus following the appointment of Trevor Matthews as Chief Executive of the business in July 2004. He joined Standard Life with a track record of success internationally in life and pensions.

For a number of reasons, including the repositioning exercise and the loss of consumer confidence in with profits investments generally, there was a decline in new business to £939m for the 13.5 months to 31 December 2004 from £957m for the 12 months to 15 November 2003. Total APE market share for Q4 2004 was 8.0% (Q3: 8.4%) whilst IFA market share was 11.2% (Q3: 11.3%). This compares with market share of 11.0% and 15.9% respectively in Q4 2003*.

Standard Life's previous strategy in its life and pensions business was to pursue new business growth in order to bring down the unit cost of writing each new policy. However, the strategic review highlighted that whilst this strategy had been successful in terms of market share gained, some business was being written on terms which were impacting the profitability of the business. Therefore, a number of key decisions were made regarding the product offerings of the life and pensions business.

First, the company changed the terms of the business it was writing on certain product lines to increase profitability. This resulted in commissions being reduced on individual and group pensions business. Standard Life expects reduced sales in these product lines in 2005 as a result.

Second, Standard Life launched a number of new products in response to emerging market opportunities and it is expected that these products will improve the company's profitability. These new products include the new Self-Invested Personal Pension (SIPP) which has enjoyed strong sales since launch, a new range of investment bonds, a Secured Capital Plan (SCP), an Individual Buy-Out Plan (IBOP), and most recently the launch of a new online offering in the protection market. An open architecture investment platform, *sigma*, was also launched in 2004, offering a range of external funds to Standard Life customers for pensions, bonds and mutual funds. The range of funds available through *sigma* has recently been extended to include a comprehensive suite of Manager of Manager funds from Standard Life Investments.

A number of these new products will exploit cross-group synergies. For instance, cash held within the SIPP can be managed by Standard Life Bank and the SCP is an OEIC-based investment product.

Other product initiatives are planned for 2005. For example a second tranche of the SCP was launched on 2 March 2005 and further innovations and developments are anticipated within the Company's pensions range. Standard Life has also been considering developing a wrap offering which would allow investors to deal with a single supplier despite the fact that their underlying investments could be with multiple providers. Allied with the change in the product mix is Standard Life's continued commitment to maintaining the award-winning levels of customer service for which it is renowned.

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 Tel (0131) 225 2552. *Standard Life may record and monitor telephone calls to help improve customer service.*

The Standard Life group includes Standard Life Pension Funds Limited* SLTM Limited* Standard Life Investments (Mutual Funds) Limited*

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Standard Life continues to sell the vast majority of its products through IFAs. The independent sector will remain the key distribution channel in the future. However, following the introduction of new 'depolarisation' rules, it is strategically important for Standard Life to develop a number of multi-tie agreements in 2005. The first of a number of agreements have already been signed with Barclays Financial Planning, THINC Destini, the Lighthouse Group, and Prestbury Holdings.

The UK life and pensions market remains a challenging one in which to operate, although there are indications that investor confidence is returning and the potential for growth remains significant. The success of the repositioning of the UK Life and Pensions business is key to Standard Life capitalising on this potential. The company is confident that it has the products, pricing and service to compete and succeed.

* see notes to editors

Standard Life Investments

Standard Life's leading fund management house had another year of strong sales and performance which saw it end 2004 in the worldwide top-100 for third party funds under management for the first time. These increased from £15.3 billion at 15 November 2003 to £18.3 billion at 31 December 2004 and now account for 19% of total funds under management (compared with 6% at launch in 1998). Of the group's £108 billion total funds under management, Standard Life Investments was responsible for £96 billion at 31 December 2004, a record high for the company. Standard Life Investments confirmed the appointment of Keith Skeoch as Chief Executive in June 2004, a post he had held on an interim basis since January of that year.

UK institutional business reached record levels of £1.8 billion with eight new segregated accounts won. Segregated funds under management rose 40% to £2.9 billion and gross fund inflows doubled to a record £842 million. Client retention in the UK segregated market was very high and the company is confident of winning more mandates in 2005.

Performance was strong across all the main asset classes with over two-thirds of Standard Life Investments' Corporate pooled pension fund range beating the peer group over the 12 months to 31 December 2004*.

The £2.7 billion UK equity fund, the second largest of its kind, was once again in the top quartile for performance in 2004 and is now top quartile over one, three and five years*. The UK Select fund was ranked 6th out of 95 funds having returned 16.9% during the period and was the top performing fund over the last three years*. The £1.4 billion flagship Corporate Managed pension fund also outperformed the median with a return of 11.1% over the year*.

Prospects for 2005 look bright and Standard Life Investments expects to continue to strengthen its market position. The industry wide move to open architecture, and the company's success in gaining representation on a number of platforms, suggest that Standard Life Investments can expect to increase sales of its OEIC range this year. The European business team is starting to make inroads into the European market and more initiatives are expected from the Strategic Solutions unit which recently launched a suite of Liability Managed credit funds.

*see notes to editors

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Standard Life Bank

Standard Life Bank maintained profitable growth in 2004, after first breaking into profit in 2003. Profit before tax for the 13.5 month period was £9.1m* compared with £4.6m for the 12 months to 15 November 2003.

Mortgages under management ended 2004 at £10.2 billion, exceeding £10 billion for the first time in the Bank's history. Gross lending for the 13.5 months to 31 December 2004 was £4.6 billion compared with £3.7 billion for the 12 months to 15 November 2003. This was achieved despite the final quarter slowdown in the mortgage market.

The Bank has reached critical mass and is now focussed on building volume within the same infrastructure. As a result, the Bank currently operates with 18% fewer staff than when the mortgage book was half its current size in May 2000. The use of efficient telephone and internet-based processes means that the need for a costly branch network is avoided.

Mortgage business quality remains very high with the average indexed loan-to-value ratio of the mortgage book falling from 46.3% to 44.7%. Arrears (customers three or more monthly payments down) were 0.12% at 31 December, about a sixth of the industry average*. This quality of business remains one of the key reasons behind the success of the Bank's Lothian securitisation programme which accounts for 30% of the Bank's funding. Lothian Mortgages (No.3) plc was oversubscribed and raised £1.25 billion on 30 June 2004. This brought the total raised through securitisation by 31 December 2004 to £3.75 billion. More recently, Lothian Mortgages (No.4) plc raised £1.25 billion in February 2005, at a UK retail mortgage-backed securitisation record pricing of LIBOR +9.5 basis points over the lifetime of the bonds.

New business is coming not just from savings and mortgage products but from opportunities elsewhere in the group – for example, taking cash deposits as part of the Self Invested Personal Pension (SIPP) product. The opportunities for Standard Life in having a banking function at its core are now beginning to be realised.

*See notes to editors

Standard Life Healthcare

Standard Life Healthcare faced a number of challenging issues in 2004 but was able to post an increase in sales for the third successive year as well as taking decisive action on profitability in the second half of 2004. The company's focus on improving profitability and world class customer care continues to help Standard Life Healthcare be a leading player in the private medical insurance market.

Sales increased from £28 million (12 months to 15 November 2003) to £33 million (13.5 months to 31 December 2004).

The beginning of 2004 saw a significant increase in claims and led to pre-tax losses at 15 May 2004 of £4 million. However, strategic changes began to take effect in the second period of the year. The pre-tax loss for the full 13.5 month period was £6.1 million.

Standard Life's Individual cover switching service is proving popular with customers and IFAs alike and has been widely praised for its innovation in the PMI market.

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Standard Life Healthcare continued its work in the public health arena in 2004 with the development of its online health and well-being service. The company's focus on this area has seen its recommendation for a new workplace health standard endorsed in a recent Public Health White Paper which should increase demand in the corporate sector for its healthcare solutions product.

Standard Life Canada

Standard Life Canada has undergone profound change in 2004 with the implementation of a more appropriate structure and new corporate leadership. The 'domestication' of Standard Life Canada has seen the bulk of Canadian business move from being operated as part of a branch of the UK business to a wholly-owned subsidiary with its own Board. This will give the company greater capital flexibility. A new Chief Executive, Joseph Iannicelli, was appointed on 1 January 2005.

The company increased APE sales from £150 million for the 12 months to 15 November 2003 to £173 million for the 13.5 months to 31 December 2004. As well as this growth in new business, market share also increased and assets under management increased to £11.7 billion.

Standard Life Canada experienced growth across all of its major divisions in 2004. Market share was improved in Group Savings and Retirement by exploiting business opportunities which resulted from recent merger and acquisition activity in the market. Group Insurance made gains by underwriting more large cases and improving its closing ratio. The Retail Markets Division experienced a successful year in segregated and mutual funds as consumers shunned fixed-term products because of low interest rates.

Europe

Standard Life's German and Austrian business enjoyed very strong growth in 2004. APE sales totalled £219 million for the 13.5 month period, compared with £83 million for the 12 months to 15 November 2003. This surge in new business is a result of significant changes in the taxation of life assurance business in Germany, effective from 1 January 2005. As a result Standard Life expects sales in 2005 to revert to more normal levels.

A new range of products will be introduced in Germany and Austria in 2005. As well as adapting to the new German taxation environment the product range will be widened to include investment options to complement the current with profits products which remain popular in these markets.

APE sales in Ireland reached £32 million for the 13.5 months to 31 December 2004 compared with £43 million for the 12 months to 31 December 2003. This is a result of the market shift away from with profits products which has formed the core of Standard Life's business in Ireland. Standard Life Ireland is being repositioned as a provider of personalised investment services and this began with the launch of a multi-manager fund in October. This repositioning will continue with further products and funds being launched in 2005.

Standard Life's Spanish business, Prosperity, continues to review and restructure its business. Despite evidence that sales were recovering in Quarter 4, total APE for the 13.5 month period was disappointing at £8 million compared with £11 million for the 12 months to 15 November 2003.

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Asia

The Indian joint venture, HDFC Standard Life Insurance, has continued to grow rapidly with APE new business of £38 million (Standard Life share: £11 million) for the 13.5 month period compared with £16 million for the 12 month period which immediately preceded it. The company now has a share of the private insurance market in India of around 8%*.

There were major developments on product and distribution in 2004, which involved the launch of a new unit linked product and an expansion of the company's geographical reach. The company now has over 100 sales outlets and 20,000 tied agents.

In China the joint venture, Heng An Standard Life (HASL), has had a good first year with APE sales reaching £2 million in the region of Tianjin (Standard Life share: £1 million). During 2004 HASL was awarded a licence to sell unitised with profits policies and became the first joint venture to win a licence to write group business in Tianjin. HASL also increased its distribution channels to include local branches of China's four major banks. More recently HASL gained approval to establish a branch in the province of Qingdao where it plans to open for business in spring 2005. Later this year the company will apply for a licence to operate in a third Chinese city. Having established this successful joint venture in China, Standard Life has scaled down its operations in Hong Kong but will continue to maintain a presence in this market.

*See notes to editors

Ends

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Notes to Editors

1. An interview with Group Chief Executive, Sandy Crombie, in video, audio and text will be available on www.cantos.com and www.standardlife.com from 07.00 today.
2. Presentations of Standard Life's results will take place today for analysts and bondholders at the City Presentation Centre, 4 Chiswell Street, Finsbury Square, London, EC1Y 4UP at the following times:
09.15 – 10.15 Equity analysts
10.30 – 11.30 Debt analysts
13.00 – 14.00 Bondholders
3. Annual Premium Equivalent (APE) is the industry standard for measuring new business and represents all annual premiums and 10% of single premiums.
4. UK Life & Pensions market share figures are sourced from the Association of British Insurers.
5. Standard Life Bank – during the 13.5 month period there was a refinement in the way the company amortised commission costs. If this change had not been made profits before tax would have been £2.3 million lower.
6. Standard Life Bank – Council of Mortgage Lenders data for Q4 2004 show mortgage arrears (three or more monthly payments down) standing at 0.80%.
7. Standard Life Investments performance data sourced from Russell/Mellon.
8. The Indian market share figure is sourced from the IRDA.

Standard Life financial position at 31 December 2004

Companies Act

| | 31 December 2004 (£m) | 15 November 2003 (£m) (Restated)* |
|---------------------------------------|-----------------------|--------------------------------------|
| Assets | 99,322 | 88,565 |
| Technical Provisions | 84,030 | 74,830 |
| Other Liabilities | 10,836 | 9,455 |
| Fund for Future Appropriations | 4,456 | 4,280 |

*During the period the group changed its accounting policy in respect of the valuation of non-linked redeemable fixed income securities relating to insurance business, which were previously stated at amortised cost. The group now uses the mid-market value basis of valuation for these securities. This basis is deemed more appropriate because it is consistent with the asset valuation basis in the Prudential Regulations, including the new realistic basis for the determination of liabilities. The impact of the change in accounting policy as at 15 November 2003 was to increase the value of investments by £211m, increase technical provisions by £399m and change in deferred tax of £15m resulting in a decrease to the fund for future appropriations (FFA) of £173m. Of this decrease to the FFA, £87m relates to the year ended 15 November 2003. Comparative amounts have been restated accordingly. The effect of the change in accounting policy for the 2004 reporting period is a £213m increase in the transfer to the FFA.

Statutory Solvency (unaudited)

| | |
|-------------------------------------|--------|
| Capital Resources* | £5.5bn |
| Capital Resources Requirement (CRR) | £2.5bn |

*New rules on group capital requirements, stemming from the Insurance Groups Directive and the Financial Groups Directive will have the effect, amongst other things, of reducing the capital credit available to the group from subordinated debt issued by a subsidiary and held within the group. Standard Life has factored this change into its capital planning.

Realistic Solvency (unaudited)

| | |
|-----------------------------------|---------------|
| Realistic Assets of the Fund | £40.5bn |
| Realistic Liabilities of the Fund | £37.2bn |
| Working Capital for Fund | £3.3bn |

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The Standard Life Assurance Company, New Business Period ended 31 December 2004

Insurance Products

| | Single Premiums | | | New Regular Premiums | | | APE | | |
|------------------------|--|--|-------------|--|--|-------------|--|--|-------------|
| | 13.5 months to 31 December 2004 | 12 months to 15 November 2003 | % Change | 13.5 months to 31 December 2004 | 12 months to 15 November 2003 | % Change | 13.5 months to 31 December 2004 | 12 months to 15 November 2003 | % Change |
| | £m | £m | | £m | £m | | £m | £m | |
| UK Life and Pensions | 4,294 | 4,738 | -9% | 509 | 483 | 5% | 939 | 957 | -2% |
| SL Healthcare | | | | 33 | 28 | 17% | 33 | 28 | 17% |
| Canada | 812 | 720 | 13% | 92 | 79 | 16% | 173 | 150 | 15% |
| International | 219 | 237 | -7% | 252 | 124 | 103% | 274 | 148 | 85% |
| Total Insurance | 5,325 | 5,695 | -6% | 886 | 714 | 24% | 1,419 | 1,283 | 11% |

Investment Products

| | Gross Sales | | |
|-------------------------|--|--|-------------|
| | 13.5 months to 31 December 2004 | 12 months to 15 November 2003 | % Change |
| | £m | £m | |
| UK | 2,119 * | 1,479 | 43% |
| Canada | 258 | 253 | 2% |
| International | -24 * | 200 | -112% |
| Total Investment | 2,353 | 1,932 | 22% |

* Due to the nature of the Triple A fund and Indian Investment sales markets, these are shown as the net of sales less redemptions. UK Sales include £641m (2003: £487m) of Triple A fund sales.

Banking

| | 13.5 months to 31 December 2004 | 12 months to 15 November 2003 | % Change |
|----------------------|--|--|-------------|
| Gross Lending | 4,579 | 3,684 | 24% |

Annual Premium Equivalent (APE) is the industry standard for measuring new business income and represents all annual premiums and 10% of single premiums.

New Business denominated in foreign currencies has been translated to Sterling at the average exchange rate for the period. The principal rates used are; Euro, 1.46174 (2003: 1.46316) Canadian Dollar, 2.35772 (2003: 2.31125) Closing Funds Under Management are translated at the closing rate.

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Insurance Products

| Analysed by geographical region | | Single Premiums | | | New Regular Premiums | | | Annual Premium Equivalents (APE) | | |
|---|--------------------------|---------------------------------|--------------------------|------------|---------------------------------|--------------------------|-------------|----------------------------------|--------------------------|------------|
| | | £m | | £m | £m | | £m | £m | | £m |
| | | 13.5 months to 31 December 2004 | 12 months to 15 Nov 2003 | +/- (%) | 13.5 months to 31 December 2004 | 12 months to 15 Nov 2003 | +/- (%) | 13.5 months to 31 December 2004 | 12 months to 15 Nov 2003 | +/- (%) |
| UK | Individual Pensions | 1,395 | 1,611 | -13% | 138 | 141 | -2% | 277 | 302 | -8% |
| | Group Pensions | 497 | 421 | 18% | 342 | 285 | 20% | 392 | 327 | 20% |
| | Investment | 1,586 | 1,648 | -4% | 0 | 0 | 0% | 159 | 165 | -4% |
| | Retirement Income | 786 | 1,033 | -24% | 0 | 0 | 0% | 79 | 103 | -24% |
| | Protection | 0 | 0 | 0% | 16 | 37 | -57% | 16 | 37 | -57% |
| | Other | 30 | 25 | 21% | 13 | 20 | -37% | 16 | 23 | -30% |
| | Life and Pensions | 4,294 | 4,738 | -9% | 509 | 483 | 5% | 939 | 957 | -2% |
| SL Healthcare | 0 | 0 | 0% | 33 | 28 | 17% | 33 | 28 | 17% | |
| UK Insurance | | 4,294 | 4,738 | -9% | 542 | 511 | 6% | 972 | 985 | -1% |
| Canada | Individual Annuities | 449 | 452 | -1% | 0 | 0 | 0% | 45 | 45 | -1% |
| | Group Annuities | 360 | 264 | 36% | 43 | 33 | 30% | 79 | 59 | 34% |
| | Insurance | 3 | 4 | -25% | 26 | 27 | -4% | 26 | 27 | -4% |
| | Life and Pensions | 812 | 720 | 13% | 69 | 60 | 15% | 150 | 131 | 14% |
| General Business - Acc. & Sickne | 0 | 0 | 0% | 23 | 19 | 21% | 23 | 19 | 21% | |
| Canadian Insurance | | 812 | 720 | 13% | 92 | 79 | 16% | 173 | 150 | 15% |
| International (Excluding Canada) | | | | | | | | | | |
| | Republic of Ireland | 159 | 190 | -16% | 16 | 23 | -31% | 32 | 43 | -25% |
| | Germany | 35 | 33 | 6% | 216 | 80 | 171% | 219 | 83 | 164% |
| | Spain | 10 | 11 | -3% | 1 | 1 | 3% | 3 | 2 | 44% |
| | Hong Kong | 0 | 1 | -49% | 3 | 7 | -59% | 3 | 7 | -59% |
| | India * | 5 | 2 | 83% | 11 | 4 | 176% | 11 | 4 | 170% |
| | China * | 10 | 0 | N/A | 0 | 0 | 0% | 1 | 0 | N/A |
| | Life and Pensions | 219 | 237 | -7% | 247 | 115 | 114% | 269 | 139 | 94% |
| | Spain General | | | | 5 | 9 | -42% | 5 | 9 | -42% |
| International (excluding Canada) Insurance | | 219 | 237 | -7% | 252 | 124 | 103% | 274 | 148 | 85% |
| Total Insurance | | 5,325 | 5,695 | -6% | 886 | 714 | 24% | 1,419 | 1,283 | 11% |

* Amounts shown reflect Standard Life's share of the Joint Venture Company's New Business

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Investment Products

| 31 December 2004 | | Opening FUM 16/11/2003 £m | Gross Sales £m | Redemptions £m | Net Inflows £m | Market & other movements £m | Net movement in FUM £m | Closing FUM 31/12/2004 £m |
|----------------------------------|----------------------------|---------------------------------|-------------------|-------------------|-------------------|--------------------------------|---------------------------|---------------------------------|
| UK | Mutual Funds | 1,853 | 364 | (277) | 87 | 340 | 427 | 2,280 |
| | UK Private Equity Fund | 706 | 272 | 0 | 272 | (42) * | 230 | 936 |
| | Segregated Funds | 2,042 | 842 | (225) | 617 | 196 | 813 | 2,855 |
| | Triple A Fund | 1,969 | 641 ** | 0 | 641 | (319) | 322 | 2,291 |
| | Total UK | 6,570 | 2,119 | (502) | 1,617 | 175 | 1,792 | 8,362 |
| Canada | Mutual Funds | 347 | 204 | (57) | 147 | 47 | 194 | 541 |
| | Investment Counselling | 1,486 | 54 | (623) | (569) | 81 | (488) | 998 |
| | Total Canada | 1,833 | 258 | (680) | (422) | 128 | (294) | 1,539 |
| International | Hong Kong | 140 | 0 | (0) | 0 | 4 | 4 | 144 |
| | India | 891 | (24) *** | 0 | (24) | 34 | 10 | 901 |
| | Total International | 1,031 | (24) | (0) | (24) | 38 | 14 | 1,045 |
| TOTAL INVESTMENT PRODUCTS | | 9,434 | 2,353 | (1,182) | 1,171 | 341 | 1,512 | 10,946 |

Total third party funds under management comprise the investment business noted above together with third party insurance contracts. New Business relating to third party insurance contracts is disclosed as insurance business for reporting purposes. An analysis of total third party funds under management is shown below.

| TOTAL THIRD PARTY FUNDS UNDER MANAGEMENT - STANDARD LIFE INVESTMENTS | | | | | | | |
|---|-------------------|---------------------|-------------------|-------------------|--------------------------------|---------------------------|-------------------|
| | Opening FUM £m | Gross inflows £m | Redemptions £m | Net Inflows £m | Market & other movements £m | Net movement in FUM £m | Closing FUM £m |
| Investment products | 9,434 | 2,353 | (1,182) | 1,171 | 341 | 1,512 | 10,946 |
| Third party insurance contracts (new business classified as insurance products) | 5,816 | 1,346 | (835) | 511 | 1,018 | 1,529 | 7,345 |
| Third party funds under management | 15,250 | 3,699 | (2,017) | 1,682 | 1,359 | 3,041 | 18,291 |

* Other market movements include exchange rate movements, return of capital and adjustments for new money received internally from Group which is reported within non-third party FUM.

** Due to the nature of the Triple A Fund the inflows shown are calculated using average net client balances. Other Movements are derived as the difference between these average net inflows and the movement in the opening and closing FUM.

*** As a result of the sales market volatility in India, Investment sales are shown as the net of sales less redemptions.

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