

# Business segment overview

Our performance across the Group demonstrates our commitment to meeting the objectives and delivering on our strategy highlighted in the overview and strategy section.

## Group Strategy

Create capital efficient innovative solutions

Open new routes to markets

Leverage investment management expertise and performance

Drive for operational excellence

## UK financial services

### Life and pensions

UK life and pensions is one of the largest pension and long-term savings and investment providers in the UK with a life and pensions market share of 9.7% and offers a broad range of products across insurance and investment wrappers. The business has particular strengths in the accumulation for retirement market. In 2007 the Wrap platform was complemented with the launch of Fundzone, a mutual fund supermarket.

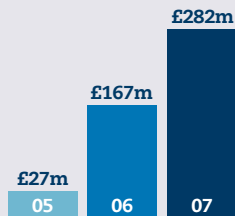
### Banking

Standard Life Bank offers mortgage and retail savings products in the UK via intermediaries, and also direct to all customers through telephone and internet platforms.

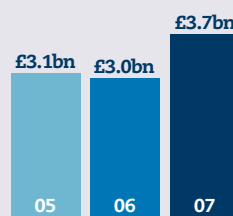
### Healthcare

Standard Life Healthcare offers a range of private medical insurance (PMI) and healthcare solutions. It is the 4<sup>th</sup> largest PMI provider in the UK.

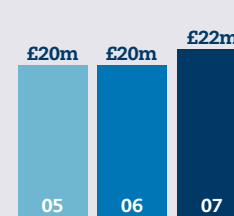
UK NBC



Bank gross lending



Healthcare sales



In 2007 the UK life and pensions new business margin improved by 0.6% points to 2.1%, which was ahead of the target of 2.0% by 2008. This reflected continued emphasis on controlling acquisition costs while driving volume and maximising the capital efficiency of product design. The internal rate of return (IRR) on new business increased to 20% from 13% in 2006. The SIPP product celebrated its third anniversary, with over £7.7bn of funds. The Wrap and Fundzone platforms grew assets under administration to over £1bn. Standard Life Bank gross lending increased by 22%.

In 2008 UK financial services will continue to focus on growing new business profitability. This will be delivered through deepening distributor relationships, building broader customer relationships, continuing the development of innovative products and managing costs while providing excellent customer service. UK life and pensions continue to refine and enhance its market leading SIPP and Wrap proposition and will build on its market leading position in the nil commission Group pensions market. The business will deliver further value from the existing book by focusing on customer retention, risk management and capital efficiency. Standard Life Bank expects to maintain the quality of its mortgage portfolio and Standard Life Healthcare will introduce improved product propositions for individual and large corporate customers.

## Canada

Standard Life is the 4<sup>th</sup> largest provider of life assurance and pension products in Canada, offering a full range of savings, retirement and insurance products.

## Europe

In Europe, Standard Life offers a range of investment and pension solutions. Germany sales were supported by initiatives to strengthen distribution and product positioning. Maxxellence, the new unit linked product, launched in the 4<sup>th</sup> quarter of 2006 also contributed to the growth. Ireland continued to build on the choice and flexibility of its investment offering and build on the success of its Synergy range of products.

## Asia Pacific

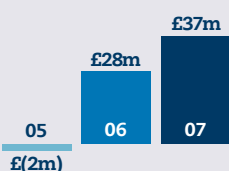
Standard Life has a presence in the Asia Pacific life and pensions market place through a wholly owned subsidiary in Hong Kong and two joint ventures, HDFC Standard Life Insurance Company Limited (HDFC SL) and Heng An Standard Life Insurance Company Limited (Heng An SL) established in India and China, the two leading growth markets in the region.

## Investment management

The focus at Standard Life Investments is on delivering superior investment performance for all its clients. Standard Life Investments operates as a global team, utilising its 'focus on change' philosophy and investment processes which are robust and repeatable.

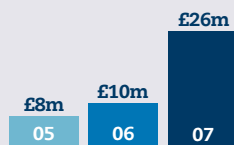
## Overview

### Canada NBC



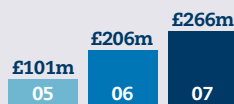
In 2007 Canada focused on operational efficiency and margins over volume. Its PVNBP margin rose 0.7% points to 2.3% and there was a strong improvement in profitability with EEV operating profit before tax up 9% to £178m.

### Europe NBC



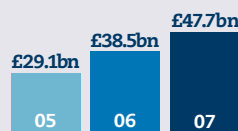
Performance in Europe was marked by a significant 160% increase in NBC due to strong sales growth in Germany and Ireland with a 36% increase in PVNBP sales and a favourable change in margin from 1.2% in 2006 to 2.2% for 2007. Sales performance was driven by demand for new products and strengthened distribution.

### Asia Pacific PVNBP sales



PVNBP sales increased 47% in constant currency due to expansion of the distribution network and product development. The shareholding in HDFC SL increased to 26%, the maximum permitted under Indian regulation, and Heng An SL was the first company in China to launch a group pension plan which attracts tax relief.

### Third party FUM



Despite volatile market conditions IFRS underlying profit before tax was up 19% to £83m. Strong investment performance and effective marketing delivered robust third party net sales of £7.9bn with third party FUM increasing to £47.7bn. This, combined with effective cost control, increased EBIT margin to 30% (2006: 28%).

## Performance

Canada has had a successful transformation in product profitability, whilst maintaining focus on client needs. Canada will continue to increase its visibility by rebuilding its retail sales force, expanding its distribution channels and launching new products.

Europe will continue to evolve its products with the aim of increasing efficiency and profitability. Germany will build on its strength in distribution and its anticipated that the results of Maxxellence will continue to be positive in 2008. Despite current volatile markets in Ireland the medium term prospects are encouraging.

Further expansion in India will be driven through the development of distribution. Heng An SL plans to operate in over 100 Chinese cities by the end of 2012. The Hong Kong business also plans to grow market share by developing distribution channels and launching new products.

In 2008 Standard Life Investments will continue its strategy to diversify sources of revenue through increased sales of its capability in Global equities, Global property and Absolute return strategies. The pipeline for confirmed third party new business is strong, driven substantially by Institutional funds, and Standard Life Investments remain confident of delivering growth in 2008.

## Looking ahead