



StanCorpSM

FINANCIAL GROUP

Positively different.

Millions of people depend on our recognized expertise, financial strength and customer focus to protect them from economic hardship and help fund their dreams.



About StanCorp Financial Group, Inc.

StanCorp Financial Group, Inc., through its subsidiaries marketed as The Standard, is a leading provider of financial products and services. StanCorp's subsidiaries serve approximately 8.1 million customers nationwide as of December 31, 2006, with group and individual disability insurance, group life, AD&D and dental insurance, retirement plans products and services, individual annuities and investment advice. Founded in 1906 as Oregon Life Insurance Company, StanCorp's largest subsidiary, Standard Insurance Company, just celebrated 100 years of helping people achieve financial security. For more information about StanCorp Financial Group, Inc., visit its Web site at www.stancorpfinancial.com.

StanCorp Mission

The people of StanCorp Financial Group exceed customers' needs for financial products and services in growing markets where the application of specialized expertise creates potential for superior shareholder returns.

StanCorp Core Purpose

To help people achieve financial security so they can confidently pursue their dreams.

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Financial Highlights

INCOME STATEMENT DATA (Dollars in millions)	2006	2005	CHANGE
Premiums	\$ 1,935.0	\$ 1,826.5	5.9%
Total revenues	2,492.9	2,337.2	6.7
Benefits to policyholders	1,513.1	1,392.3	8.7
Net income	203.8	211.1	(3.5)
After-tax net capital gains	1.2	1.4	
Net income excluding after-tax net capital gains	202.6	209.7	(3.4)
Net income return on average equity	14.2%	15.0%	
Net income return on average equity (excluding after-tax net capital gains and accumulated other comprehensive income (loss))	14.3	16.0	
BALANCE SHEET DATA AT DECEMBER 31 (Dollars in millions)			
Invested assets and cash	\$ 8,251.9	\$ 7,991.8	3.3%
Total assets	13,638.6	12,450.7	9.5
Long-term debt	261.1	260.1	0.4
Shareholders' equity	1,464.5	1,413.8	3.6
Shareholders' equity (excluding accumulated other comprehensive income (loss))	1,472.6	1,354.0	8.8
PER COMMON SHARE			
Basic net income	\$ 3.77	\$ 3.81	
Diluted net income	3.73	3.76	
Diluted net income excluding after-tax net capital gains	3.70	3.74	
Book value at year end	27.33	25.84	
Book value at year end (excluding accumulated other comprehensive income (loss))	27.48	24.75	
Market value at year end	45.05	49.95	
SHARES OUTSTANDING			
Basic weighted-average shares	54,079,033	55,465,215	
Diluted weighted-average shares	54,688,114	56,076,666	
At year end	53,592,178	54,712,936	

STANDARD INSURANCE COMPANY

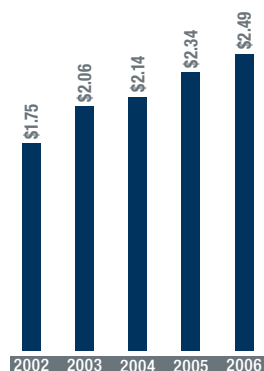
Financial Strength Ratings

A (Excellent) by A.M. Best – 3rd of 13 rankings
 AA- (Very Strong) by Fitch – 4th of 21 rankings
 AA- (Very Strong) by Standard and Poor's – 4th of 20 rankings
 A1 (Good) by Moody's – 5th of 21 rankings

As of February 2007

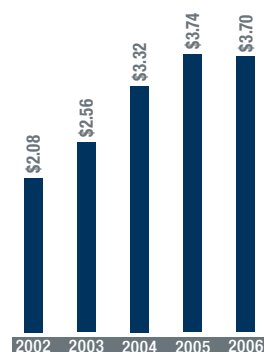
Total Revenues

(in billions)



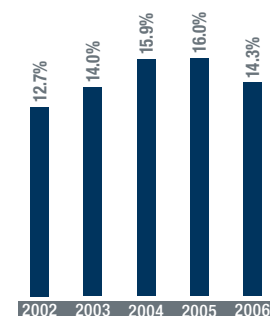
Net Income Per Diluted Share

Excluding After-Tax Net Capital Gains and Losses From Income



Net Income Return On Average Equity

Excluding After-Tax Net Capital Gains and Losses From Income and Accumulated Other Comprehensive Income (Loss) From Equity



Letter from the CEO

“We begin 2007 confident in our book of business and focused on long-term profitable growth for shareholders.”



Eric E. Parsons, Chairman, President and Chief Executive Officer

Fellow shareholders:

In 2006, StanCorp Financial Group, Inc. celebrated 100 years of service to our four stakeholder groups – our customers, employees, communities and, of course, since 1999 our investors. 2006 was a strong year for your Company, but one in which we experienced quarterly claim fluctuations that were more pronounced than in other recent years.

Earnings

As always, our financial results in 2006 were strongly influenced by claims experience in our Insurance Services segment. As we've said from the time of our Initial Public Offering in 1999, we are in the business of assuming risk from others and fluctuations in claim levels, both favorable and unfavorable, are inherent in our business. Both occurred in 2006 – two unfavorable quarters at the beginning of the year and a very favorable quarter at the end.

The net result was a year in which earnings per diluted share, net of after-tax net capital gains, were nearly flat with 2005.

However, when measured on a three or five year basis, our compound growth rate for earnings per share, excluding net capital gains and losses, continues to be within our long-term target range of 12-15%. We begin 2007 confident in our book of business and focused on long-term profitable growth for shareholders.

Financial Leadership

Our promise to our customers includes maintaining a strong financial position so we will be there when they need us most. Our financial strength started with our long heritage as a mutual company, and we have successfully endeavored to maintain that same financial strength as a public company.

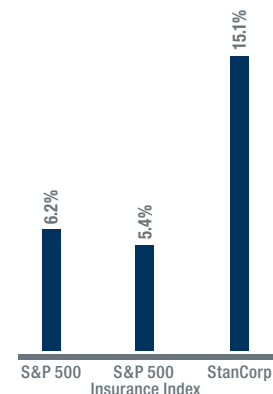
In 2006, we were pleased when Standard & Poor's raised the financial strength rating for Standard Insurance Company to AA- and the credit rating for StanCorp to A- reflecting our progress toward continued earnings diversification, extremely strong and stable earnings, and very strong capitalization and liquidity. We view the upgrade as the recognition of the efforts of our employees to continue to build an even stronger and more diversified company.

Business Development

While we recognize the insurance business as core to who we are today, we also recognize that changing demographics create opportunities for change and growth. With that in mind, over the past several years we have developed recognized expertise in the retirement plans and investment advisory businesses, and beginning in 2006 we reorganized our business units into two segments, with our group and individual indemnity insurance products managed by our new Insurance Services Group (“ISG”) and our retirement, asset management and investment products managed by our new Asset Management Group (“AMG”).

Shareholder Returns

Five Year Average Investment Return



The charge for ISG is to continue to grow profitably at a rate that exceeds the industry as a whole, and based upon the most recently available mid-year information, we met that charge once again in 2006. Sales were solid during the year and in addition we have commitments on several large cases that won't be recorded as sales until their effective dates in 2007. We're confident that solid top line growth that exceeds that of the industry will continue through 2007 and future years. We also believe that



100th Anniversary Commemorated With Foundation and 10,500 Employee Volunteer Hours

Standard Insurance Company's 100th year in business was marked by the formation of The Standard Charitable Foundation as well as a year-long celebration involving The Standard's employees honoring founder Leo Samuel's commitment to community involvement.

The Standard Charitable Foundation focuses on supporting organizations that assist people who have experienced a life-altering event such as a disability or the loss of a loved one. Its mission aligns with our core purpose of helping people achieve financial security so they can confidently pursue their dreams.

In addition, The Standard's employees volunteered with or donated to 164 local and national nonprofit organizations in social and human services, health and disability, education, arts and environmental organizations.

The Standard will organize similar opportunities for employees in 2007.

our disciplined approach to pricing, combined with superior customer service, is a formula that will continue to reward us in the longer term, as is evidenced by our very high retention rates for these businesses.

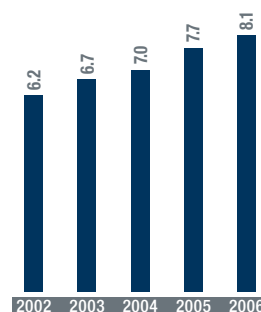
Our goal for AMG is to grow the segment faster than the industry such that it becomes a growing share of the Company's consolidated pre-tax income. In 2006, we achieved considerable growth in our existing business units, with assets in The Standard's Retirement Plans unit growing 284.7% to \$16.24 billion. Part of the growth included the acquisition of Invesmart, bringing almost \$11 billion in retirement plan assets under administration to The Standard. Integration work is under way to combine the best of The Standard and Invesmart to create "The Provider of Choice" in the retirement plans/401(k) marketplace.

While retirement plans were foremost in our minds in AMG, there were other successes as well. Individual Annuity assets grew to \$1.23 billion and mortgage loans managed for other investors topped

\$1.41 billion. We also acquired several small investment advisory firms, adding them to StanCorp Investment Advisers to create an investment advisory firm serving individuals while continuing to be an important differentiator for our retirement plans business. All of this adds up to a considerable

StanCorp's Growing Customer Base

(in millions)



investment in the diversification of our revenue and earnings for future years, to provide a stable stream of fee-based earnings requiring relatively less capital than our Insurance Services business.

Pictured: Jason Richmond, Corporate Accounting

The Standard Wins Philanthropic Award

The Oregon chapter of the Association of Fundraising Professionals (“AFP”) named The Standard the Outstanding Philanthropic Corporation for 2006. CEO Eric Parsons accepted the award from U.S. Rep. Earl Blumenauer of Oregon at an awards ceremony November 30, 2006.

To qualify for the award, a corporation or its corporate foundation must demonstrate outstanding commitment through financial support and through encouragement and motivation of others to take leadership roles toward philanthropy and community involvement.

“It is an honor for The Standard to receive this award and a deserving recognition this year for our employees who have volunteered with and donated to 164 nonprofits in celebration of our 100th anniversary,” Eric said.

The AFP is the professional association of individuals responsible for generating philanthropic support for a wide variety of nonprofit, charitable organizations. Founded in 1960, AFP advances philanthropy through more than 26,000 members in 172 chapters around the world.

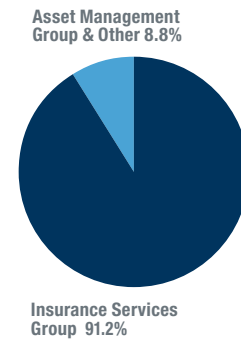
Pictured: Ava McAllister, Corporate Administration.

Leadership Development

As a service oriented Company, we recognize that our employees are who we are. With that in mind, and as we continue to grow and diversify, it is clear that we will need to continually enhance the leadership skills of all of our employees. I am pleased with our continued efforts toward this goal. In 2006, we added to our highly skilled executive team two accomplished individuals: William W. (Wally) Pfeiffer as Senior Vice President – Human Resources and David M. O’Brien as Senior Vice President – Information Technology. Under Wally’s leadership, the Company is pursuing a wide range of leadership, management and customer service training programs that will continue to support our leadership development efforts throughout the organization and assure that we maintain our high standards of customer service well into the future. David has recruited a number of talented individuals to his

top management staff, whose goal is to bring increasingly effective technology support to our customer service and other key areas.

2006 Income Before Income Taxes



Community Relations

We have long listed the communities in which we do business among our important stakeholders. As our presence has expanded to now be a national force, so has our community. Our 100th Anniversary celebration provided an opportunity to develop and enhance our relationships, many





of which are long-standing, with community organizations in cities across the nation. Each month employees from Portland, Oregon to Portland, Maine volunteered their time and assets, along with contributions from StanCorp and The Standard Charitable Foundation. In all, our employees volunteered thousands of hours in support of more than 150 community organizations, with missions ranging from social service to education to the arts.

We expect our employees to not only be leaders in the work place, but also in their communities. Therefore, our efforts to support our communities will not end with our 100 year celebration. As our society becomes more complex and the socioeconomic status of its constituents seems to polarize, we will continue to set a standard of citizenship and stewardship that recognizes the desire of all Americans to confidently pursue their dreams.

Conclusion

2006 was a year in which StanCorp received many awards – from the Forbes Platinum list of America’s

Best Big Companies, to excellent customer service rankings in Boston Research Group’s annual retirement plans survey, to “Outstanding Philanthropic Corporation” from the Oregon chapter of Fundraising Professionals. All of these are appreciated and, I believe, appropriate recognition for the good work of the 3,300 employees I am proud to call my associates at StanCorp.

At the end of the day, though, our goal is to anticipate the needs of our customers and serve them well. We firmly believe that as long as we remain focused on that, all of our stakeholders will be well-served.

Thank you very much for your support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eric E. Parsons'.

Eric E. Parsons

A Dream Come True

“I never dreamed we could have a house in the U.S.,” said Raquel Artola. On October 15, 2006 Raquel and her family, refugees from Cuba, moved into their new townhouse. The house is a Portland Habitat for Humanity home sponsored by The Standard and built with the assistance of more than 100 employee volunteers.

The opportunity to volunteer for home construction was part of our year-long 100th anniversary celebration. Between February and August employees spent nearly 800 hours painting, spreading bark dust, building retaining walls, installing fence posts and dozens of other tasks. Employees worked not only on the Artola’s home but on other homes under construction in the eight-duplex Habitat for Humanity development.

“A lot of sponsors merely write a check, and you see them maybe once,” said Steven Messinetti, executive director of Portland Habitat for Humanity. “But The Standard has just been an incredible partner, being out here so many times with volunteers. We’re thrilled to have you as sponsors.”

Pictured (from left): Kim Larsen, EB Operations; Carrie Farrar, Real Estate; and Rachel Ferrante, Real Estate.

Board of Directors

Eric E. Parsons

Chairman, President and Chief Executive Officer
StanCorp Financial Group, Inc.
and Standard Insurance Company

Virginia L. Anderson

Former Director
Seattle Center

Audit Committee
Finance & Operations Committee

Frederick W. Buckman – Lead Director

Chairman, Retired
Trans-Elect, Inc.

*Chairperson, Nominating & Corporate
Governance Committee*
Organization & Compensation Committee

John E. Chapoton

Partner and Strategic Advisor
Brown Advisory

Nominating & Corporate Governance Committee
Organization & Compensation Committee

Stanley R. Fallis

Chair & Chief Executive Officer, Retired
Everen Clearing Corporation

Audit Committee
Nominating & Corporate Governance Committee

Wanda G. Henton

Chair and Chief Executive Officer
Lloyd Bridge Advisory Corporation

Nominating & Corporate Governance Committee

Peter O. Kohler, M.D.

President emeritus
Oregon Health & Science University

Finance & Operations Committee
Organization & Compensation Committee

Jerome J. Meyer

Chairman and Chief Executive Officer, Retired
Tektronix, Inc.

Audit Committee
Finance & Operations Committee

Ralph R. Peterson

Chairman, President and Chief Executive Officer
CH2M Hill Companies, LTD

Chairperson, Audit Committee
Finance & Operations Committee

E. Kay Stepp

Chair of the Corporate Board
Providence Health and Services

Finance & Operations Committee
*Chairperson, Organization & Compensation
Committee*

Michael G. Thorne

Director and Chief Executive Officer, Retired
Washington State Ferry System

Audit Committee
Chairperson, Finance & Operations Committee

Ronald E. Timpe

Chairman, Retired
StanCorp Financial Group, Inc.

Finance & Operations Committee

Officers and Management Committee

Management Committee¹

Eric E. Parsons
Chairman, President and
Chief Executive Officer

John M. Bernard
Senior Vice President,
Operational Excellence

Kim W. Ledbetter, FSA, CLU
Senior Vice President,
Asset Management Group

Cindy J. McPike, CPA
Senior Vice President and
Chief Financial Officer



J. Greg Ness, LLIF
Senior Vice President,
Insurance Services Group

David M. O'Brien
Senior Vice President,
Information Technology

William W. Pfeiffer
Senior Vice President,
Human Resources and
Corporate Services

Michael T. Winslow, JD
Senior Vice President and
General Counsel

¹ Members of the Management Committee are officers of StanCorp or of a principal subsidiary

StanCorp Financial Group, Inc. Officers

Eric E. Parsons
Chairman, President and
Chief Executive Officer

Holley Y. Franklin, JD
Second Vice President, Corporate Secretary
and Assistant Counsel

Cindy J. McPike, CPA
Senior Vice President and
Chief Financial Officer

Robert M. Erickson, CMA
Assistant Vice President
and Controller

Jeffrey J. Hallin, CPA
Second Vice President, Investor Relations
and Financial Planning

Michael T. Winslow, JD
Senior Vice President and
General Counsel

Insurance. Retirement. Investments & Advice.

For 100 years, The Standard has helped give people financial security and the confidence to pursue their dreams. More than 8 million people across the country depend on The Standard for financial products and services. But even more than our products, it is our recognized expertise, strength and singular focus on our customers that inspire confidence.



INSURANCE SERVICES GROUP

Employee Benefits

A leading provider of group insurance products, with about 28,600 group insurance policies in force covering approximately 7.5 million employees.

Group Disability Income Insurance

- Long Term Disability (LTD)
- Short Term Disability (STD)
- Small Group LTD and STD
- Statutory Disability Insurance

Group Life and AD&D

- Life
- Accidental Death and Dismemberment (AD&D)
- Small Group Life and AD&D
- Voluntary Life and AD&D
- Paid-up Life

Group Dental

- Indemnity
- Participating Provider Organization
- Small Group Dental
- Voluntary Dental

Other

- STD ASO, Advice to Pay, Select Claim
- STD Tax Services

Individual

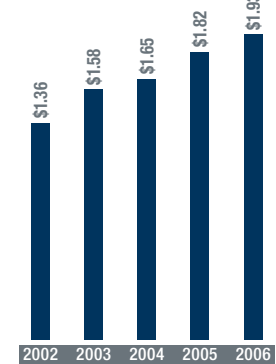
A top 10 national provider of disability insurance to individuals.

Disability Income Insurance

- Individual Income Protection
- Business Overhead Expense Protection
- Buy/Sell Agreement Funding

Insurance Services Group Premiums

(in billions)



ASSET MANAGEMENT GROUP

Retirement Plans

Recognized experts in retirement plan products and services for small and medium-sized employers.

- 401(k) Plans
- 403(b) Plans
- 457 Plans
- Defined Benefit Plans
- Money Purchase Pension Plans
- Profit Sharing Plans
- Non-qualified Deferred Compensation Plans

Individual Annuities

A full line of immediate and deferred fixed-rate annuities.

- Single Premium Deferred Annuities
- Single Premium Immediate Annuities
- Flexible Premium Deferred Annuities
- Individual Retirement Annuities
- 403(b) Tax-Sheltered Annuities

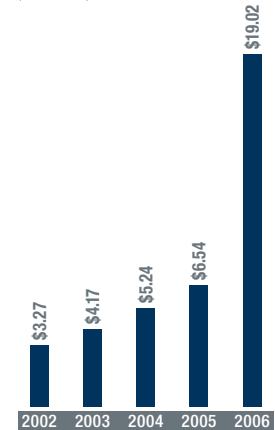
Commercial Mortgage Loans

A recognized expert in originating and servicing small fixed-rate commercial mortgage loans.

- Investment portfolios for StanCorp insurance subsidiaries
- Origination and servicing for commercial mortgage loans sold to third party investors

Asset Management Group Assets Under Administration

(in billions)



Investment Adviser

StanCorp Investment Advisers is a Securities and Exchange Commission registered investment adviser providing:

- Investment advisory services for StanCorp insurance subsidiaries,
- Performance analysis, fund selection support and other services for our retirement plan clients, and

- Financial planning, mutual fund portfolio construction, fund monitoring and selection and ongoing portfolio management for individual investors.

Financial Retrospective

SEGMENT DATA (Dollars in millions)	2006	2005	2004	2003	2002
Total revenues					
Insurance Services	\$ 2,249.5	\$ 2,128.5	\$ 1,959.4	\$ 1,896.1	\$ 1,623.9
Asset Management	237.2	191.0	169.9	154.6	145.9
Other	6.2	17.7	15.2	11.3	(19.6)
Total	\$ 2,492.9	\$ 2,337.2	\$ 2,144.5	\$ 2,062.0	\$ 1,750.2
Benefit ratio					
Insurance Services					
Group Insurance (% of premiums)	78.3%	75.8%	77.4%	81.3%	80.5%
Individual Disability (% of premiums)	79.4	79.2	83.2	82.7	91.1
Asset Management					
Retirement Plans (interest credited as % of net investment income)	54.5	55.0	55.5	60.6	61.4
Individual Annuities (interest credited as % of net investment income)	64.4	60.9	61.9	62.5	63.0
Operating expense ratio					
Insurance Services (% of premiums)	15.1%	15.6%	15.4%	14.9%	15.1%
Asset Management (% of average retirement plan assets under administration)	0.6	0.9	1.0	1.3	1.5
Income before income taxes					
Insurance Services	\$ 282.4	\$ 300.1	\$ 264.6	\$ 221.4	\$ 181.0
Asset Management	38.4	30.9	31.1	24.9	16.3
Other	(11.1)	(5.4)	(3.7)	(6.5)	(25.3)
Total	\$ 309.7	\$ 325.6	\$ 292.0	\$ 239.8	\$ 172.0
INVESTMENT DATA AT DECEMBER 31 (Dollars in millions)					
Percent of investments					
Fixed maturity securities	58.4%	58.1%	59.3%	65.3%	66.8%
Commercial mortgage loans, net	40.4	40.8	39.6	33.5	32.1
Portfolio yields					
Fixed maturity securities	5.57%	5.61%	5.81%	5.94%	6.22%
Commercial mortgage loans, net	6.40	6.46	6.71	7.28	7.94
Quality rating (as % of fixed maturities):					
Fixed maturity securities ratings					
A or higher	74.1%	74.6%	74.5%	75.6%	75.3%
BBB/Baa	22.3	21.6	21.6	20.9	21.2
BB/Ba	2.0	2.7	2.7	2.0	2.1
B or lower	1.6	1.1	1.2	1.5	1.4
Commercial mortgage loans					
Net balance of restructured loans	\$ 6.8	\$ 10.1	\$ 2.1	\$ 2.9	\$ 4.6
Delinquencies >60 days	0.09%	0.01%	0.25%	- %	- %
ASSETS UNDER ADMINISTRATION (Dollars in millions)					
Retirement plans	\$ 16,240.0	\$ 4,221.7	\$ 3,367.1	\$ 2,577.6	\$ 1,803.3
Individual annuities	1,234.9	1,143.3	1,085.3	914.9	797.7
Commercial mortgage loans for other investors	1,407.0	1,141.9	747.9	677.1	672.9
Other	137.5	35.5	36.1	-	-
Total	\$ 19,019.4	\$ 6,542.4	\$ 5,236.4	\$ 4,169.6	\$ 3,273.9
OTHER					
Effective income tax rate	34.2%	35.2%	31.7%	34.8%	35.5%
Number of employees at year end	3,280	2,798	2,770	2,630	2,465

Corporate Information

For Investor Information, Contact

Jeff Hallin, Second Vice President,
Investor Relations and Financial
Planning
(971) 321-6127
jhallin@standard.com

Jane Keister, Manager
Shareholder Services
(800) 378-8360 or (971) 321-7097
jkeister@standard.com

Visit us on the Internet

www.stancorpfinc.com
www.standard.com
www.standard-ny.com

Certifications

The Chief Executive Officer of the Company has filed with the New York Stock Exchange an annual certification of compliance with New York Stock Exchange listing standards without qualification. The Chief Executive Officer and Chief Financial Officer of the Company have filed with the Securities and Exchange Commission all required certifications regarding the quality of the Company's public disclosure without qualification.

Publications

The Company's Annual and Financial Reports are available on the Internet at www.stancorpfinc.com/investors.

Common Stock Listing and Trading



StanCorp Financial Group, Inc. common stock is listed and traded on the New York Stock Exchange under the ticker symbol SFG.

Corporate Headquarters

StanCorp Financial Group, Inc.
1100 SW Sixth Avenue
Portland, Oregon 97204

Principal Subsidiaries

Standard Insurance Company
The Standard Life Insurance Company of New York
Standard Retirement Services, Inc.
StanCorp Mortgage Investors, LLC
StanCorp Investment Advisers, Inc.
StanCorp Trust Company
StanCorp Equities, Inc.

Notice of Annual Shareholder Meeting

StanCorp Financial Group, Inc.
11:00 a.m. Monday, May 7, 2007
Hilton Portland & Executive Tower
921 SW Sixth Ave.
Portland, Oregon 97204

Transfer Agent and Registrar of Common Stock

Mellon Investor Services LLC
Shareholder Relations
PO Box 3315
South Hackensack, New Jersey 07606
(800) 303-3963
Representatives are available weekdays, 9 a.m. to 7 p.m. Eastern time. The automated response system is available 24 hours, 7 days a week. Outside the U.S., call (201) 680-6578.

Account Access

Access your registered StanCorp Financial Group, Inc. common stock account through a secure site hosted by Investor ServiceDirect at www.melloninvestor.com/isd.

Forward-Looking Statements

Information in this Annual Report includes certain statements related to projected growth and future events. These statements are "forward-looking" statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Because such statements are subject to risks and uncertainties, actual results in future periods may differ materially from those expressed or implied by such forward-looking statements. See the Company's 2006 Form 10-K for a description of the types of uncertainties and risks that may affect actual results.

Not all products are available in every state.

Non-GAAP Financial Measures

Financial measures contained in this Annual Report that exclude after-tax net capital gains and losses and accumulated other comprehensive income (loss) are non-GAAP (Generally Accepted Accounting Principles in the United States) measures. To provide investors a broader understanding of earnings, the Company provides net income per diluted share excluding after-tax net capital gains and losses, along with the GAAP measure of net income per diluted share, because capital gains and losses are not likely to occur in a stable pattern.

Return on average equity excluding after-tax net capital gains and losses from net income and accumulated other comprehensive income (loss) from equity is furnished along with the GAAP measure of net income return on average equity because management believes providing both gives investors a broader understanding of return on equity. Measuring return on average equity without accumulated other comprehensive income (loss) excludes the effect of market value fluctuations of the Company's fixed maturity securities primarily associated with changes in interest rates. Management believes that measuring return on average equity without accumulated other comprehensive income (loss) is important to investors because the turnover of the Company's portfolio of fixed maturity securities may not be such that unrealized gains and losses reflected in accumulated other comprehensive income (loss) are ultimately realizable. Furthermore, for the purpose of calculating this ratio, management believes exclusion of other comprehensive income (loss) provides investors a better measure of return.



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Portland, Oregon 97204