StanCorp Financial Group, Inc.

Built on the

fundamentals:

disciplined growth

exceptional
customer service

&

uncommon
financial strength.

2003 Annual Report

Mission Statement

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

About StanCorp Financial Group, Inc.

StanCorp Financial Group, Inc., through its wholly owned subsidiaries — Standard Insurance Company and The Standard Life Insurance Company of New York — is a leading provider of employee benefits products and services. StanCorp's subsidiaries serve customers nationwide with group and individual disability insurance and retirement products, and group life and dental insurance with approximately 31,500 group insurance policies in force covering about 6.5 million employees. For more information about StanCorp Financial Group, Inc., visit its Web site at www.stancorpfinancial.com.

Table of Contents

Financial Highlights	1
Letter from the CEO	2
Corporate Governance	9
Board of Directors	10
Officers and Management Committee	11
Statement of Responsibility	12
Form 10-K	13
Financial Retrospective	Last page
Corporate Information	Back cover

STANDARD INSURANCE COMPANY

Financial Strength Ratings

A (Excellent) by A.M. Best – 3rd of 13 rankings
AA- (Very Strong) by Fitch – 4th of 16 rankings
A+ (Strong) by Standard & Poor's – 5th of 16 rankings
A1 (Good) by Moody's – 5th of 16 rankings

As of February 2004

StanCorp Financial Group

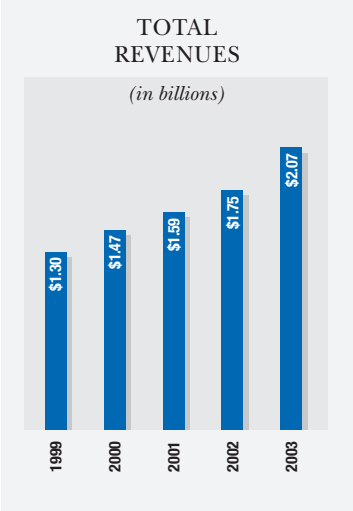
Financial Highlights

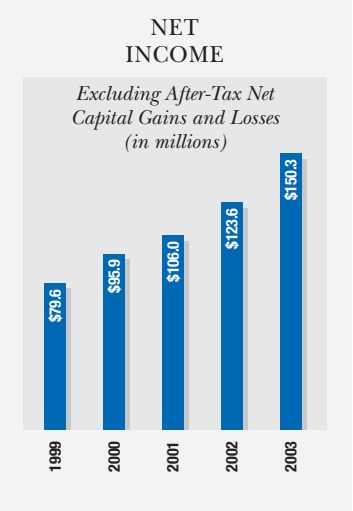
INCOME STATEMENT DATA (Dollars in millions)	2003	2002	CHANGE
Premiums	$ 1,609.3	$ 1,383.3	16.3%
Total revenues	2,066.8	1,754.6	17.8
Benefits to policyholders	1,297.8	1,117.1	16.2
Net income	156.3	111.0	40.8
After-tax net capital gains (losses)	6.0	(12.6)	
Net income excluding after-tax net capital gains (losses)	150.3	123.6	21.6
Net income return on average equity	12.7%	10.4%	
Net income return on average equity (excluding after-tax net capital gains (losses) and accumulated other comprehensive income)	14.0	12.7	
BALANCE SHEET DATA (Dollars in millions)			
Invested assets and cash	$ 6,960.9	$ 6,400.2	8.8%
Total assets	9,981.7	8,746.5	14.1
Long-term debt	272.0	259.0	5.0
Shareholders' equity	1,309.5	1,152.6	13.6
Shareholders' equity (excluding accumulated other comprehensive income)	1,149.2	1,005.2	14.3
PER COMMON SHARE			
Basic net income	$ 5.39	$ 3.77	
Diluted net income	5.33	3.73	
Diluted net income excluding after-tax net capital gains (losses)	5.12	4.15	
Book value at year end	44.69	39.49	
Book value (excluding accumulated other comprehensive income) at year end	39.22	34.44	
Market value at year end	62.88	48.85	
SHARES OUTSTANDING			
Basic average shares	28,989,550	29,435,920	
Diluted average shares	29,334,559	29,772,402	
At year end	29,300,723	29,185,276	

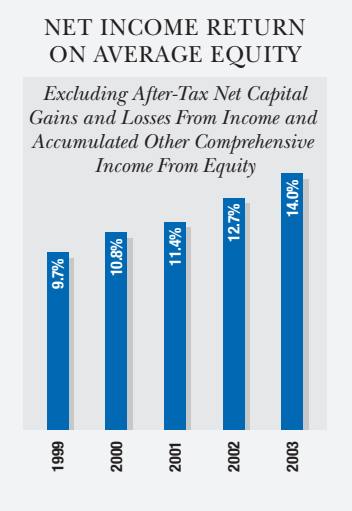
Non-GAAP Financial Measures

Financial measures contained in this Annual Report that exclude after-tax net capital gains and losses and accumulated other comprehensive income are non-GAAP (Generally Accepted Accounting Principles) 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 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 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 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 are ultimately realizable. Furthermore, for the purpose of calculating this ratio, management believes exclusion of other comprehensive income provides investors a better measure of return.







Built on the fundamentals of disciplined growth, exceptional customer service and uncommon financial strength.

By almost any measure, 2003 was truly an exceptional year for StanCorp Financial Group. Despite economic uncertainties, we continued to grow, setting record levels of profitability. Net income for 2003 was $5.33 per diluted share, a 43% increase over 2002. Revenues grew 17.8% and total assets grew to almost $10 billion. Each of our businesses, Employee Benefits, Individual Insurance, Retirement Plans, and StanCorp Mortgage Investors, contributed to this exceptional financial performance, as did the block of group disability and group life business we assumed through a reinsurance transaction from Teachers Insurance and Annuity Association (TIAA) in late 2002.

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

The low rate of job growth nationally, combined with declining interest rates and pressure on employee benefit budgets created by rising medical insurance costs, all posed challenges for sales and premium growth in our largest business, Employee Benefits. While these circumstances slowed our top-line growth, our commitment to the basic fundamentals of our mission assured another year of strong profitability and positioned us for more success in the future.

Focused On Our Mission

At StanCorp, our mission is to meet and exceed customers' needs for financial products and services in growing markets where the application of specialized expertise creates potential for superior shareholder returns.

StanCorp's success has always been the result of our focused mission, the expertise of our people and our enduring commitment to exceptional customer service. This strong foundation — along with a healthy dose of financial discipline — allows us to take advantage of economic upturns and withstand economic downturns.

We are among the top players in the U.S. markets for group disability, group life and individual disability insurance. We have specialized expertise in the origination and servicing of small commercial mortgage loans, and we are working hard — and successfully — to grow our businesses in retirement plans and individual fixed-rate annuities. Our earnings in 2003 reflected continued strong results from the Employee Benefits and Individual Insurance segments and solid progress in our other businesses, as well.

We are well known nationally as an employee benefits provider, and are the fourth largest provider of group long term disability insurance, the fifth largest provider of group short term disability insurance and the ninth largest provider of group life insurance, based on the most recent annual industry premium statistics. These products will continue to be our primary focus. At the same time, we are pleased by the growth and progress of our asset accumulation and asset management

businesses. Our strong market positions, recognized expertise and the growth characteristics of the markets we serve make us bullish on our future growth prospects.

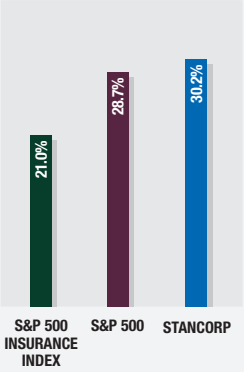
We have ample capital to support growth in all of our businesses and we select businesses that grow and prosper. In 2000, we allocated capital to support an acquisition in our individual disability insurance business, and that has paid off for us. This year's results reflect the successful integration of the group insurance block of business we assumed late in 2002 from TIAA. We also are pursuing substantial growth in our retirement plans and our commercial mortgage loan businesses, both of which require considerably less capital than our other businesses. Those investments are paying off. We are in the enviable position of being able to grow all of our businesses, and we are doing so.

Financial Objectives

We have three consistent publicly stated financial objectives that are intended to provide a general overview of our expectations for long-term trends in financial performance. These long-term financial objectives, which include non-GAAP financial measures, include measures for premium growth, growth in earnings per share, and return on equity.

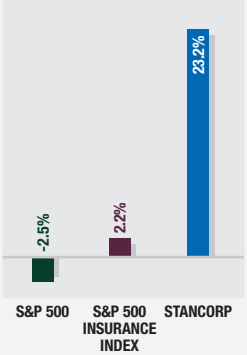
Excluding experience rated refunds on certain large group insurance contracts that are based on claims experience, our premium growth in 2003 was 16.5%. Additionally, excluding premiums from the TIAA block of business, our premium growth was 7.8%. This was below our target growth range for premiums of 10% to 12% per year. We expect that our 2004 premium growth will be in the range of 6.5% to 8%, and will return to our target growth range in 2005 as economic conditions improve. Growth is one of the important fundamentals of our business, but we are committed to growing in a profitable manner. We will continue to pursue growth through disciplined new sales and acquisitions that fit our mission and meet our return objectives. In all cases we will protect the bottom line over top-line growth.

TOTAL INVESTMENT RETURN IN 2003



Our success in 2003 reflects growth in each of our businesses.

INVESTMENT RETURN SINCE IPO



Average annual investment return since April 16, 1999.

In 2003, our net income per diluted share, excluding after-tax net capital gains and losses, grew 23.4% over 2002, reflecting very strong earnings contributions from each of our businesses. In each of the past five years since our initial public offering, we have surpassed our objective to grow net income per diluted share 12% to 15% per year, excluding after-tax net capital gains and losses. These exceptional financial results have established a high base from which to grow earnings in 2004. With this substantially higher earnings base, a temporarily lower outlook for premium growth, and a planned investment in our Employee Benefits customer service systems, we estimate earnings growth to be in the range of 4% to 6% in 2004. The growth in net income per diluted share for years beyond 2004 is expected to return to our target range of 12% to 15% per year.

In 2003, the Company's return on average equity, excluding after-tax net capital gains and losses from net income and accumulated other comprehensive income from equity, was 14%, successfully meeting our objective to achieve a return of 13% to 14% by the end of 2003. We remain committed to reaching 14% to 15% return on average equity by 2005.

Pictured (from left): Doug Maines, Executive Vice President, StanCorp Financial Group, Inc.; Don Wiggins, Employee Benefits Manager, Standard Insurance Company; and Todd Delameter, store manager, Rite Aid Corporation.

Employee Benefits

A leading provider of group insurance products, serving approximately 31,500 employer groups representing about 6.5 million employees.

Disability Income Insurance

- Executive Benefits Income Protection
- Long Term Disability (LTD)
- Short Term Disability (STD)
- Small Group LTD and STD
- Statutory Disability Insurance
- STD Administrative Services Only
- Voluntary Group LTD and STD

Life and AD&D

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

Dental

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

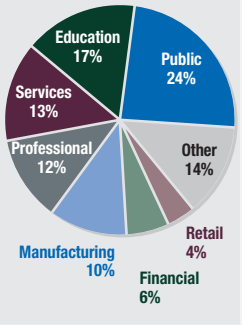
Highlights of Our Business Segments

Employee Benefits

Our Employee Benefits segment continues to grow and perform well. In addition, we have successfully integrated the TIAA block of business and it is performing as planned. We are pleased to serve this new group of customers.

EMPLOYEE BENEFITS

2003 Premium Distribution by Industry



Industry diversification is fundamental to the success of our business.

We continued to have very favorable claims experience in 2003. We benefit from the results of careful risk selection, deep claims expertise and treating our customers fairly and our claimants with compassion.

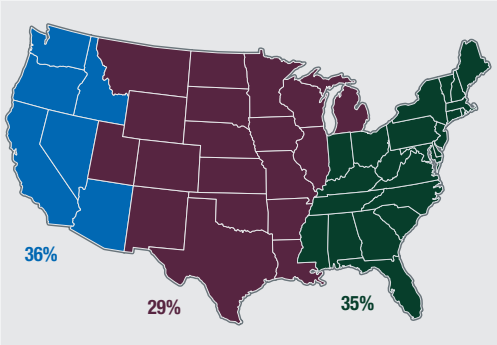
The current lack of job growth nationally, and the pressure on employee benefit budgets created by rising medical insurance costs continues to challenge the growth of the Employee Benefits business. As our field force can attest, we remain in a very tough sales environment as economic uncertainties continue to make employers cautious about their employee benefits budgets. Despite these challenges, the growth of this business at StanCorp continues to outpace industry averages and the recent upturn in interest rates bodes well, both for competitive product pricing, and for earnings going forward. We continue to be very pleased with the bottom line results of the Employee Benefits segment, despite continuing economic pressures.

An important factor in pricing our long term disability insurance products is intermediate term interest rates. Falling interest rates early in 2003 required modest price increases, but by the third quarter interest rates began to rise. While the resulting pricing decreases we made were small, they were a positive sign for future sales growth following a nonstop decline in interest rates that lasted more than two years.

We are making a concentrated effort to increase our visibility with insurance producers

and brokers to support sales growth. We are hosting regional broker forums and participating actively at national producer meetings and believe that our reputation as a high integrity, stable carrier will continue to serve us well as the economy improves. In the meantime, we understand the difficulties that using price to stimulate top-line growth can cause, and therefore we remain disciplined in our sales approach.

EMPLOYEE BENEFITS
NEW SALES IN 2003



Our Employee Benefits sales are well diversified geographically.

We will continue to provide our customers with the high level of service they have come to expect from us. Over the past several years we have made considerable investments in claim operations, to assure that we are able to provide disabled claimants with expertise and service to help them return to work when they are able.

Our commitment to our customers will continue in 2004 as we embark upon a program designed to enhance customer service systems and secure operating efficiencies in future years. We have a dedicated, expert work force that is absolutely committed to first-class customer service. To maximize our effectiveness, we need to continually improve the systems and processes by which our high standards of customer service are realized. We are convinced that first-rate service to customers and claimants is the foundation that drives sales, profits and ultimately the value of our organization.

Individual Insurance

A leading national provider of disability insurance to individuals. The Individual Insurance segment also sells a full line of immediate and deferred fixed-rate annuities.

Disability Insurance

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

Annuities

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

Pictured (from left): Dennis Morrow, an individual disability and annuity policyholder; Tom Fink, CLU, CLTC, President, Magnacorp Insurance Group; Jim Teague, Assistant Vice President, Individual Annuities, Standard Insurance Company.

While the expense related to this program will be approximately $13 million in 2004, we believe that this investment will generate rewards for all of our stakeholders in future years.

Individual Insurance

Our Individual Insurance segment has become a major provider of individual disability insurance in the United States. The segment reported excellent results this year, with strong sales growth and better than expected claims experience. Pre-tax income for

Retirement Plans

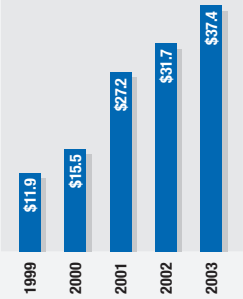
Recognized experts in retirement plan products and services for small and medium-sized employers.

- 401(k) Plans
- Defined Benefit Plans
- Money Purchase Pension Plans
- Profit Sharing Plans
- Deferred Compensation Plans

Pictured (from left): Daniel Hall, Regional Pension Manager, Standard Insurance Company; David Boyd, Co-CEO and President, Boyd Coffee Company; Dick Boyd, Co-CEO and President, Boyd Coffee Company; and Kim Ledbetter, Sr. Vice President, Individual Insurance and Retirement Plans, Standard Insurance Company.

INDIVIDUAL INSURANCE

Income Before Income Taxes (in millions)



The Individual Insurance segment has contributed to our growth through acquisition and distribution expansion.

this business segment has grown at a compound rate of 15.9% over the past five years.

When we assumed the individual disability block of business from Minnesota Life Insurance Company in late 2000, we also entered into a marketing arrangement with Minnesota Life that provided us expanded distribution channels through their national network of general agencies. This year we extended that marketing arrangement to continue to distribute our disability products through Minnesota Life's general agencies. It has been a very successful distribution channel for us and we are pleased to have extended the relationship through 2007.

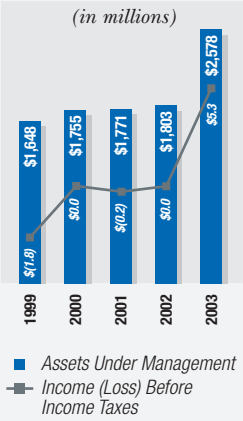
Our Individual Insurance segment also sells individual fixed-rate annuities. We had another strong year in this product line, with sales surpassing $139 million. Growth in our individual annuity business will contribute to a more diversified earnings mix over time. We look forward to further increasing our distribution channels and accelerating the growth of this business. Although low interest rates can create an environment in which it is difficult to grow fixed-rate annuity sales profitably, we apply the same pricing discipline in this business that we do in other interest-sensitive lines, and it has been gratifying to observe the market acceptance of our products based on quality customer service and other factors beyond price.

Retirement Plans

Our Retirement Plans segment, which primarily offers 401(k) plans to small and medium-sized employers, had a banner year in 2003. Our commitment to this business is paying off as we have reached a level of assets under management that we expect will provide consistent profitability. Assets under management at the end of 2003 reached $2.58 billion, benefiting from strong sales, continued deposit growth, favorable customer retention, and strength in the U.S. equity markets.

Affirming our commitment to customer service, we received strong third party recognition in August, when 401kExchange.com ranked our Retirement

RETIREMENT PLANS



Strong deposit growth and good customer retention has helped us reach consistent profitability in our Retirement Plans segment.

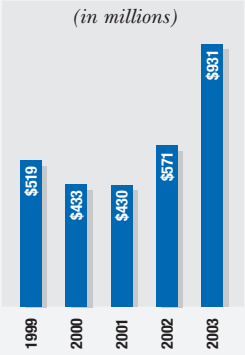
Plans business the number one fund manager and number one plan administrator in our niche of plans with $1 million to $10 million in assets, ahead of more than 50 leading 401(k) providers. The ranking was based on a national survey of more than 6,000 plan sponsors and is a reflection of the excellent service and investment due diligence we provide to our customers in the small-case 401(k) market. Also in November 2003 we received recognition from *PLANSPONSOR* magazine with the top number of awards for customer service in the category of customers with under $50 million in plan assets.

We believe that demographics and government policy continue to favor organized savings for retirement and our Retirement Plans operation can support considerable additional growth with limited additional capital requirements. We are looking forward to continued expansion of this business.

StanCorp Mortgage Investors

StanCorp Mortgage Investors also has been performing extremely well, and in 2003 originated a record $931 million in commercial mortgage loans, an increase of more than 63% from 2002. Beyond its role as supplier of commercial mortgage loans for our own investment portfolio, StanCorp Mortgage Investors is well recognized nationally for its expertise in originating and servicing small, fixed-rate commercial mortgage loans, and providing credible quotes and a reliable closing process. Demand from outside investors has grown substantially in recent years and we expect this growth to continue. In 2003 we sold $227 million in loans to other financial institutions.

COMMERCIAL MORTGAGE LOAN ORIGINATIONS



Growth in our business and demand from outside investors for commercial mortgage loans has contributed to strong growth in originations.

StanCorp Mortgage Investors, LLC

Recognized experts in originating and servicing small commercial mortgage loans.

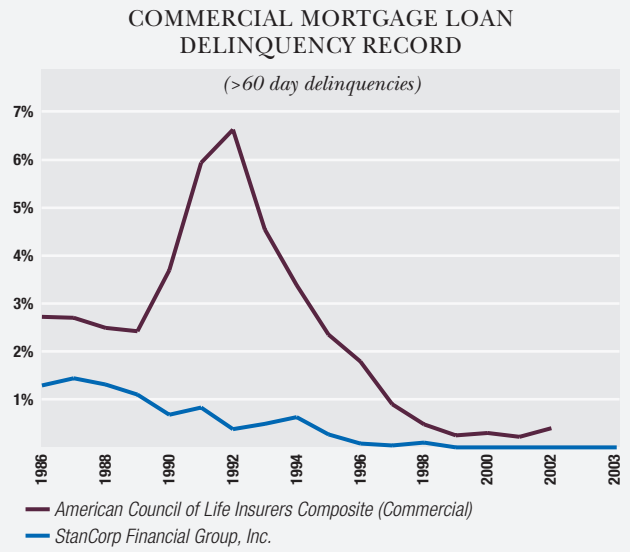
- Niche of small, commercial mortgage loans
- $3.0 billion portfolio under management
- More than 3,000 loans
- Average loan size of approximately $800,000
- Average loan-to-value is less than 60%
- $227 million sold to outside investors in 2003
- Outstanding delinquency record

Our commercial mortgage loan business focuses on small commercial real estate, such as this retail center in Gresham, Oregon. Pictured (from left): Jeff Lyons, National Mortgage Company; Nick Park, property owner; Mark Temme, Assistant Vice President, Loan Origination, StanCorp Mortgage Investors; and J. Greg Ness, President, StanCorp Mortgage Investors.

Investment Portfolio

StanCorp maintains a strong and well-balanced investment portfolio based on sound asset liability matching principles. Our portfolio consists primarily of high quality fixed maturity securities and commercial mortgage loans. Fixed maturity securities make up more than 65% of our portfolio, on which

we maintain an average rating of A (Standard & Poor's). Commercial mortgage loans, which account for approximately 34% of our portfolio, provide an excellent match to the characteristics of our disability reserves while offering the advantage of comparatively higher yields. Relying on the expertise we have developed over more than 40 years, we currently have more than 3,000 commercial mortgage loans with an average balance of approximately $800,000 and an average loan-to-value ratio of less than 60%. As of December 31, 2003, we have no delinquencies over 60 days in our portfolio, continuing our long track record of outstanding performance when compared to industry averages.



Our portfolio of commercial mortgage loans has an outstanding deliquency record.

Financial Strength

Our long-standing commitment to financial strength has supported us through the recent economic downturn and will assure that we are well positioned to take advantage of opportunities as the economy strengthens. We have consistent earnings growth and a strong balance sheet built through conservative accounting and reported on a transparent basis. The amount of intangible assets and below investment grade investments on our balance sheet is well below industry averages, and through consistent, conservative reserving practices we have never been required to significantly strengthen reserves.

Our uncommon financial strength was recently recognized by Standard & Poor's, which reaffirmed the financial strength rating for Standard Insurance Company and debt rating for StanCorp Financial Group and upgraded their outlook for future ratings from stable to positive. Our strong capitalization, disciplined growth in revenue and earnings, and commitment to the long-term success of our business have not gone unnoticed.

Our Future is Bright

Our Company benefits greatly from the hard and successful work of our employees as we develop a strong and respected position in the employee benefits markets. We are working each day to enhance that strength while at the same time diversifying our company by growing our share of the markets for retirement plans, individual disability insurance, individual fixed-rate annuities, and commercial mortgage loans. In each of our businesses, we provide high quality products at fair prices and we distinguish ourselves by providing superior customer service. That can be done only by a dedicated team of people who clearly understand that the positive experiences of our customers will, more than any other factor, propel our company to greater success. To each one of them, I express my deepest appreciation.

Staying focused on our mission and the priorities of disciplined growth, exceptional customer service and uncommon financial strength will make the future of StanCorp very bright indeed. I thank you for your continuing confidence and commitment and look forward to a very successful 2004.

Sincerely,

Eric E. Parsons

StanCorp has a long history of strong corporate governance policies and practices that are fundamentally aligned with current governance standards. Periodic assessment of key controls and clear managerial accountability is a routine part of how we do business.

We believe strong governance is built on viable business fundamentals, conservative operational management, transparent financial reporting and a culture of ethical conduct. These traits, combined with oversight from a strong and independent Board of Directors, are our heritage and vital to our success.

Board of Directors

Our Board of Directors consists of 11 independent outside directors and three inside directors. The inside directors are the Chairman, Chief Executive Officer and Executive Vice President of StanCorp. An independent Lead Director provides leadership and counsel to the independent directors and, in conjunction with the Chairman of the Board, provides leadership to the Board in reviewing and deciding upon matters that exert major influence on the manner in which the Company's business is conducted.

Board Committees

Our Board has four committees, comprised entirely of independent directors.

Audit Committee — It is the responsibility of the Audit Committee to:

- select the firm of independent public accountants;
- review the quality of the public accountants' work;
- assure the independence of the public accountants;
- review the audit scope and plan;
- review and discuss with the public accountants their annual audit report and accompanying management letter and quarterly financial reviews;
- oversee the adequacy of the internal control structure; and
- review financial information that will be released publicly.

The Audit Committee is empowered to retain independent accountants, legal counsel, and others, as necessary, to assist in carrying out its duties. The Audit Committee Chair has been designated as the financial expert of the Company's Board.

Finance and Operations Committee — It is the responsibility of the Finance and Operations Committee to:

- oversee the appropriate capital structure;
- approve operational plans and budgets;
- oversee the investment policy and review and approve investment reports;
- make periodic recommendations regarding dividends; and
- counsel the Board regarding acquisitions, divestitures and other business combinations.

Nominating and Corporate Governance Committee — It is the responsibility of the Nominating and Corporate Governance Committee to:

- review the organization and structure of the Board;
- review the qualifications of and recommend candidates for the Board and its committees;
- review the effectiveness of the Board;
- oversee the ethics and compliance programs; and
- oversee the corporate governance guidelines.

Organization and Compensation Committee — It is the responsibility of the Organization and Compensation Committee to:

- review executive compensation and recommend changes, as appropriate;
- develop and administer an overall compensation policy;
- monitor the performance of the Chief Executive Officer;
- oversee CEO and senior executive succession planning;
- oversee stock option and stock purchase plans;
- review organizational changes recommended by the Chief Executive Officer; and
- review Board compensation.

The Company's corporate governance guidelines; charters for its Audit, Nominating and Corporate Governance, and Organization and Compensation committees; and its code of business conduct and ethics are posted on our Web site at **www.stancorpfinancial.com/investors**.

Ethics Statement

The people of StanCorp Financial Group will observe the highest standards of honesty and fairness in the conduct of our business, earning the trust and respect of customers, investors, regulators, business partners and the general public.

Board of Directors

Virginia L. Anderson
Director
Seattle Center

Frederick W. Buckman (Lead Director)
Chairman and
Chief Executive Officer
Trans-Elect, Inc.

John E. Chapoton
Partner
Brown Investment Advisory and Trust Company

Barry J. Galt
Retired Chairman and
Chief Executive Officer
Seagull Energy Corporation

Richard Geary
President, Retired
Kiewit Pacific Company

Wanda G. Henton
Chair and Chief Executive Officer
Lloyd Bridge Advisory Corporation

Peter O. Kohler, MD
President
Oregon Health & Science University

Douglas T. Maines
Executive Vice President
StanCorp Financial Group, Inc.

Jerome J. Meyer
Retired Chairman and
Chief Executive Officer
Tektronix, Inc.

Eric E. Parsons
President and
Chief Executive Officer
StanCorp Financial Group, Inc.

Ralph R. Peterson
Chairman, President and
Chief Executive Officer
CH2M Hill Companies LTD

E. Kay Stepp
Chair
Providence Health System

Michael G. Thorne
Director and
Chief Executive Officer
Washington State Ferry System

Ronald E. Timpe
Chairman
StanCorp Financial Group, Inc.

Board Committees

Audit
John E. Chapoton
Richard Geary
Peter O. Kohler, MD
Jerome J. Meyer
Ralph R. Peterson (Chair)
Michael G. Thorne

Finance and Operations
Virginia L. Anderson
John E. Chapoton
Barry J. Galt (Chair)
Richard Geary
Wanda G. Henton
Peter O. Kohler, MD
Michael G. Thorne

Organization and Compensation
Frederick W. Buckman
Jerome J. Meyer
Ralph R. Peterson
E. Kay Stepp (Chair)

Nominating and Corporate Governance
Virginia L. Anderson (Chair)
Frederick W. Buckman
Barry J. Galt
Wanda G. Henton
E. Kay Stepp

Officers and Management Committee

Management Committee (from left): Kim Ledbetter, Doug Maines, Pat Brown, Eric Parsons, Cindy McPike, Mike Winslow and Greg Ness.

StanCorp Financial Group, Inc. Officers

Scott A. Hibbs
Assistant Vice President,
Investor Relations and Financial Planning

Douglas T. Maines, LLIF
Executive Vice President

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

Eric E. Parsons
President
and Chief Executive Officer

Michael T. Winslow, JD
Vice President, General Counsel
and Corporate Secretary

Management Committee[1]

Eric E. Parsons
President
and Chief Executive Officer

Patricia J. Brown, CPA, FLMI
Vice President,
Information Technology

Kim W. Ledbetter, FSA, CLU
Senior Vice President,
Individual Insurance and
Retirement Plans

Douglas T. Maines, LLIF
Executive Vice President
President,
Employee Benefits Division

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

J. Gregory Ness, LLIF
Senior Vice President,
Investments

Michael T. Winslow, JD
Vice President, General Counsel
and Corporate Secretary

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

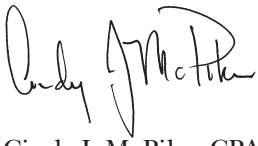
Statement of Responsibility

Management is responsible for the preparation of the accompanying consolidated financial statements and for all information in the annual report. The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, and include amounts based on management's informed judgments and estimates. Management believes that the financial statements fairly present the financial position, results of operations, and cash flows and that the other information contained in the annual report is consistent with the financial statements.

In meeting its responsibility for the integrity of the consolidated financial statements, the Company maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that transactions are properly authorized, executed and recorded. The system of internal controls is supported by an appropriate division of responsibilities and the careful selection and training of qualified personnel, and is documented by written policies and procedures that are communicated to employees. Management continually monitors the system of internal controls for compliance, and the Company's internal auditors independently assess the effectiveness of the controls and make recommendations for improvement. The financial statements have been audited by the independent accounting firm of Deloitte & Touche, LLP in accordance with auditing standards generally accepted in the United States of America. Their audit included consideration of the Company's system of internal controls in determining the nature, timing, and extent of audit tests.

The Audit Committee of the Board of Directors, comprised of six independent directors, meets periodically with both the internal and independent auditors to discuss the results of their audits and the adequacy of the internal controls. The internal and independent auditors have access to the Audit Committee to discuss any matter they believe should be brought before the committee.

Eric E. Parsons
President and Chief Executive Officer



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

We have included our Form 10-K, as filed with the Securities and Exchange Commission, with our Annual Report to provide more complete information about our Company.

The exhibits to Form 10-K have been omitted. If you would like a copy of the exhibits please write our Investor Relations Department at StanCorp Financial Group, Inc., 1100 SW Sixth Avenue, Portland, Oregon 97204.

Financial Retrospective

SEGMENT DATA (Dollars in millions)	2003	2002	2001	2000	1999
Total revenues					
Employee Benefits	$ 1,760.6	$ 1,496.8	$ 1,321.1	$ 1,142.9	$ 1,010.3
Individual Insurance	195.0	187.4	180.9	232.7	208.5
Retirement Plans	79.4	71.9	73.1	74.4	67.2
Other	31.8	(1.5)	14.3	16.7	17.5
Total	$ 2,066.8	$ 1,754.6	$ 1,589.4	$ 1,466.7	$ 1,303.5
Benefit ratio					
Employee Benefits (% of premiums)[1]	81.3%	80.5%	82.1%	82.1%	83.3%
Individual Insurance (% of premiums)[2]	87.8	99.8	104.5	n/a	n/a
Retirement Plans (interest credited as % of net investment income)	60.6	61.4	67.5	67.5	66.2
Operating expense ratio					
Employee Benefits (% of premiums)	14.2%	14.5%	13.2%	13.6%	13.5%
Individual Insurance (% of operating revenues)	13.9	12.8	12.6	11.9	12.3
Retirement Plans (% of average assets under management)	1.3	1.5	1.3	1.3	1.5
Income before income taxes					
Employee Benefits	$ 194.4	$ 158.4	$ 133.3	$ 116.9	$ 104.5
Individual Insurance	37.4	31.7	27.2	15.5	11.9
Retirement Plans	5.3	–	(0.2)	–	(1.8)
Other	2.7	(18.1)	4.2	8.7	6.4
Total	$ 239.8	$ 172.0	$ 164.5	$ 141.1	$ 121.0
INVESTMENT DATA AT DECEMBER 31 (Dollars in millions)					
Percent of investments					
Fixed maturity securities	65.3%	66.8%	56.5%	52.5%	50.9%
Commercial mortgage loans	33.5	32.1	41.9	42.6	42.9
Portfolio yields					
Fixed maturity securities	5.94%	6.22%	6.79%	7.01%	6.94%
Commercial mortgage loans	7.28	7.94	8.22	8.34	8.37
Quality					
Fixed maturity securities ratings					
A or higher	75.6%	75.3%	69.0%	79.5%	81.0%
BBB/Baa	20.9	21.2	28.0	19.4	18.3
BB/Ba	2.0	2.1	2.4	0.9	0.7
B or lower	1.5	1.4	0.6	0.2	–
Commercial mortgage loans					
Net balance of restructured loans	$ 2.9	$ 4.6	$ 5.9	$ 6.1	$ 5.5
Delinquencies >60 days	–.%	–.%	–.%	–.%	–.%
STANCORP MORTGAGE INVESTORS, LLC (Dollars in millions)					
Commercial mortgage loan originations	$ 930.6	$ 570.8	$ 430.1	$ 432.8	$ 519.1
Commercial mortgage loans under management					
Affiliated entities	$ 2,319.8	$ 1,989.1	$ 2,003.0	$ 2,061.1	$ 1,926.2
Other investors	677.1	672.9	534.9	314.7	253.8
Total	$ 2,996.9	$ 2,662.0	$ 2,537.9	$ 2,375.8	$ 2,180.0
OTHER					
Effective income tax rate	34.8%	35.5%	35.6%	32.9%	34.0%
Number of employees at year end	2,630	2,465	2,255	2,082	1,971

[1] Includes benefits to policyholders and interest credited, and in 2001 excludes $4.3 million in pre-tax charges related to the terrorist events of September 11, 2001.
[2] Includes benefits to policyholders, and in 2001 excludes $0.7 million in pre-tax charges related to the terrorist events of September 11, 2001.

Corporate Information

Employee Benefits
Sales and Service Offices
(800) 521-8780

Individual Insurance
Sales and Marketing
(800) 992-4446

Retirement Plans
Sales and Service Offices
(877) 805-1127

StanCorp Mortgage Investors
(503) 321-7785

StanCorp Investment Advisers
(800) 378-5742

For Investor Information, Contact
Jeff Hallin, Director
Financial Communications
(503) 321-6127
jhallin@standard.com

Jane Keister, Director
Shareholder Services
(800) 378-8360 or (503) 321-7097
jkeister@standard.com

For Corporate Information, Contact
Kira Higgs, Assistant Vice President
Public Affairs and Communications
(503) 321-6418
khiggs@standard.com

Visit us on the Internet
www.stancorpfinancial.com
www.standard.com
www.standard-ny.com

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

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

Principal Subsidiaries
Standard Insurance Company
The Standard Life Insurance Company of New York
StanCorp Mortgage Investors, LLC
StanCorp Investment Advisers, Inc.

Notice of Annual Shareholder Meeting
StanCorp Financial Group, Inc.
11:00 a.m. Monday, May 3, 2004
Portland Center for the Performing Arts
1111 SW Broadway
Portland, Oregon

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) 329-8660.

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.

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 2003 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.