

The background features a dark blue field with a pattern of lighter blue triangles of varying sizes, creating a sense of depth and movement. A single, bright yellow triangle is positioned in the upper right corner, pointing towards the center.

# Accelerating growth through sale of Canada and new Global Collaboration Agreement with Manulife

**3 September 2014**

**Standard Life Group**

This presentation may contain certain “forward-looking statements” with respect to certain of Standard Life's plans and its current goals and expectations relating to its future financial condition, performance, results, strategy and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “pursues”, “seeks” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Standard Life's control including among other things, UK domestic and global economic and business conditions, market related risks such as fluctuations in interest rates and exchange rates, and the performance of financial markets generally; the policies and actions of regulatory authorities, the impact of competition, inflation, and deflation; experience in particular with regard to mortality and morbidity trends, lapse rates and policy renewal rates; the timing, impact and other uncertainties of future acquisitions or combinations within relevant industries; and the impact of changes in capital, solvency or accounting standards, and tax and other legislation and regulations in the jurisdictions in which Standard Life and its affiliates operate. This may for example result in changes to assumptions used for determining results of operations or re-estimations of reserves for future policy benefits. As a result, Standard Life’s actual future financial condition, performance and results may differ materially from the plans, goals, and expectations set forth in the forward-looking statements. Standard Life undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements it may make.

# Key transaction terms and strategic benefits

## Sale of Canada<sup>1</sup> to Manulife<sup>2</sup>

- **Sale of Canada** (Standard Life Financial Inc. and Standard Life Investments Inc.) for **C\$4.0bn (£2.2bn fully hedged)** representing **attractive earnings and book value multiples**
- Conditional on Standard Life shareholder approval and regulatory approval in Canada, inter alia

## New Global Collaboration Agreement with Manulife

- **Deepens access to global markets** – particularly **North America**
- **Expected to more than treble Standard Life Investments AUM distributed by Manulife** (H1 2014: US\$5.6bn AUM) within three years

## Increased focus on fast growing fee business

- Improving **quality of earnings** and **accelerating growth**
- Since 2010 **revenue CAGR of 8.8%** and **operating profit CAGR of 23.8%** ex Canada

## Proposed return of capital to shareholders

- **Return of £1.75bn (equivalent to 73p per share<sup>3</sup>) to shareholders**
- Total cumulative return to shareholders of **£3.5bn<sup>4</sup> since 2010**
- **Strong adjusted IGD surplus** of £3.2bn<sup>5</sup> post-transaction and capital return
- **Maintaining progressive dividend** per share

1. Standard Life Group's Canadian long-term savings and retirement, individual and group insurance business – Standard Life Financial Inc., and Canadian investment management business Standard Life Investments Inc.. 2. Manulife Financial Corporation. 3. Based on current issued share capital. 4. Comprises ordinary dividends declared since 1 January 2010, special dividend paid in 2013 of £302m and proposed return to shareholders of £1.75bn. 5. Estimated adjusted IGD surplus as at 1 July 2014 following acquisition of Ignis and assuming the sale of Canada and capital return.

# Achieving highly attractive value for Canada

## Key transaction terms

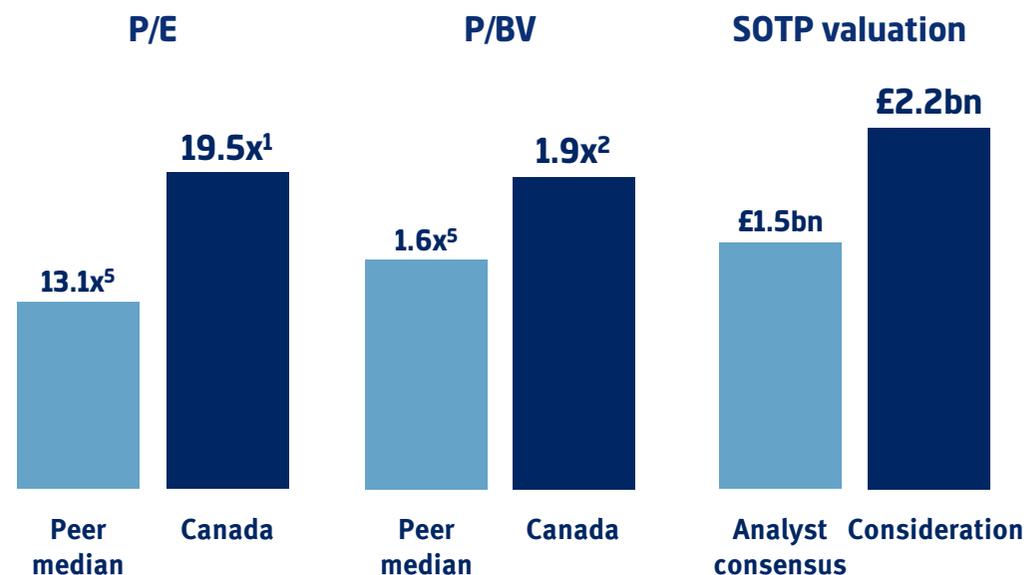
- Sale price of C\$4.0bn (£2.2bn) represents 2014 P/E of 19.5x<sup>1</sup> and P/BV of 1.9x<sup>2</sup>
- IFRS gain on sale of £1.2bn<sup>3</sup>
- Break fee of up to 2.5% payable to Manulife<sup>4</sup>
- Expected completion and receipt of full consideration in cash in Q1 2015
- Locked box structure (no further dividends will be received from Canada)

## Conditions

- Standard Life shareholder approval
- Regulatory approval in Canada
- Other customary closing conditions

1. Based on the guidance for operating profit before tax of £155m in 2014 given at the time of the results for the half year ended 30 June 2014 and an assumed tax rate of 26.5%. 2. Based on book value of £1,146m as at 30 June 2014. 3. IFRS gain on sale estimated based on the book value as at 30 June 2014 and the estimated net proceeds. The actual IFRS gain on sale will depend on the book value as at the closing of the Sale and the actual net proceeds received. 4. 2% in the event of shareholders not approving the Sale and 2.5% otherwise. 5. Based analyst consensus 2014 earnings, BV at 30 June 2014 and on underlying market data as at 2 September 2014. Peers includes Manulife, Great-West Lifeco, Sun Life and Industrial Alliance.

## Capitalising on a strong franchise with sizeable premium



- Realising the benefits of recent strategic repositioning of Canada
- Achieving a clear and significant premium for shareholders:
  - 25% premium to peer P/BV<sup>5</sup> and 49% to peer P/E<sup>5</sup>
  - 53% premium to median analyst valuations

# Global Collaboration Agreement with Manulife accelerates growth of Standard Life Investments

## Significantly deepens Standard Life Investments' access to global markets

- Expected to more than treble SLI AUM distributed by Manulife within three years from completion
- Agreement builds on existing highly successful relationship with John Hancock, the US unit of Manulife, which has delivered US\$5.6bn of higher margin AUM to SLI since 2012

## A committed and premier partner in US, Canada and Asia

- Advances SLI's global distribution and growth via Manulife's strong presence in North America and Asia
- At H1 2014 Manulife AUM exceeded C\$600bn, including over C\$80bn in Asia and C\$360bn in the US

## Further opportunities

- Will explore further opportunities for collaboration using respective investment and distribution capabilities

# Driving returns for shareholders

## Proposed return of £1.75bn (equivalent to 73p per share<sup>1</sup>) of capital to shareholders

- Structured via a B/C share scheme and share consolidation
- Reduces absolute cost of the dividend
- Gives eligible shareholders choice of capital return (B share scheme) or income (C share scheme)
- Share consolidation maintains comparability of share price and per share metrics

### Expected timetable



### Strategically positioned to drive growth in earnings

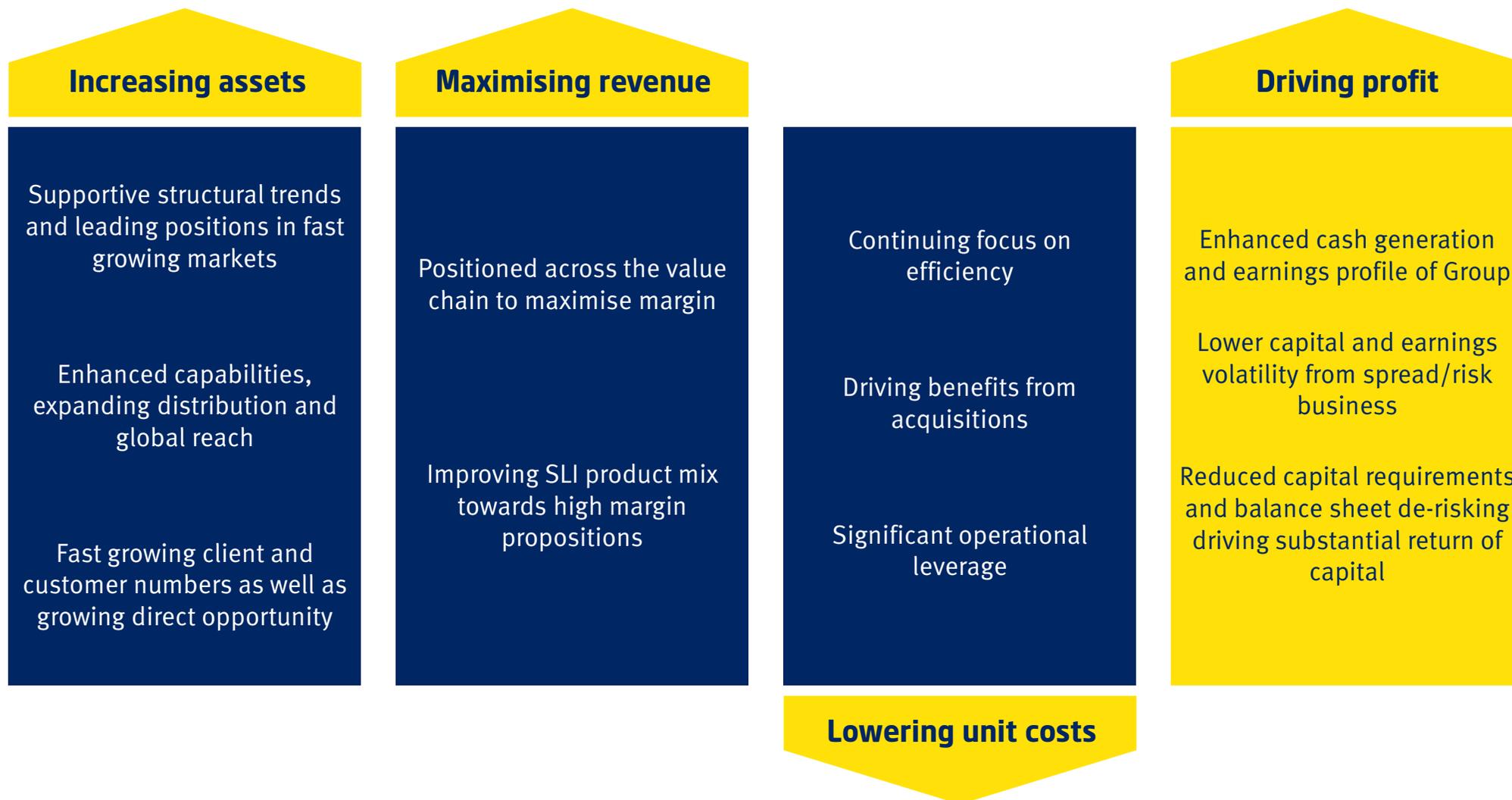
- Transaction, capital return and share consolidation are broadly operating EPS neutral<sup>2</sup>
- Taken together with acquisition of Ignis – enhancing operating EPS<sup>2</sup>

### Retaining a strong capital position

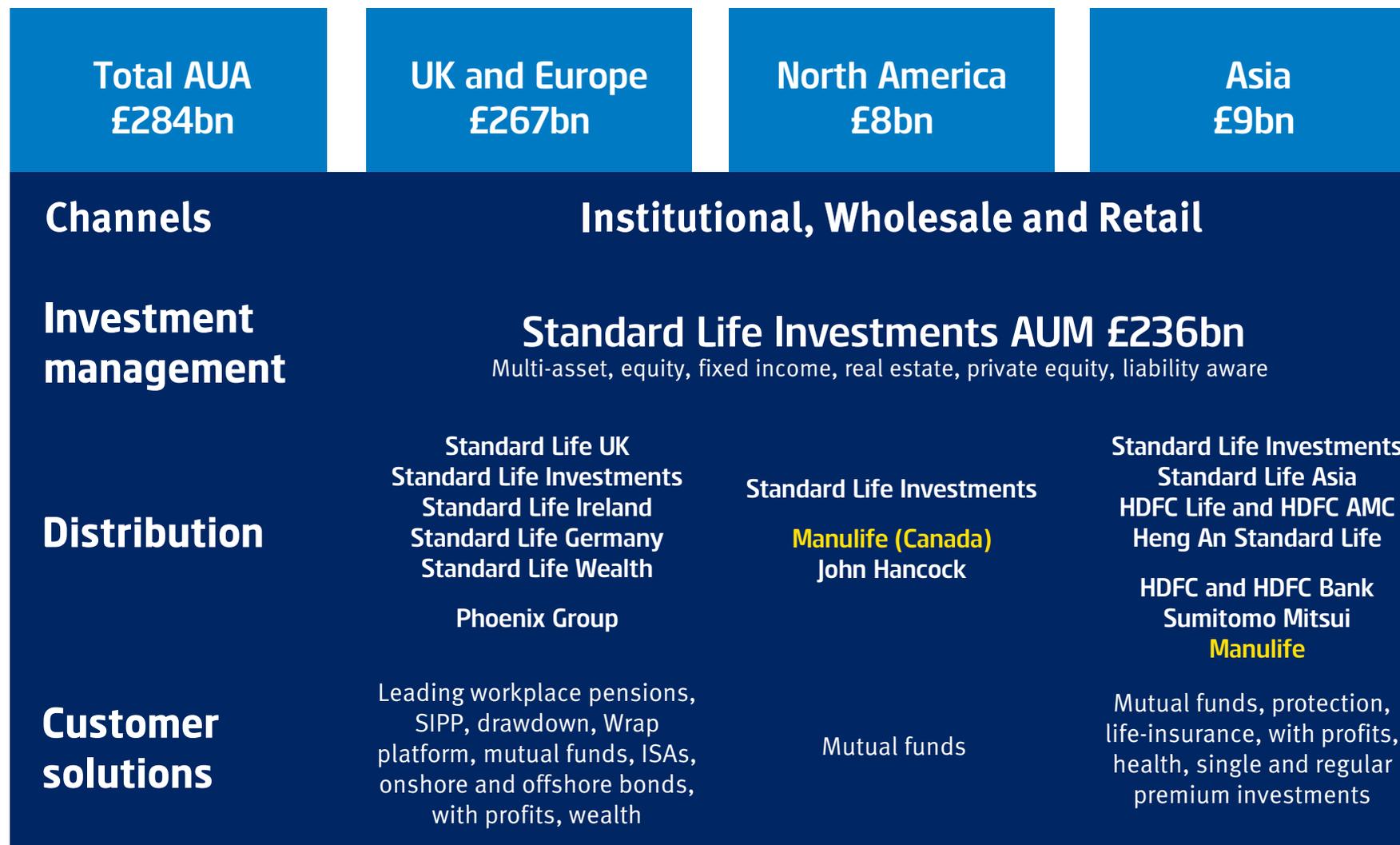
- Strong balance sheet with adjusted IGD surplus<sup>3</sup> of £3.2bn post-transaction and capital return
- Maintaining a progressive dividend policy per share

1. Based on current issued share capital. 2. Calculated as if the Sale and return of capital had both completed at the beginning of the relevant financial period with the share consolidation ratio set by reference to the current share price of 383 pence as at 2 September 2014. 3. Estimated IGD surplus following acquisition of Ignis as at 1 July 2014 adjusted for net proceeds of transaction of £2.2bn and proposed return to shareholders of £1.75bn.

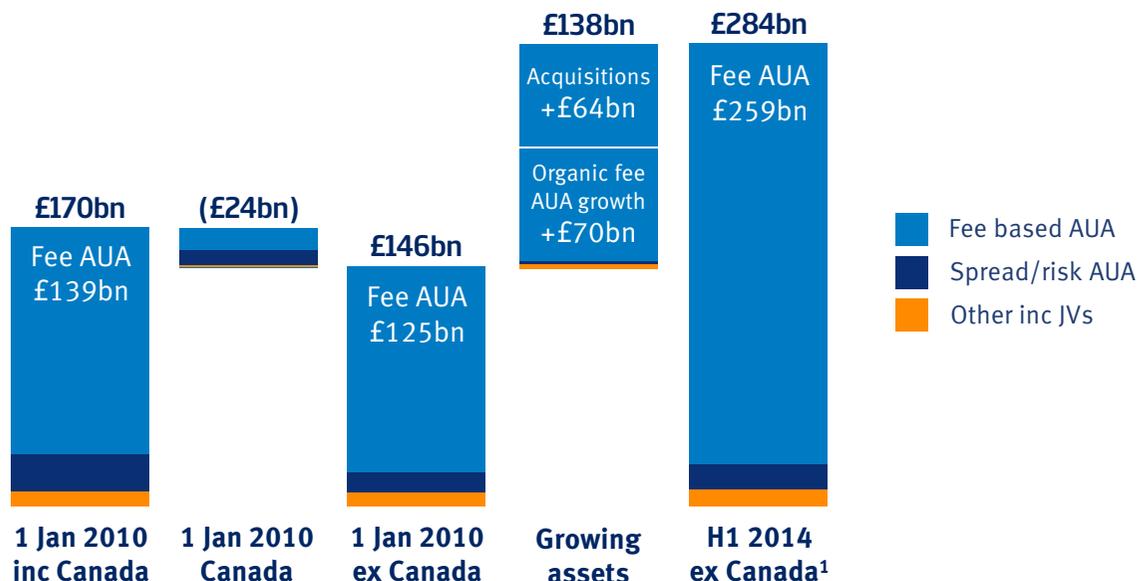
# Simple and consistent business model



# Fee focused business with strengthened distribution supporting asset growth



# Focused business with improved earnings quality



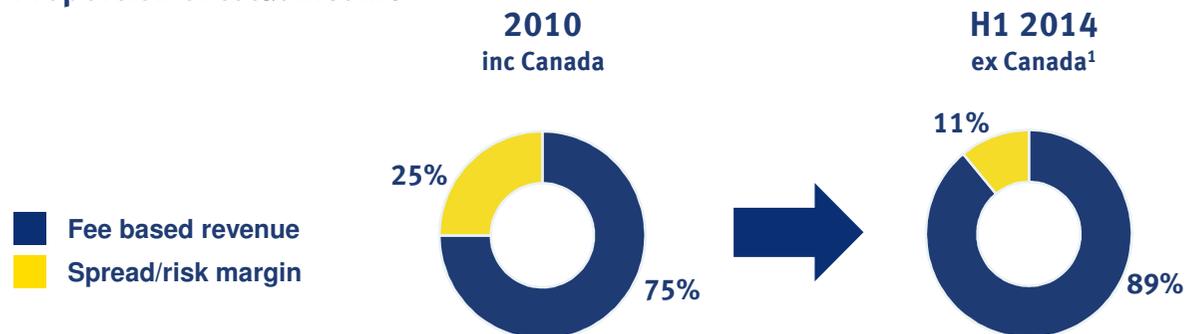
## Doubled fee based AUA since 2010

- Strong organic growth contributing £70bn of fee AUA
- Acquisitions of Ignis (£61bn AUM) and Newton Private Clients<sup>2</sup> (£3bn AUM)

## Reduced spread/risk volatility

- 89%<sup>1</sup> of income is fee based (2010: 75%)
- Higher quality of revenue with reduced spread/risk income volatility
- Enhancing profit margin with close alignment of profit and cash generation

## Proportion of total income



1. H1 2014 revenue excluding Canada (Note: Ignis began generating revenue for the Group from 1 July 2014)

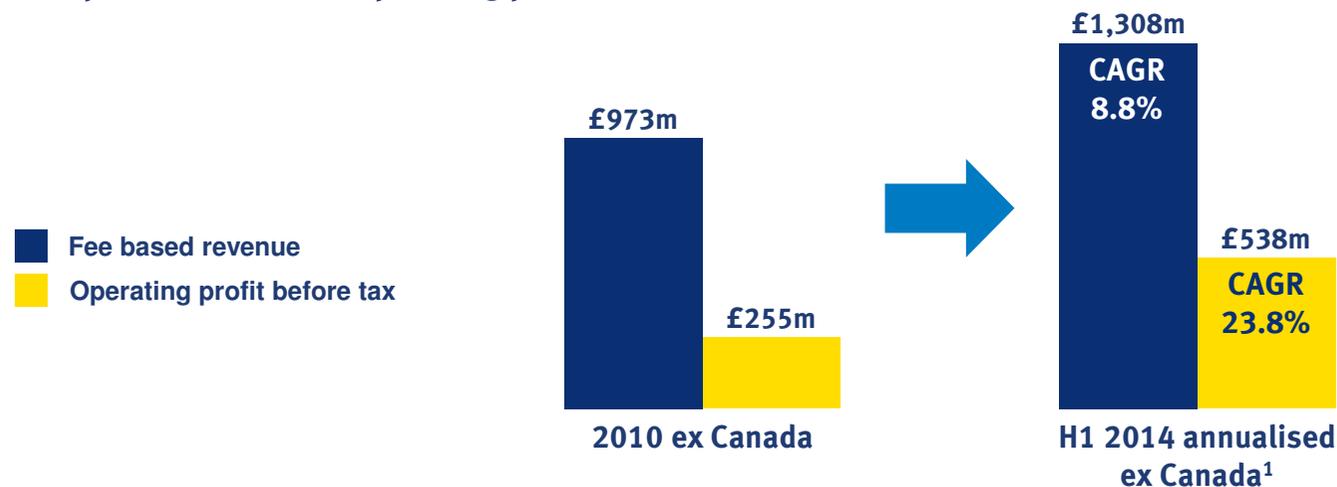
2. Private Client Division of Newton Asset Management

# Positioned for growth

## Group (ex Canada) is fast growing and scalable

- Fee revenue up 34%<sup>1</sup> since 2010 – CAGR of 8.8% pre acquisition of Ignis
- Operating profit more than doubled since 2010 – CAGR of 23.8% pre acquisition of Ignis

### Group fee revenue and operating profit ex Canada

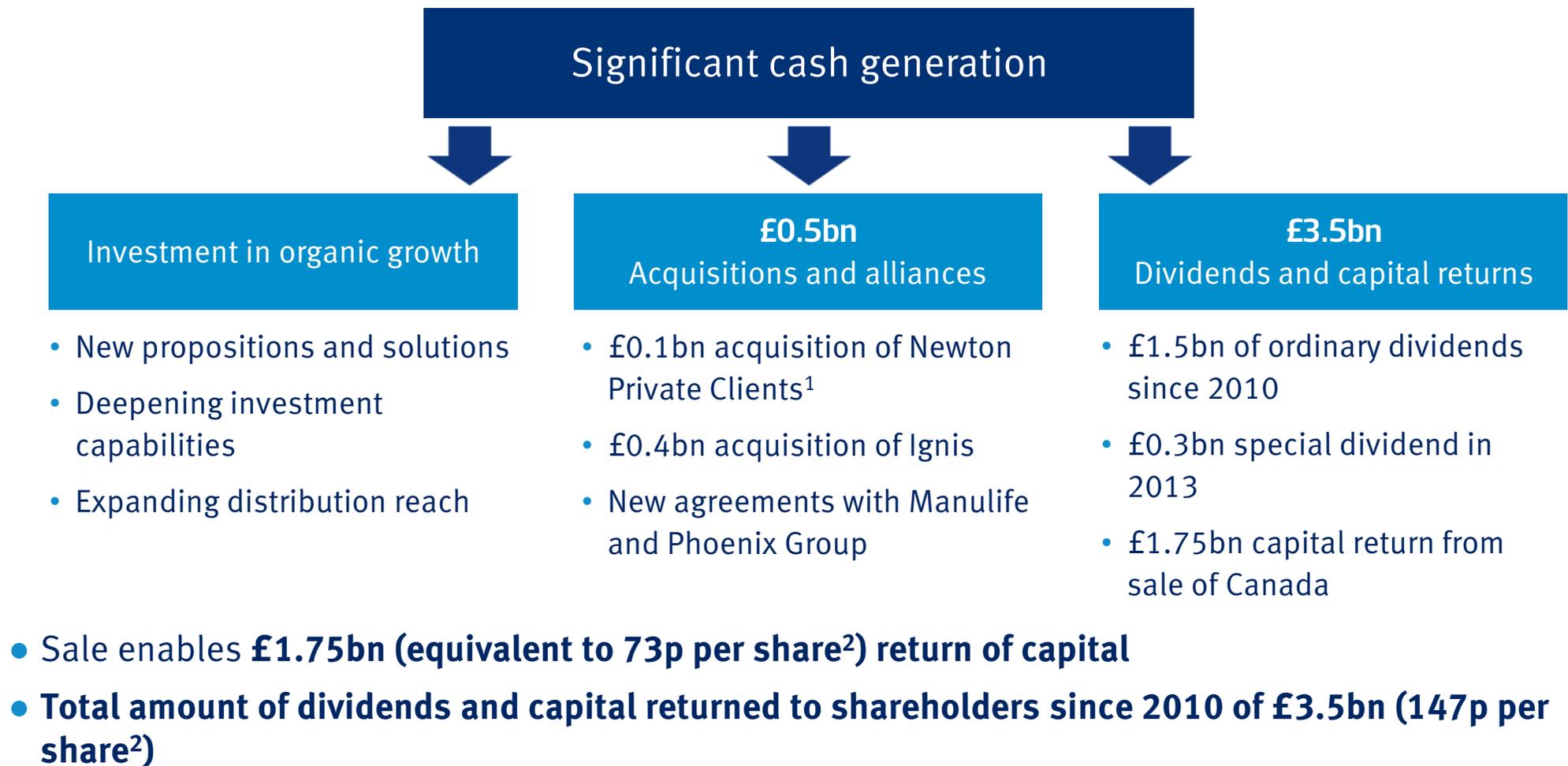


## Strong growth prospects across the Group

- SLI continues to deliver excellent investment performance, expanding capabilities and global reach
- New agreements with Manulife and Phoenix Group
- UK business positioned to benefit from regulatory, market and demographic changes
- Strong presence in fast growing international markets through joint ventures in India and China

1. H1 2014 annualised revenue and operating profit before tax excluding Canada (Note: Ignis began generating revenue for the Group from 1 July 2014)

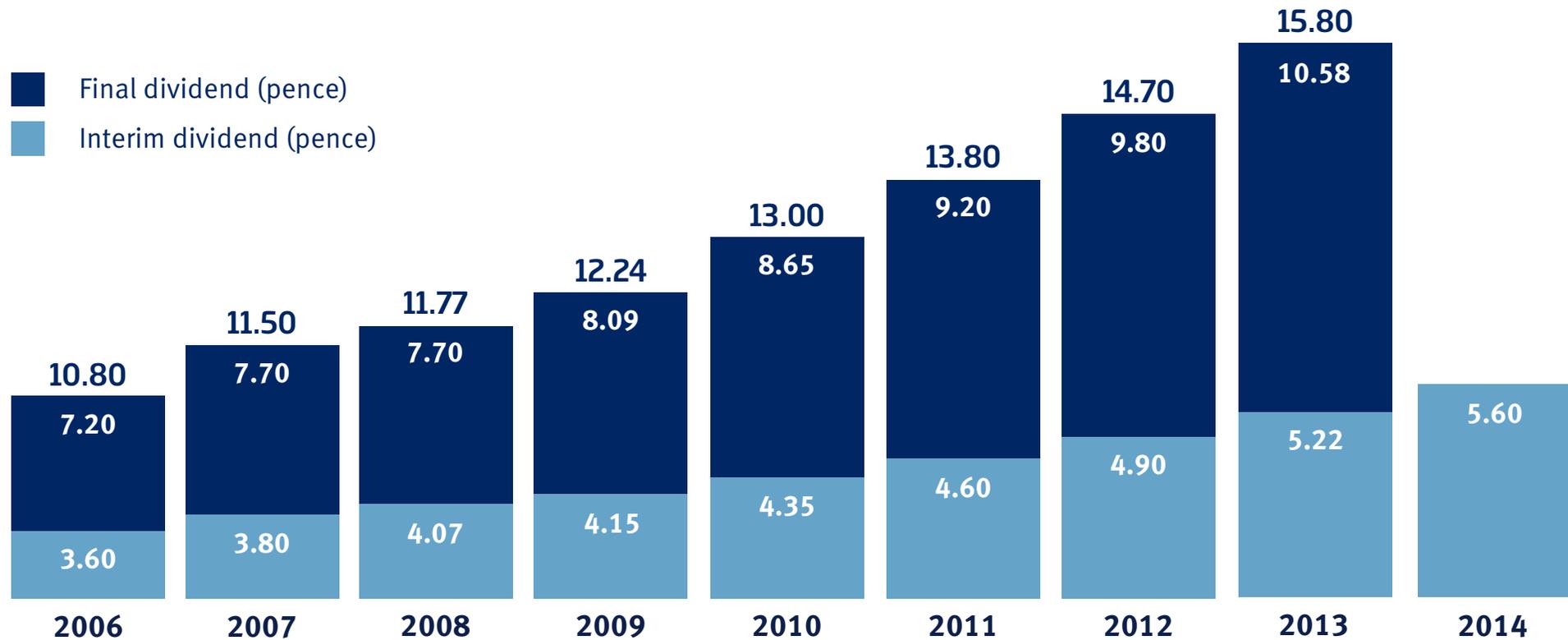
# Balancing investment for future growth with returns to shareholders



1. Private Client Division of Newton Asset Management

2. Based on current issued share capital

# Maintaining a progressive dividend policy



- Continuous record of dividend growth since IPO
- Progressive dividend per share to be maintained following capital return and share consolidation

# Realising substantial value for shareholders

- Expanding Standard Life Group as a **global investment solutions provider**
- **Deepening access to global markets** in asset management
- Capitalising on **growth opportunities** in the UK
- Investing in specific long-term growth opportunities in **Asia**
- Continuing to **drive down unit costs** across the Group
- Maintaining a progressive dividend per share through **strong cash generation**
- **Proposed return of capital to shareholders** of £1.75bn (equivalent to 73p per share<sup>1</sup>)

**Strongly positioned to deliver ongoing improvement in operating and financial performance**

1. Based on current issued share capital

# Appendix

Standard Life Group

# Canada financial performance

## 2013

	SLF Inc. <sup>1</sup>	SLI Inc. <sup>2</sup>	Elims	Total
	£m	£m	£m	£m
Fee based revenue	194	28	(19)	203
Spread/risk margin	351	-	-	351
<b>Total income</b>	<b>545</b>	<b>28</b>	<b>(19)</b>	<b>554</b>
Acquisition expenses	(76)	-	-	(76)
Maintenance expenses	(234)	(28)	19	(243)
Capital management	16	-	-	16
<b>Operating profit before tax</b>	<b>251</b>	<b>-</b>	<b>-</b>	<b>251</b>
Operating assumption changes	(24)	-	-	(24)
Specific management actions	(45)	-	-	(45)
<b>Business underlying performance</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>182</b>

## H1 2014

	SLF Inc. <sup>1</sup>	SLI Inc. <sup>2</sup>	Elims	Total
	£m	£m	£m	£m
Fee based revenue	99	14	(9)	104
Spread/risk margin	103	-	-	103
<b>Total income</b>	<b>202</b>	<b>14</b>	<b>(9)</b>	<b>207</b>
Acquisition expenses	(33)	-	-	(33)
Maintenance expenses	(108)	(13)	9	(112)
Capital management	8	-	-	8
<b>Operating profit before tax</b>	<b>69</b>	<b>1</b>	<b>-</b>	<b>70</b>
Operating assumption changes	-	-	-	-
Specific management actions	-	-	-	-
<b>Business underlying performance</b>	<b>69</b>	<b>1</b>	<b>-</b>	<b>70</b>

1. Standard Life Financial Inc. (Canadian long-term savings and retirement, individual and group insurance business)

2. Standard Life Investments Inc. (Canadian investment management business)

# Assets under administration and management

As at 30 June 2014	Group reported	Acquisition of Ignis	Sale of SLF Inc. <sup>1</sup>	Sale of SLI Inc. <sup>2</sup>	Eliminations	Adjusted total
	£bn	£bn	£bn	£bn	£bn	£bn
Assets under administration (AUA)	254.1	60.5	(28.3)	(19.1)	17.3	284.5
SLI assets under management (AUM)	195.1	60.5	n/a	(19.1)	n/a	236.5
SLI AUM as a % of Group AUA	77%	n/a	n/a	n/a	n/a	83%
SLI third party AUM	108.0	60.5	n/a	(12.7)	n/a	155.8
SLI third party AUM as a % of SLI AUM	55%	n/a	n/a	n/a	n/a	66%

1. Standard Life Financial Inc. (Canadian long-term savings and retirement, individual and group insurance business)

2. Standard Life Investments Inc. (Canadian investment management business) – at 30 June 2014 managed AUA of £17.3bn for Standard Life Financial Inc.