

**Focus**

**Strengthen**

**Perform**

## Strengths

**Strong core businesses  
and a great brand**

**Growing GI business with  
improving CORs**

**UK Life business  
performing strongly**

**A greater emphasis on  
cash flow and new  
business capital efficiency**

## But clear challenges

**Complex business**

**Weaker than peers on  
leverage and capital with  
Eurozone volatility**

**Issues on  
strategic execution**

**Uncertainty over  
growth and metrics**

## Narrowed Focus

- Allocate capital to most attractive businesses
- Improve underperforming segments
- Exit non core businesses
- Create an attractive portfolio foundation for the future

## Financial Strength

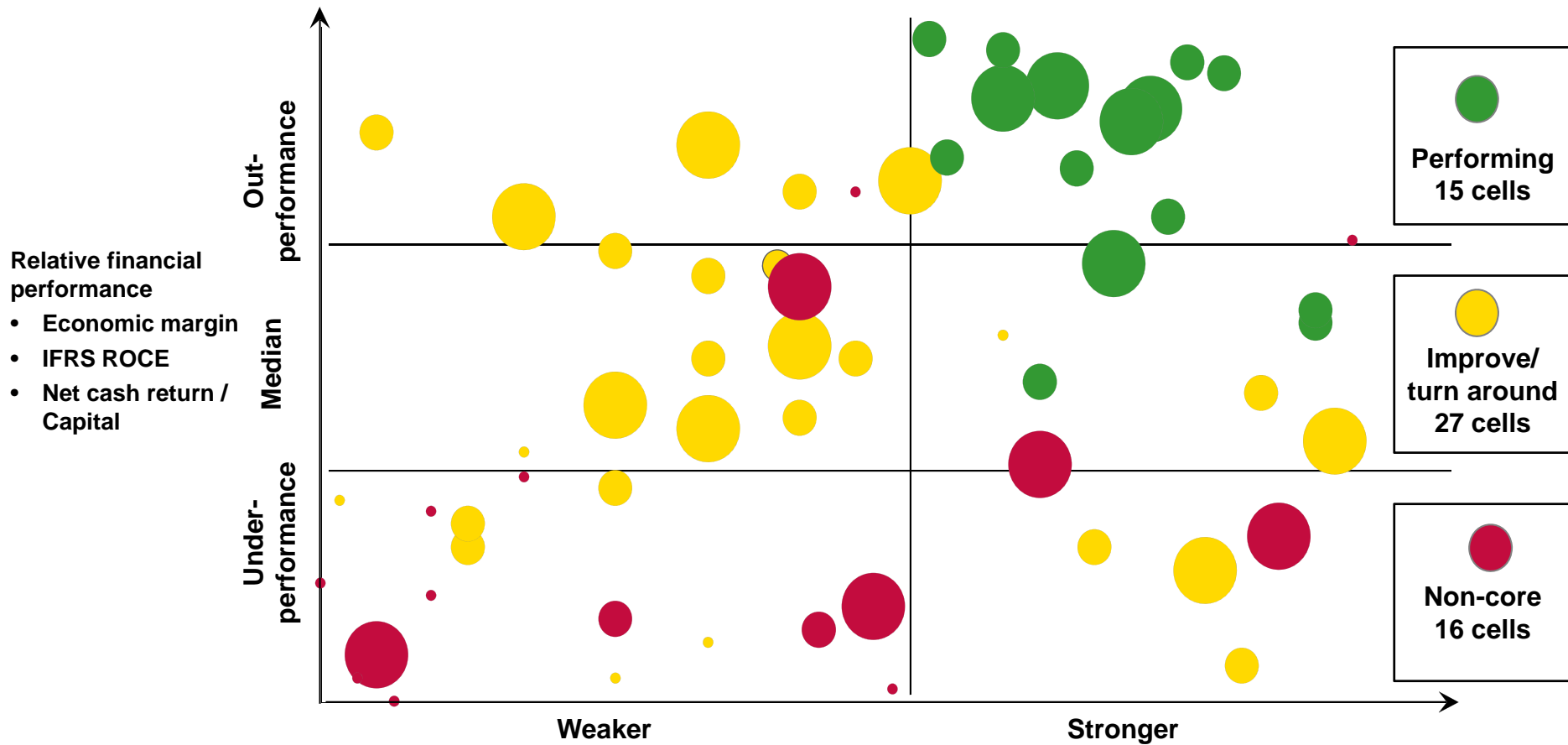
- 160% – 175% economic capital surplus target range
- Reduce capital volatility
- Reduce leverage

## Improved Performance

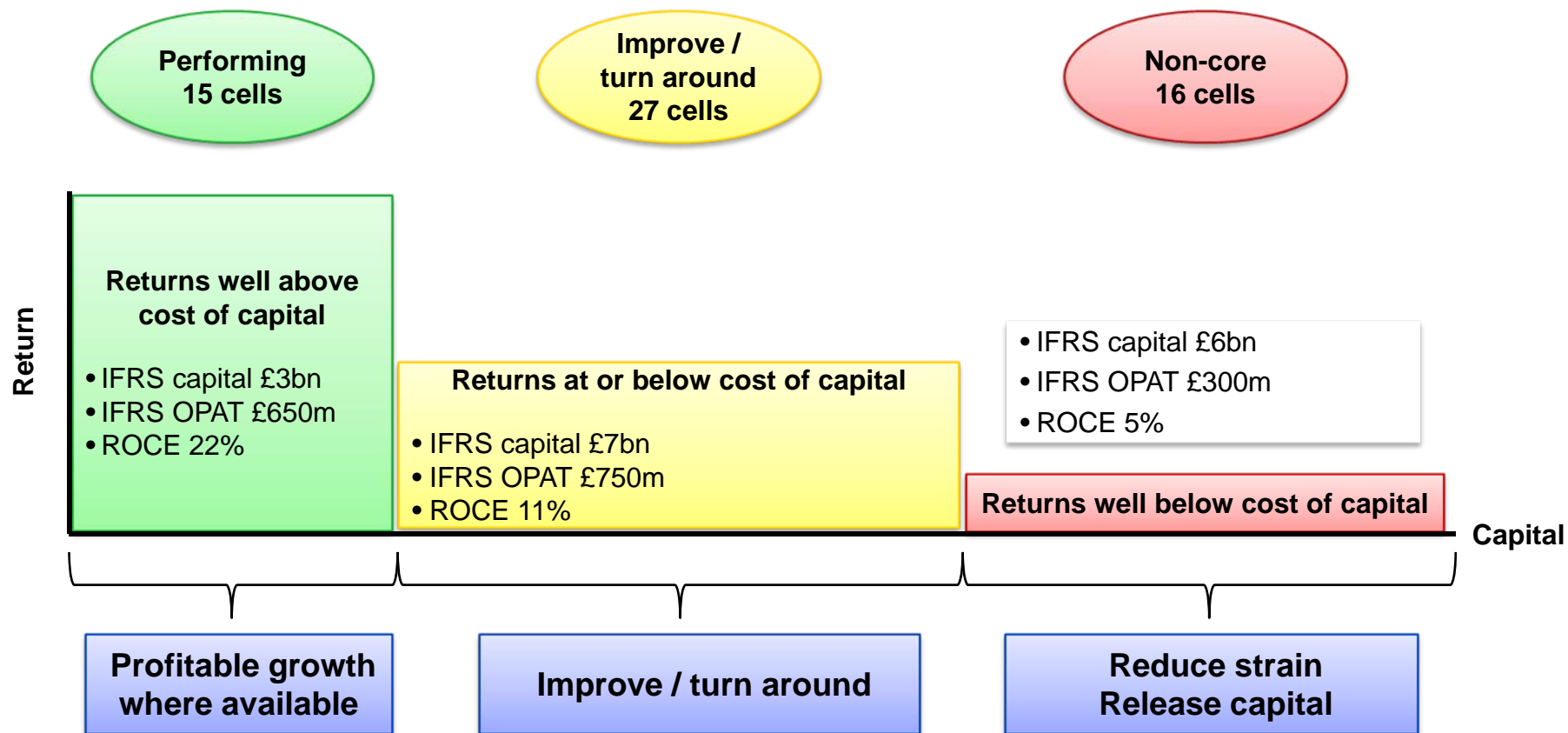
- Revenue growth where possible
- Expense savings of £400 million from end of 2011
- Lower losses & claims
- Increase return on equity through capital efficiency

# Narrowed focus

Portfolio assessed on relative financial performance & market prospects / competitive position



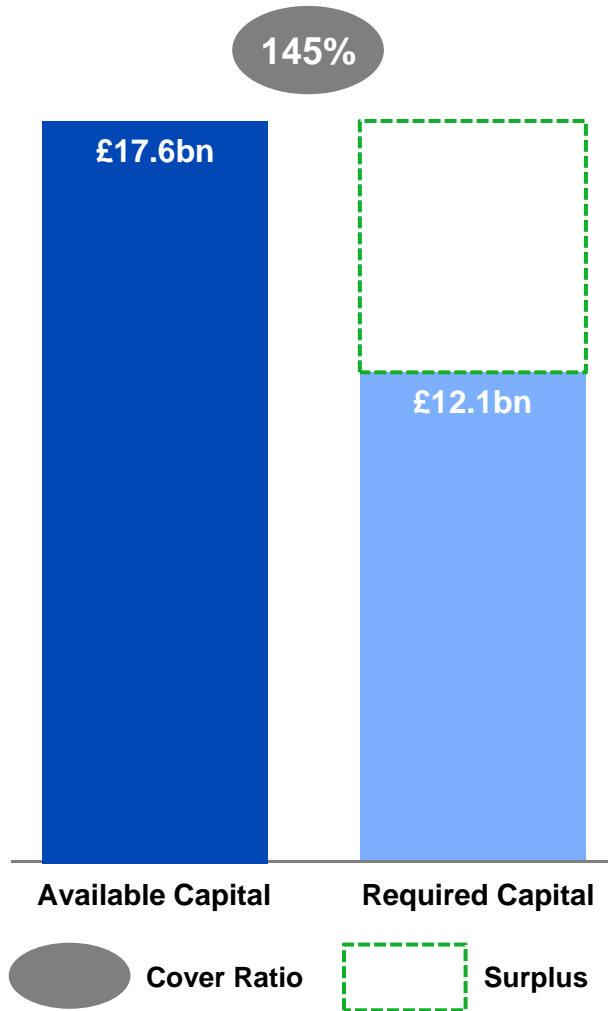
# Dynamic capital allocation



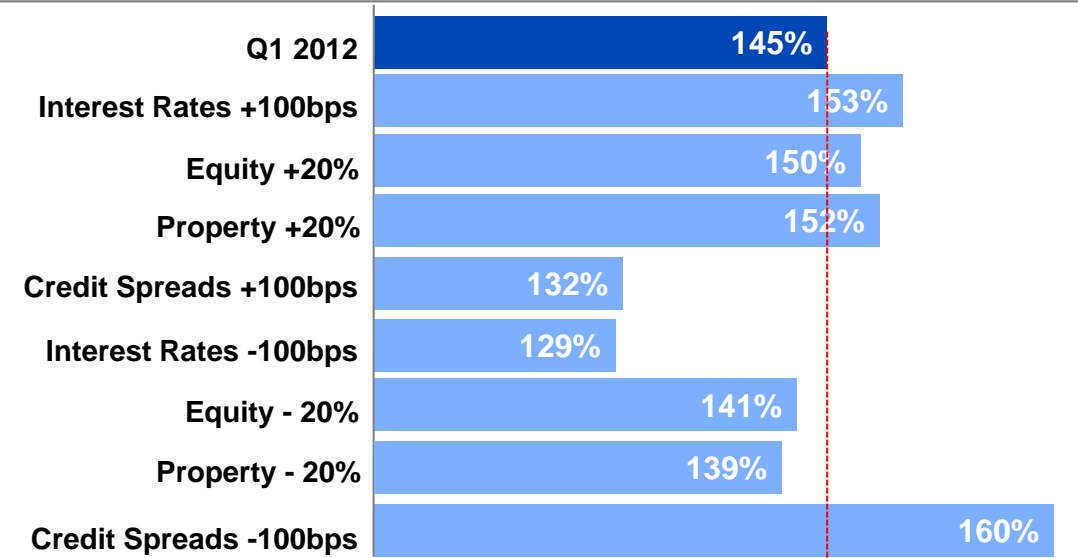
1. OPAT = operating profit after tax and minority interests  
 2. Nothing contained in the presentation is, or can be construed as, a profit forecast

# Economic capital

## Estimated economic\* capital Q1 2012



## Sensitivities based on Q1 position



Q1 economic capital surplus of £5.5 billion

Coverage 164% if US included on an equivalence basis

Principal sensitivities to credit and equity movements

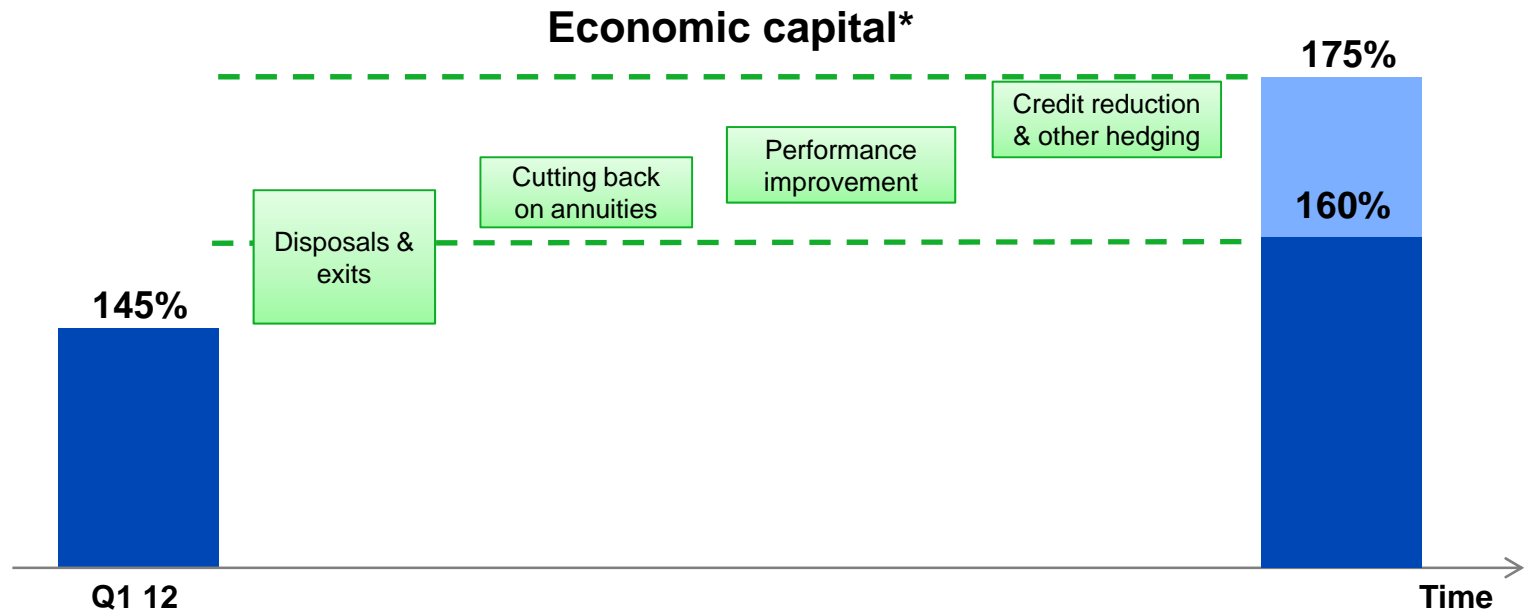
Interest rate sensitivity driven mainly by cost of guarantees in France and the US

A number of levers are available to control these exposures

Economic capital\* cover of approximately 140% as at end June

\*The economic capital surplus represents an estimated unaudited position. The capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties. Pension scheme risk is allowed for through five years of stressed contributions..

# How we are going to get our target range



## Mechanisms for and impact from increasing capital surplus

### Impact of disposals

- Decreases required capital – in some cases materially
- Increases available capital depending on proceeds

### Impact of actions on profits

- Disposals and hedging decrease profits
- Offset by the performance improvement programme

### Increase available capital:

- Reduce costs (in-force cost savings are capitalised)
- Lower claims
- Increased persistency

### Decrease required capital:

- Reduce product guarantees
- Asset mix changes
- Hedging
- Reinsurance

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# Group-wide performance improvement themes



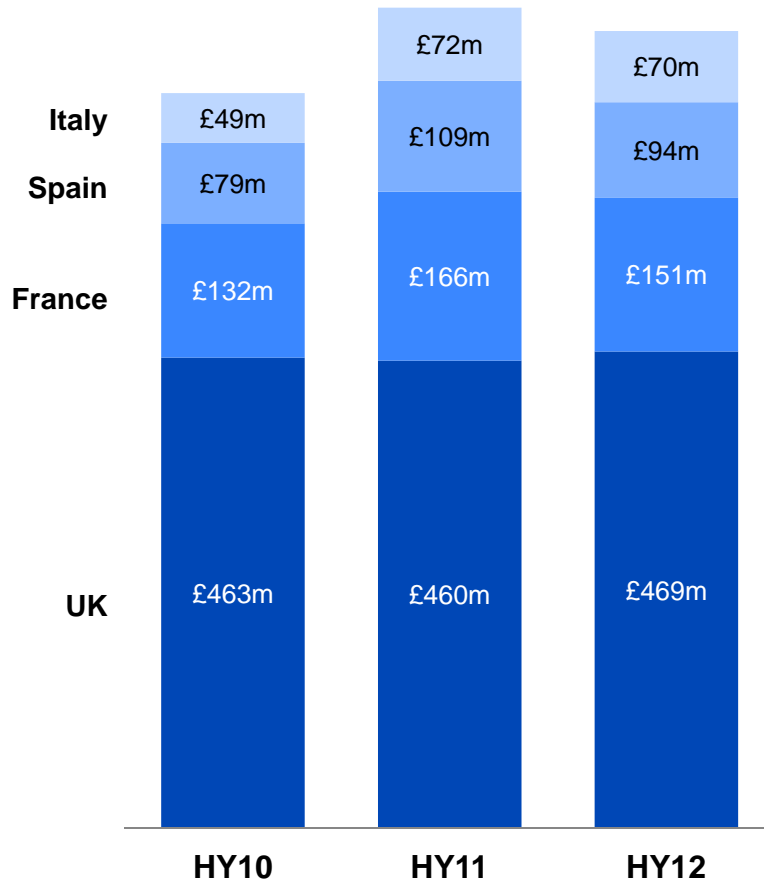
## Cultural change

- Implement a group-wide cultural and values change programme to achieve a high performance ethic through stretched goals and rigorous performance management
- Eliminate unusually high levels of bureaucracy whilst maintaining strong risk controls and increasing personal accountability



# Life: resilience in the UK, lower profits in France, Spain and Italy

## Operating profit



Italy	HY10	HY11	HY12	% change
Operating profit (£m)	49	72	70	(3)%
Operating Capital Generation (£m)	(41)	-	42	-
Average reserves (£bn)	18	19	17	(11)%
Annualised ROCE*	4.8%	7.9%	7.6%	(0.3)ppt

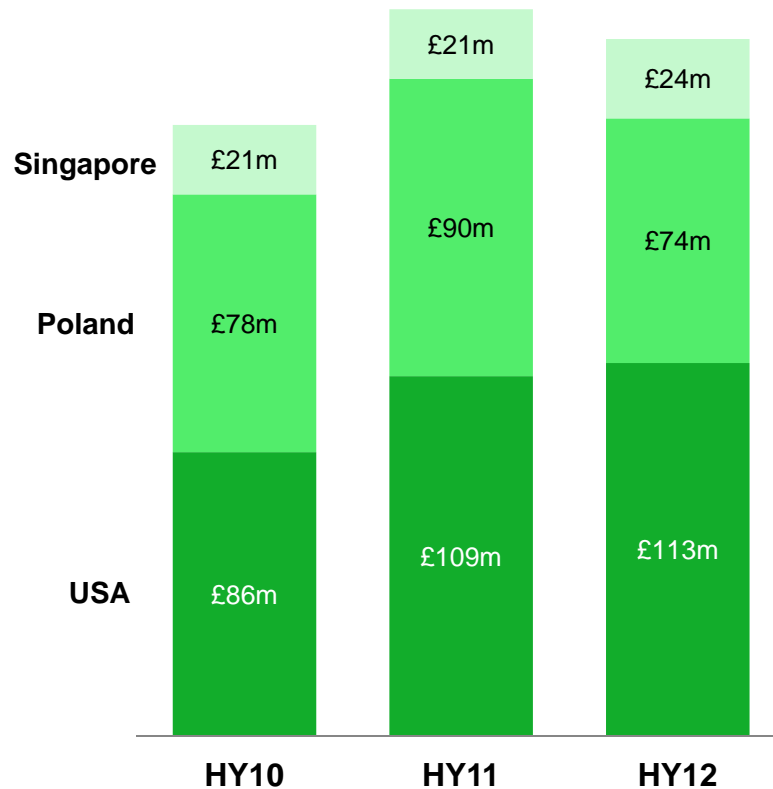
Spain	HY10	HY11	HY12	% change
Operating profit (£m)	79	109	94	(14)%
Operating Capital Generation (£m)	17	24	26	8%
Average reserves (£bn)	11	12	11	(8)%
Annualised ROCE*	7.9%	12.6%	11.4%	(1.2)ppt

France	HY10	HY11	HY12	% change
Operating profit (£m)	132	166	151	(9)%
Operating Capital Generation (£m)	11	110	128	16%
Average reserves (£bn)	59	64	59	(8)%
Annualised ROCE*	10.7%	12.3%	10.6%	(1.7)ppt

UK	HY10	HY11	HY12	% change
Operating profit (£m)	463	460	469	2%
Operating Capital Generation (£m)	235	184	374	103%
Average reserves (£bn)	103	113	115	2%
Annualised ROCE*	14.6%	19.6%	16.1%	(3.5)ppt

# Life: higher profits in the US and Singapore, lower profits in Poland

## Operating profit



Singapore	HY10	HY11	HY12	% change
Operating profit (£m)	21	21	24	14%
Operating Capital Generation (£m)	(6)	7	4	(43)%
Average reserves (£bn)	1	2	2	-
Annualised ROCE*	18.0%	14.3%	18.8%	4.5ppt

Poland	HY10	HY11	HY12	% change
Operating profit (£m)	78	90	74	(18)%
Operating Capital Generation (£m)	81	57	56	(2)%
Average reserves (£bn)	12	15	12	(20)%
Annualised ROCE*	52.7%	52.6%	45.5%	(7.1)ppt

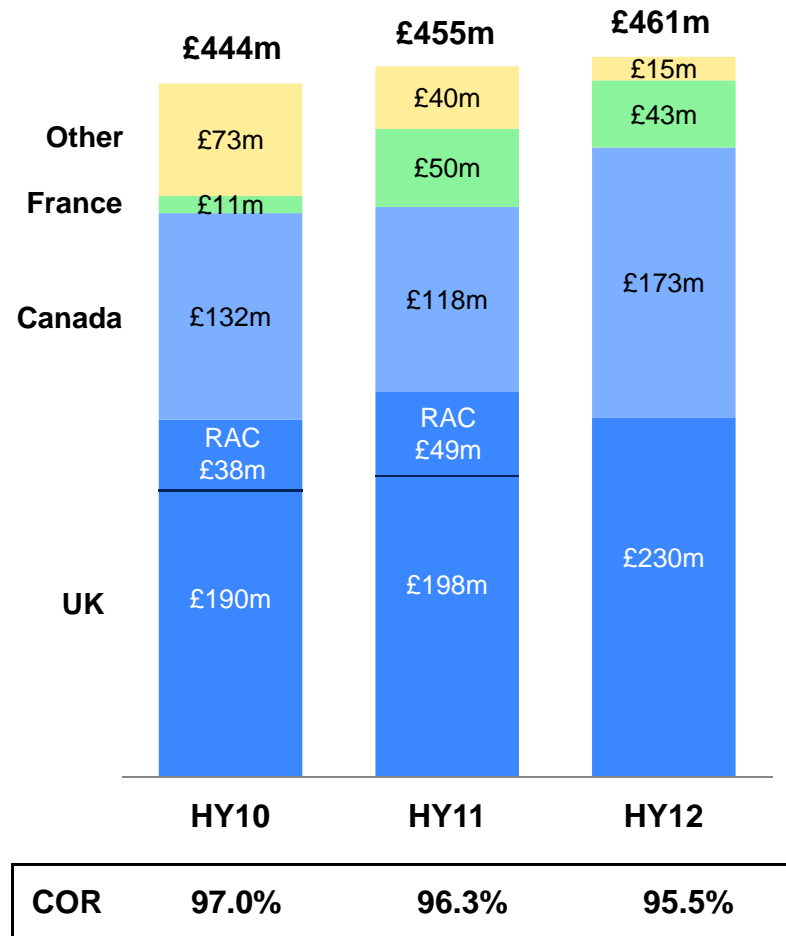
USA	HY10	HY11	HY12	% change
Operating profit (£m)	86	109	113	4%
Operating Capital Generation (£m)	92	50	(98)	-
Average reserves (£bn)	29	32	34	6%
Annualised ROCE (including goodwill)	3.6%	3.0%	3.8%	0.8ppt
Annualised ROCE based on regulatory capital	4.6%	4.3%	7.9%	3.6ppt

\* Gross of minority interest where applicable

# GI & Health: higher profits in the UK and Canada offset by the RAC disposal and weather

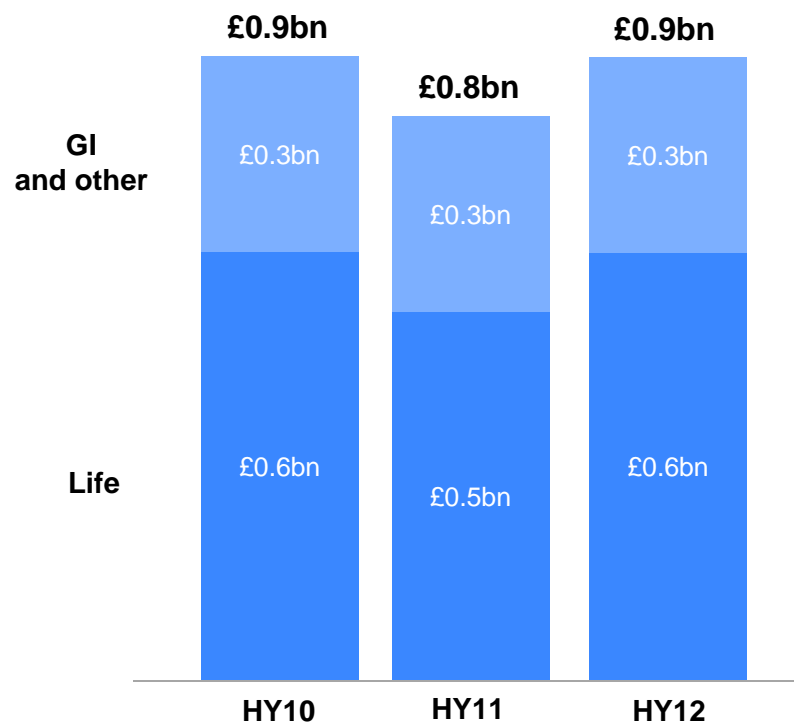


## Operating profit



# Group operating capital generation ahead of HY11

## Operating capital generation



## Operating capital generation

£bn	HY11	HY12	HY12	
	Net	Net	Generated	Invested
Life	0.5	0.6	1.0	(0.4)
General Insurance	0.3	0.3	0.3	-
Total	0.8	0.9	1.3	(0.4)
		<i>HY11</i>	1.3	(0.5)

## Capital efficiency<sup>1</sup>

	HY10	HY11	HY12
Capital / sales	4.5%	4.0%	3.9%

## Liquidity at Group Centre

£bn	FY11	HY12 <sup>2</sup>
Central liquidity	1.5	1.7

1. Capital efficiency = life allocation/PVNBPA net of tax and minorities.  
 2. Pro-forma for the further sale of shares in Delta Lloyd on 6 July

# We will end up being

**Focused**

**Financially strong**

**Performing**

## Q & A