

# Morgan Stanley 11th Annual European Financials Conference

**Mark Wilson**  
**Group CEO**

**March 2015**



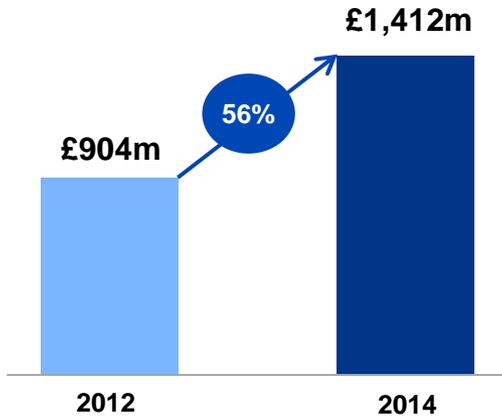
# Disclaimer

## Cautionary statements:

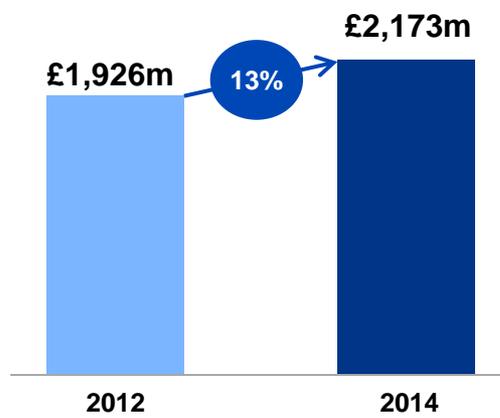
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Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the presentation include, but are not limited to: the impact of ongoing difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local political, regulatory and economic conditions; market developments and government actions regarding the sovereign debt crisis in Europe; the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value of our portfolio and impact our asset and liability matching; the impact of changes in short or long term inflation; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives or an acceleration of repayment of intercompany indebtedness; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events on our business activities and results of operations; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; the effect of the European Union’s “Solvency II” rules on our regulatory capital requirements; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs (“DAC”) and acquired value of in-force business (“AVIF”); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events; risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of fluctuations in share price as a result of general market conditions or otherwise, including any as a result of the proposed acquisition of Friends Life; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in government regulations or tax laws in jurisdictions where we conduct business, including decreased demand for annuities in the UK due to proposed changes in UK law; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact, integration risk and other uncertainties, such as non-realisation of expected benefits or diversion of management attention and other resources, relating to announced acquisitions and pending disposals and relating to future acquisitions, combinations or disposals within relevant industries, including specifically the proposed acquisition of Friends Life; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see Item 3d, “Risk Factors”, and Item 5, “Operating and Financial Review and Prospects” in Aviva’s most recent Annual Report on Form 20-F as filed with the SEC on 16 March 2015 (and also Part II (Risk Factors) of the prospectus published by Aviva on 19 January 2015 in relation to the proposed recommended all-share acquisition of Friends Life by Aviva). Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this presentation are current only as of the date on which such statements are made.

# Significant progress

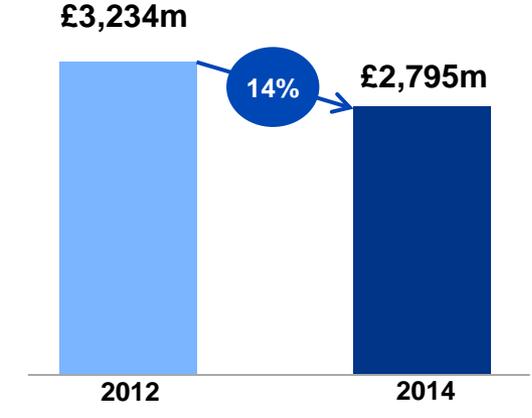
## Cash Remittances



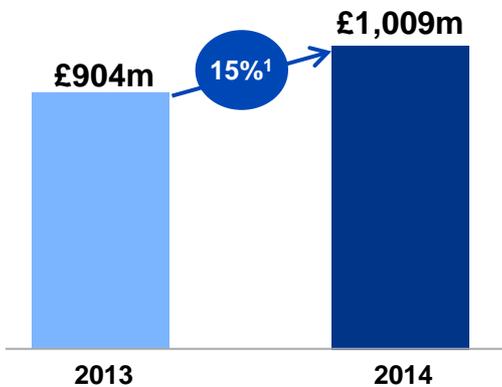
## Operating profit



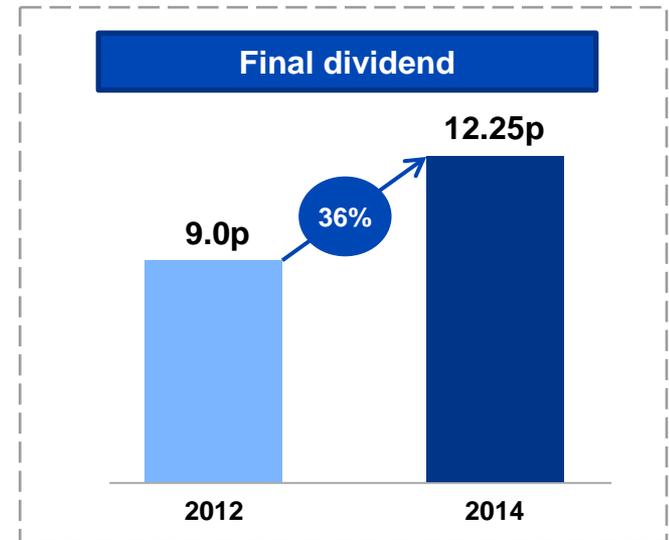
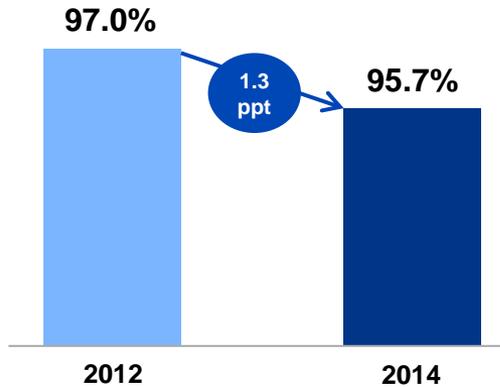
## Operating expenses



## Value of new business



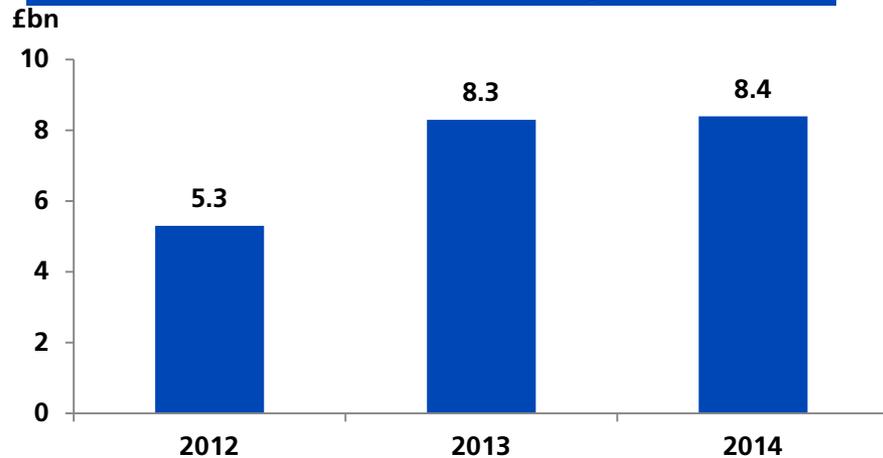
## Combined operating ratio



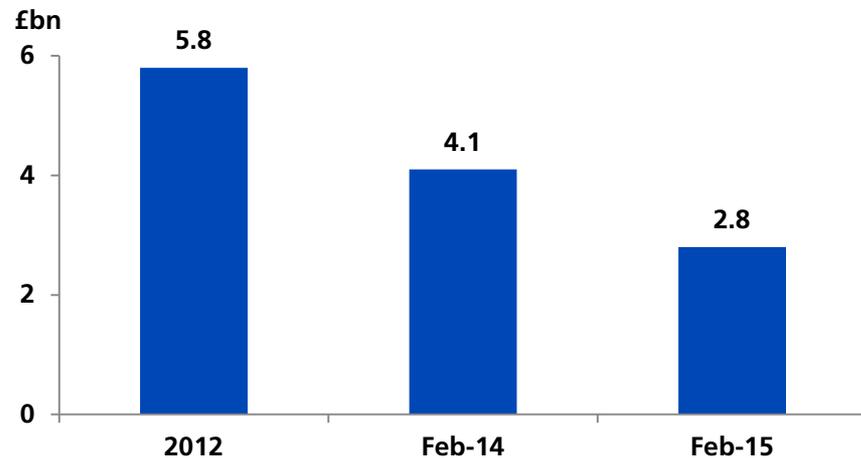
1. VNB growth is in constant currency.

# Balance sheet transformed

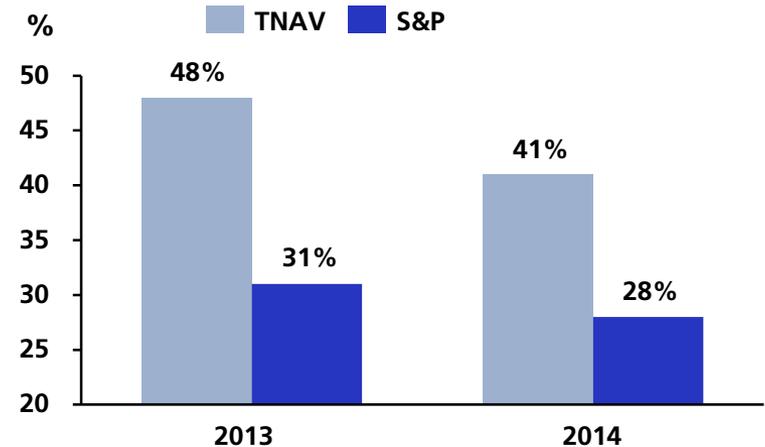
## Economic capital surplus<sup>1</sup>



## Inter-company loan



## External leverage ratio



- Economic capital surplus basis strengthened considerably since 2012
- External leverage ratio target below 40% on TNAV basis AA on preferred S&P basis
- Intercompany loan to be reduced to £2.2bn by end of 2015

Priority has been to reduce debt leverage and financing cost

1. The economic capital surplus represents an estimated unaudited position. The term 'economic capital' relates to Aviva's own internal assessment and capital management policies and does not imply capital as required by regulators or other third parties. The 2014 economic capital is before deduction of £0.4bn dividend declared in December 2014.

# Holding company excess cash flow has increased



Progress towards £0.8 billion target by 2016

1. Includes other operating cash flows such as central investment income and group tax relief payments

# Acquisition of Friends Life – Financial and strategic rationale

## Financial

-  • **c.£0.6bn** incremental cash flow.
-  • Leverage consistent with **S&P AA rating** – no further need to de-lever
-  • **£225 million** of run rate synergies per annum expected by end of 2017
-  • **30% increase** in Aviva final dividend. Move to c.2x operating EPS<sup>1</sup> cover over the medium term

## Strategic

-  • Secures leading position in our home market
-  • Brings c.5 million<sup>2</sup> Friends Life customers to Aviva
-  • Adds significant scale and expertise to our **back book** initiative
-  • Adds up to c.**£70 billion** of funds for Aviva Investors
-  • Enables investment in **our growth businesses**

## Update: All regulatory approvals have now been received

- Integration planning well underway
- Management team announced on completion
- General Meeting 26<sup>th</sup> March
- Completion anticipated 13<sup>th</sup> April

1. Operating EPS on an IFRS basis  
2. Prior to de-duplication

# Our strategic anchor

## Our strategic anchor

### True customer composite

Serving all customer needs across Life, GI, Health and Asset Management



### Digital first

Customer experience driven by digital



### Not everywhere

Only in markets where we can win



## Supported by:

### MULTI

Multiple lines of service and multiple lines of distribution

### CONVENIENT

Allowing customers to interact with us simply, in their way

### EXPERT

Technical expertise in underwriting, risk and asset management, data and analytics

### BRITISH

Actively harnessing the heritage from being an iconic British business

### COLLABORATION

Leveraging the commonalities across all our businesses

A focussed, clear, simple, differentiated business strategy

# Some digital expertise, acceleration needed

## Market leading digital offer in the UK



£1.3bn UK Digital Direct sales<sup>1</sup>



1.3 million MyAviva registrations



x3 conversion rate of health online



x2 conversion rate of protection online

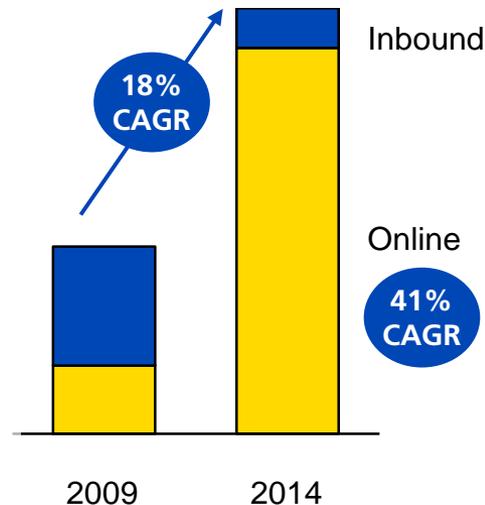


>50% of protection new business online

Market recognition



Personal motor new business



## Growing digital internationally



Turkey

Social media targeting young life customers



Italy

Launched telematics

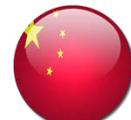


Canada



Indonesia

Integrated point of sale on tablet



China

Health & wellness platform with partner COFCO

1. GI GWP / Life/Health PVNBP

- Integrate Friends Life
- Drive True Customer Composite throughout our business
- Grow digital and direct business
- Continue to improve efficiency
- Reallocate capital towards higher return or higher growth businesses
- Implement Solvency II

It would be wrong to assume our turnaround is nearing completion

# Q&A