



# **2016 Interim Results**

4 August 2016

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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 29 March 2016 and also the risk factors contained in the Euro Note Programme prospectus published on 22 April 2016. Aviva undertakes no obligation to update the forward looking statements in this presentation 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.



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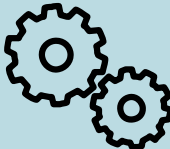
Mark Wilson  
Group Chief Executive Officer

# Performance



**Operating profit**

£1,325m  
up 13%



**Capital**

Solvency II ratio<sup>1</sup> 174%  
Capital Generation<sup>2</sup> £1.2bn

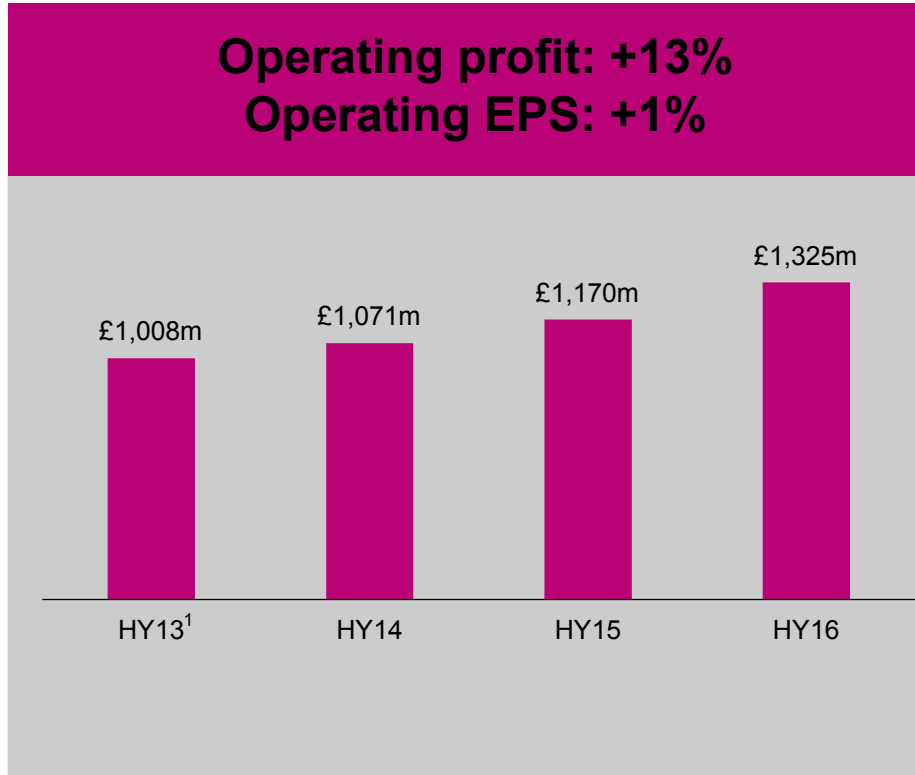


**Interim dividend**

7.42p per share  
up 10%

<sup>1</sup>The estimated Solvency II ratio represents the shareholder view. This ratio excludes the contribution to Group Solvency Capital Requirement (SCR) and Group Own Funds of fully ring fenced with-profits funds £2.7 billion (FY15: £2.7 billion) and staff pension schemes in surplus £0.9 billion (FY15: £0.7 billion) - these exclusions have no impact on Solvency II surplus. In addition, the estimated impact of acquiring the RBC General Insurance business is included on a pro-forma basis.  
<sup>2</sup>Operating Capital Generation

# Operating profit



## Positives

- Underlying growth
- Foreign exchange
- Friends Life

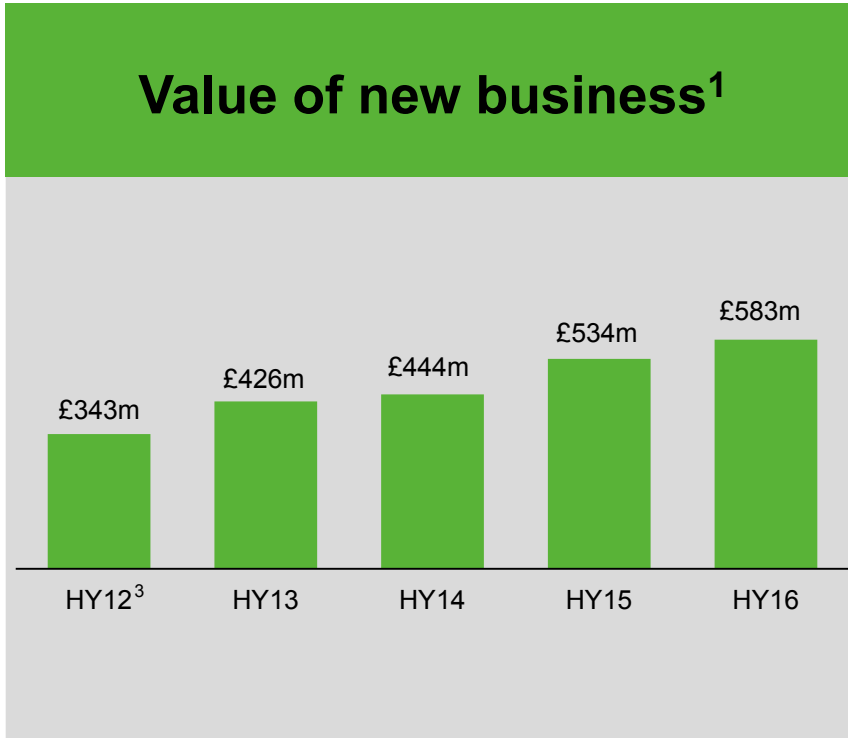
## Headwinds

- Government levies / tax
- Weather and fires
- Brexit
- Increased share count

<sup>1</sup>HY13 is as reported and has not been restated to exclude the amortisation and impairment of AVIF (shown as a non-operating item from HY14 onwards)

# Life insurance – sustainable growth

## Value of new business<sup>1</sup>



- Operating profit £1,226m, +20%
- VNB growth 7%<sup>2</sup>
- £2.0bn pension & platform flows in UK Life
- Platform AUM up 23% to £10.3bn

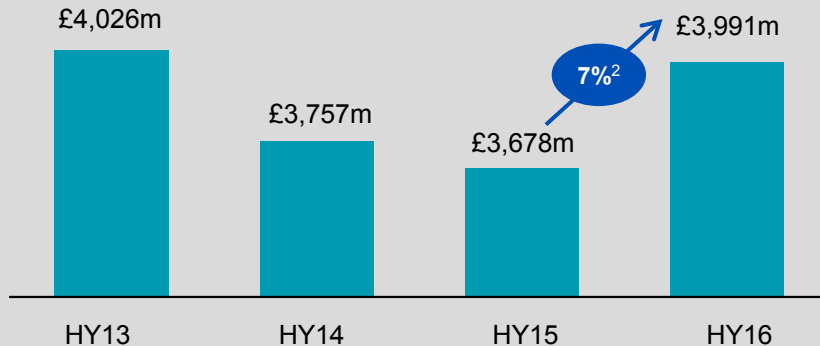
<sup>1</sup>MCEV basis

<sup>2</sup>Constant currency basis

<sup>3</sup>HY12 VNB is as reported and has not been restated to reflect the changes in MCEV methodology

# General insurance & health – returning to growth

## Net written premiums<sup>3</sup>



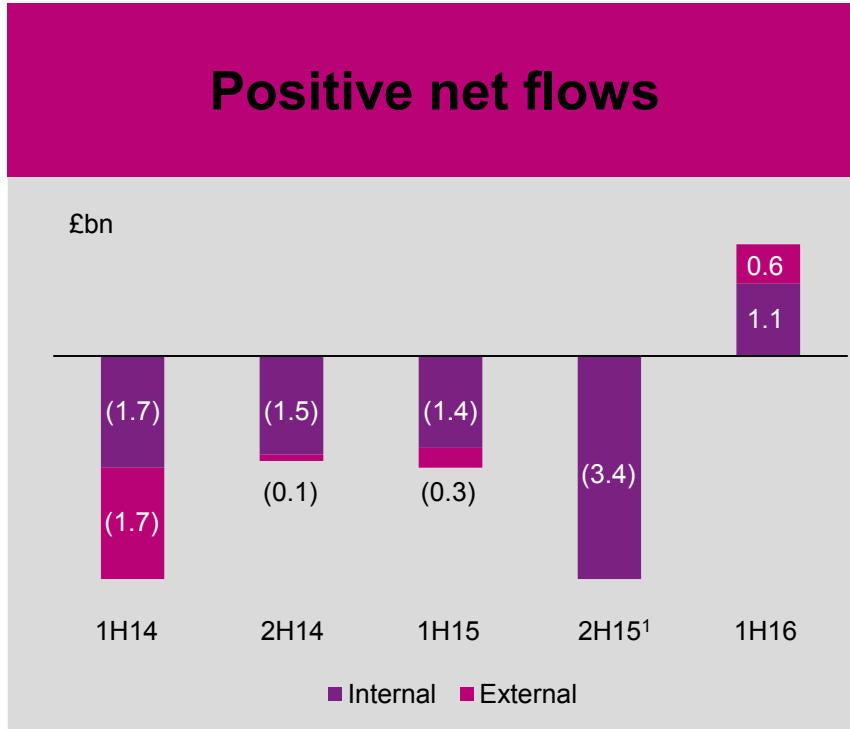
- Premium growth 7%<sup>2</sup>
- Operating profit £334m -17%<sup>1</sup>
- Weather costs +c.£55m
- Group COR 94.6% excluding Flood Re and Homeserve

<sup>1</sup> 2015 general insurance & health operating profit rebased for the reduction in the AGH loan (offsetting adjustment included in "Group debt & other costs")

<sup>2</sup> Constant currency basis

<sup>3</sup> General insurance net written premiums

# Fund management – momentum



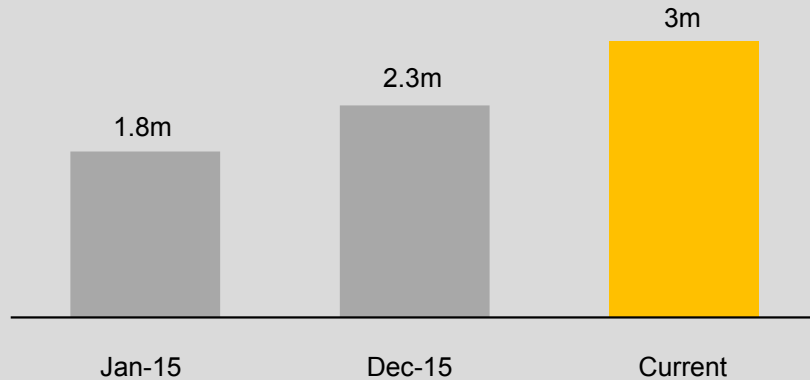
- Operating profit £49m, +48%
- AIMS doubled to £6.2bn
- Improving margins
- Positive net flows

<sup>1</sup>Excludes transfers from Friends Life



# Digital – meaningful contribution

## Leading indicator - registrations

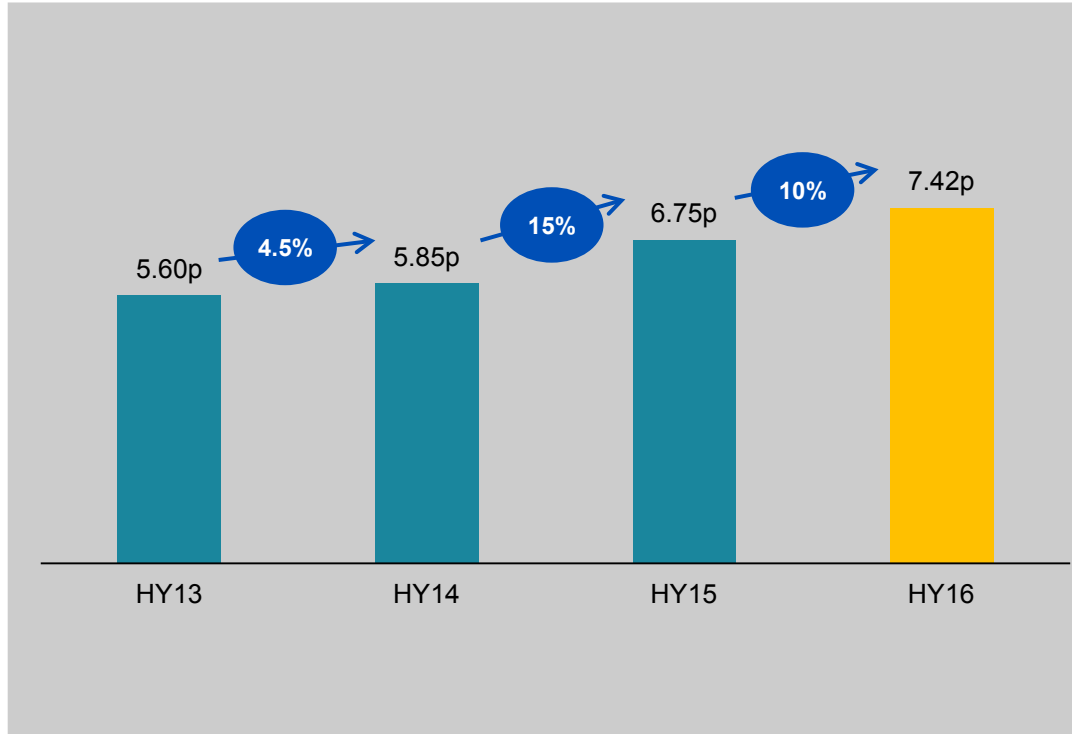


- Operating profit £111m<sup>1</sup>
- 16m UK customers on a single database by year end
- MyAviva APH 2.7
- 30%<sup>2</sup> lower costs shared with customers

<sup>1</sup>Unaudited management information

<sup>2</sup>30% relates to total cost for new GI home cross sales to our existing retirement customers compared to new intermediated home customers.

# Interim dividend – 10% growth

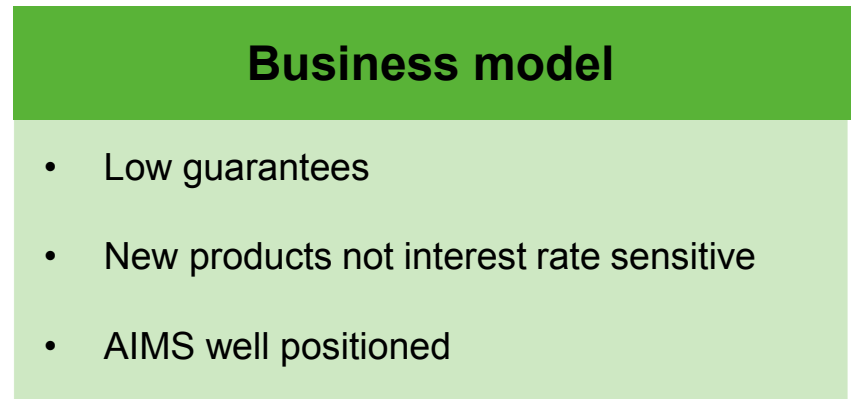
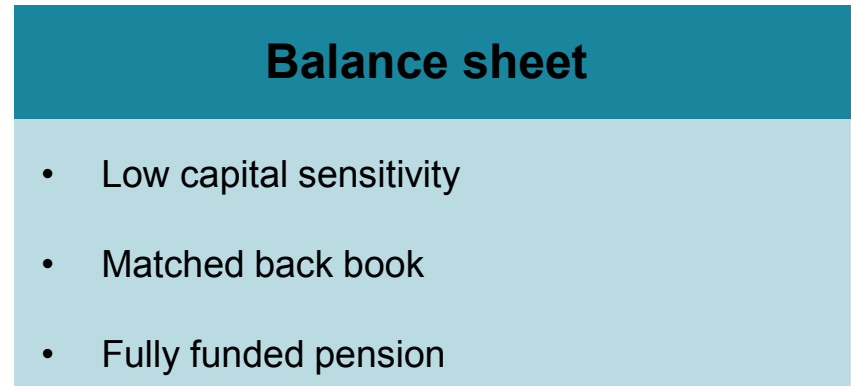
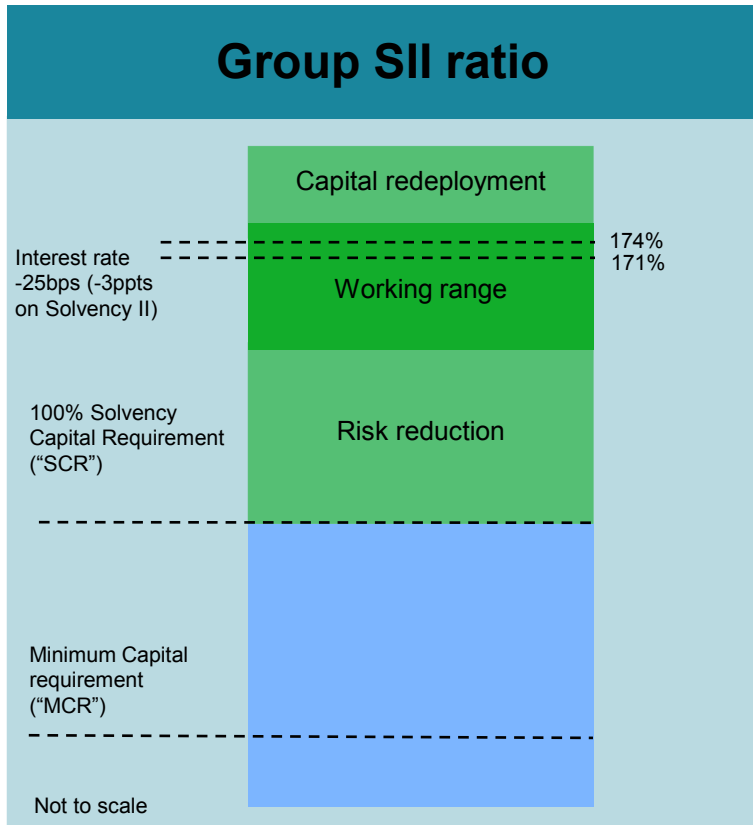


**Up 10% to 7.42p**








**50% pay-out ratio  
target 2017**

# Interest rate – no significant impact



# Checklist

<b>Strong capital</b>		<b>174%, proven resilience</b>
<b>Increase dividend</b>		<b>10% growth</b>
<b>Grow operating profit</b>		<b>13% growth</b>
<b>Friends Life Integration</b>		<b>Ahead of schedule</b>
<b>Simplify and self-help</b>		<b>More to be done</b>



# 2016 Interim Results

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Tom Stoddard  
Chief Financial Officer

# Growing operating profit

Operating profit	£million	HY15	HY16	Change
Life		1,021	<b>1,226</b>	20%
General Insurance & Health <sup>1</sup>		400	<b>334</b>	(17)%
Fund Management		33	<b>49</b>	48%
Corporate costs & other		(90)	<b>(85)</b>	6%
Group debt & other interest costs <sup>1</sup>		(194)	<b>(199)</b>	(3)%
<b>Operating profit</b>		<b>1,170</b>	<b>1,325</b>	<b>13%</b>

Operating profit up 13%

Operating EPS up 1%

<sup>1</sup> 2015 general insurance & health operating profit rebased for the reduction in the AGH loan (offsetting adjustment included in 'Group debt & other costs' in table above)

# Economic variances affect NAV & total EPS

Net asset value per share	IFRS
Opening NAV per share at 1 January 2016 <sup>1</sup>	390p
Operating profit	23p
Dividends	(14)p
Investment variances & economic assumption	(9)p
Pension movement	15p
Foreign exchange	18p
AVIF amortisation	(7)p
Integration & restructuring costs	(2)p
Other	(2)p
<b>Closing NAV per share at 30 June 2016</b>	<b>412p</b>

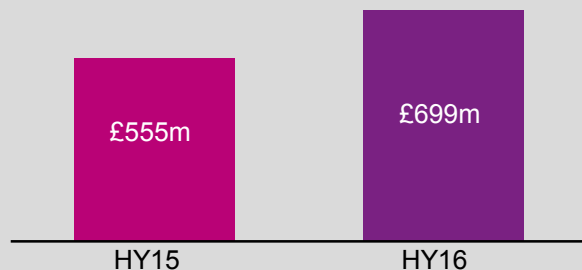
- 39% decline in integration & restructuring costs
- NAV affected by fluctuations in
  - Interest rates, FX, credit spreads and property markets

Earnings per share (basic pps)	HY15	HY16
Total EPS	12.8p	2.5p

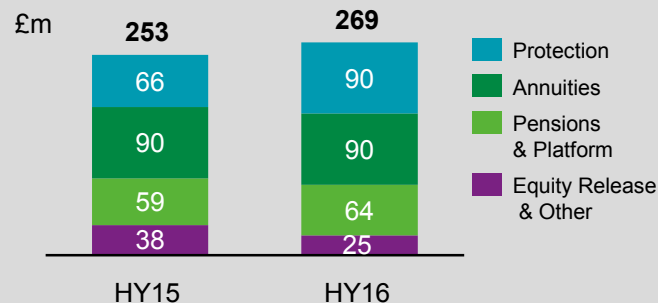
<sup>1</sup> Following a correction to accounting and modelling for annual management charge rebates in UK Life, prior year comparatives have been restated

# UK Life – discipline and growth

## IFRS life operating profit



## Value of new business<sup>1</sup>



## Operating expenses



- £138m of Friends Life run-rate synergies secured and savings starting to be reflected in operating profit
- Platform AUM up 23% to £10.3bn
- £0.6bn cash remittances

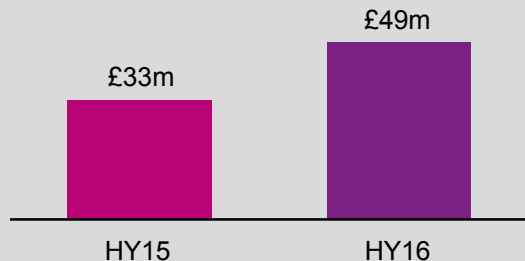


# UK Life – profit drivers

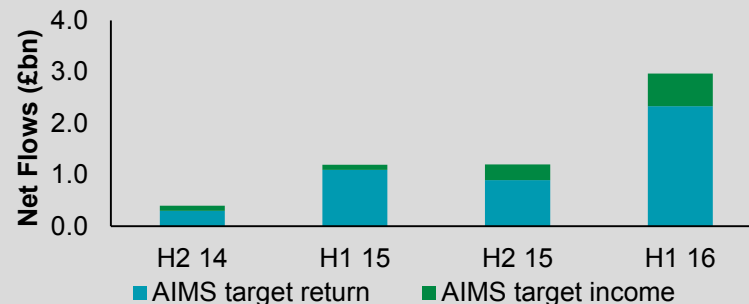
IFRS operating profit					
	£ million	HY16	Bps / Margin	Bps / Margin basis	Target Range
New Business	Long Term Savings	(45)	n/a	New business strain	(45)-(50)
	Annuities & Equity Release	88	11%	PVNBP	7.5-8.5%
	Protection	46	41%	APE	40-50%
Existing Business	Long Term Savings	109	25bps	Opening assets	25-30bps
	Annuities & Equity Release	158	60bps	Opening assets	55-70bps
	Protection	68	8.2%	In-force premiums	7.5-8.5%
	Legacy	192	46bps	Opening assets	35-40bps
	Other	83			
	<b>Total</b>	<b>699</b>			

# Fund management – building momentum

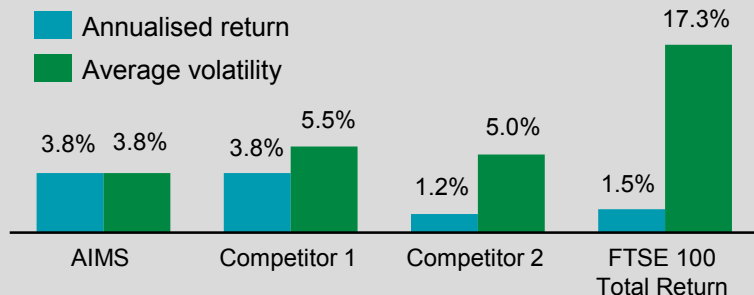
## IFRS operating profit



## AIMS net flows



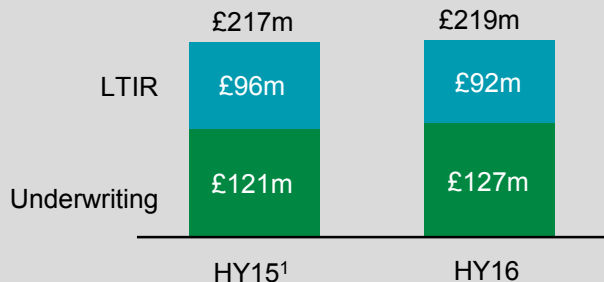
## AIMS performance<sup>1</sup>



- Increased contribution from Friends Life assets
- £0.6bn positive external fund flows
- AIMS AUM more than doubled in HY16 to £6.2bn
- Investing for future growth

# UK & Ireland GI – returning to growth while maintaining cost discipline

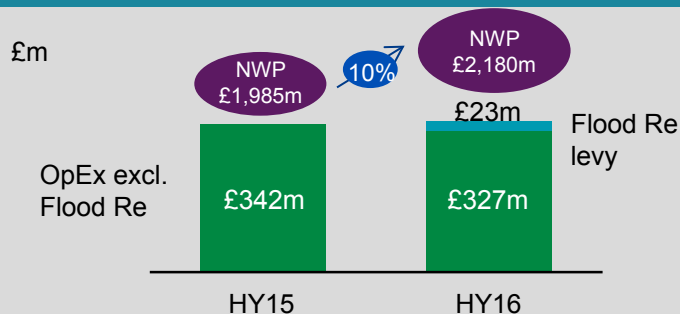
## IFRS operating profit



## Combined operating ratio

	HY15	HY16
<b>Underlying COR</b>	<b>97.2%</b>	<b>96.4%</b>
Prior year development	-0.5%	-1.5%
Weather <sup>2</sup>	-3.5%	-2.4%
HomeServe new business strain		+1.9%
Flood Re		+1.0%
<b>Reported COR</b>	<b>93.2%</b>	<b>95.4%</b>

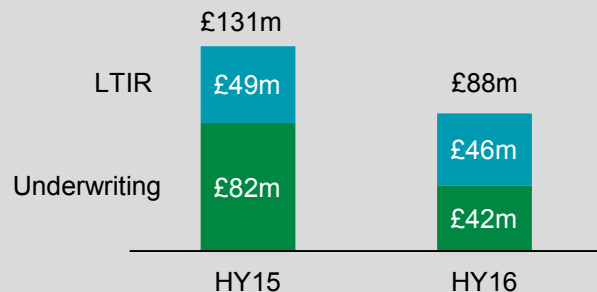
## Efficiency & growth



- COR 95.4%, positive underlying progress
- 10% NWP growth supported by new relationships
- Operating expenses improved excluding Flood Re levy

# Canada – investing for future growth

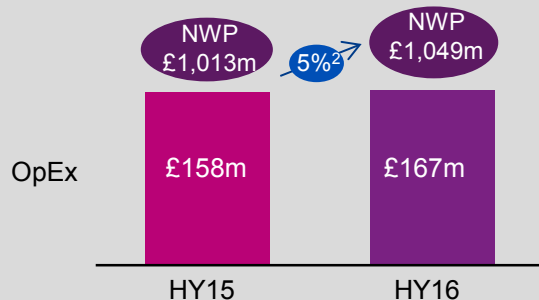
## IFRS operating profit



## Combined operating ratio

	HY15	HY16
<b>Underlying COR</b>	<b>97.7%</b>	<b>98.7%</b>
Prior year development	-5.8%	-3.8%
Weather and fires <sup>1</sup>		+0.9%
<b>Reported COR</b>	<b>91.9%</b>	<b>95.8%</b>

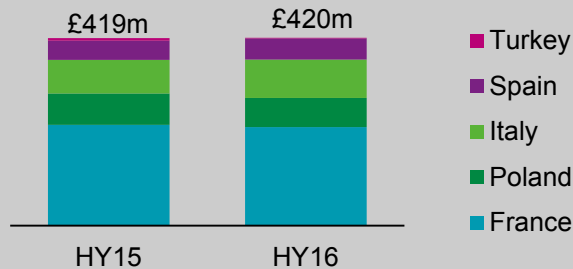
## Efficiency & growth



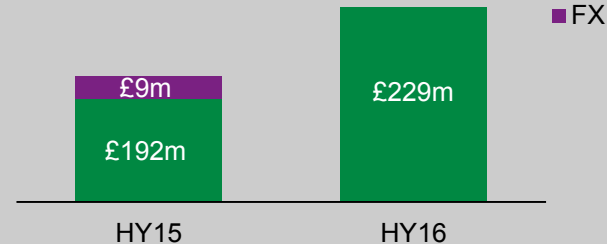
- NWP up 5% in constant currency
- RBCI acquisition completed on 1 July 2016
- Operating profit affected by forest fires and lower prior year development

# Europe – stable results despite challenging market conditions

## IFRS operating profit



## VNB<sup>1</sup>



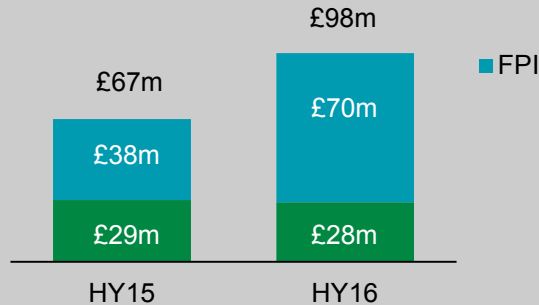
## Combined Operating Ratio (France)

£m	HY15	HY16
<b>Underlying COR</b>	<b>96.4%</b>	<b>93.3%</b>
Prior year development	-0.5%	+0.2%
Weather <sup>2</sup>	-1.5%	+1.0%
France floods		+3.0%
<b>Reported COR</b>	<b>94.4%</b>	<b>97.5%</b>

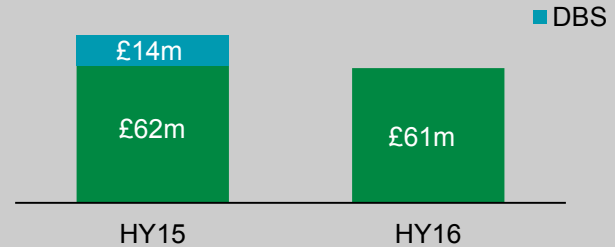
- Profit impacted by French floods, lower equity markets and new asset levy in Poland
- Strong growth in Italy as restructure continues
- VNB growth of 14%<sup>3</sup>

# Asia – investing in disruptive distribution strategies

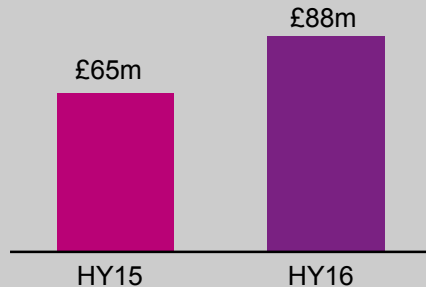
## IFRS operating profit



## VNB<sup>1</sup>

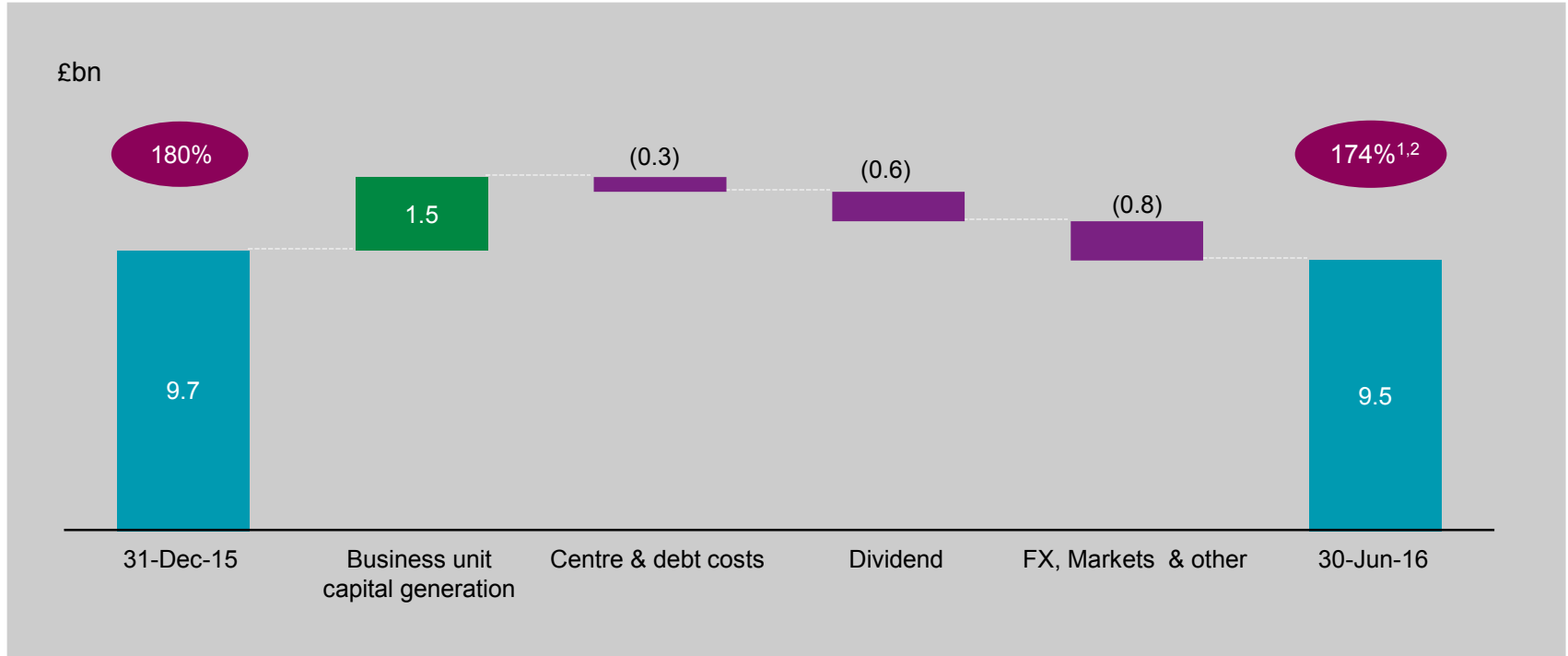


## Operating expenses



- VNB down following discontinuation of DBS
- Expanded Singapore armed forces distribution
- Recently added 280 advisers in Singapore
- Continued development of agency in China and bancassurance in Indonesia

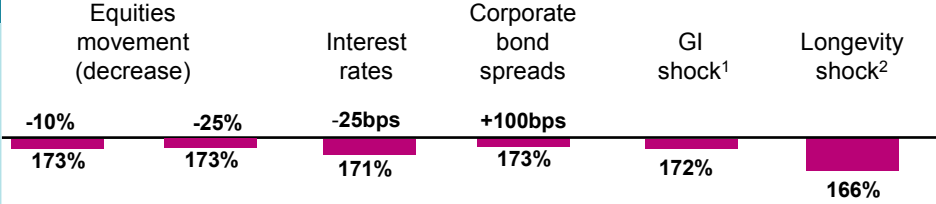
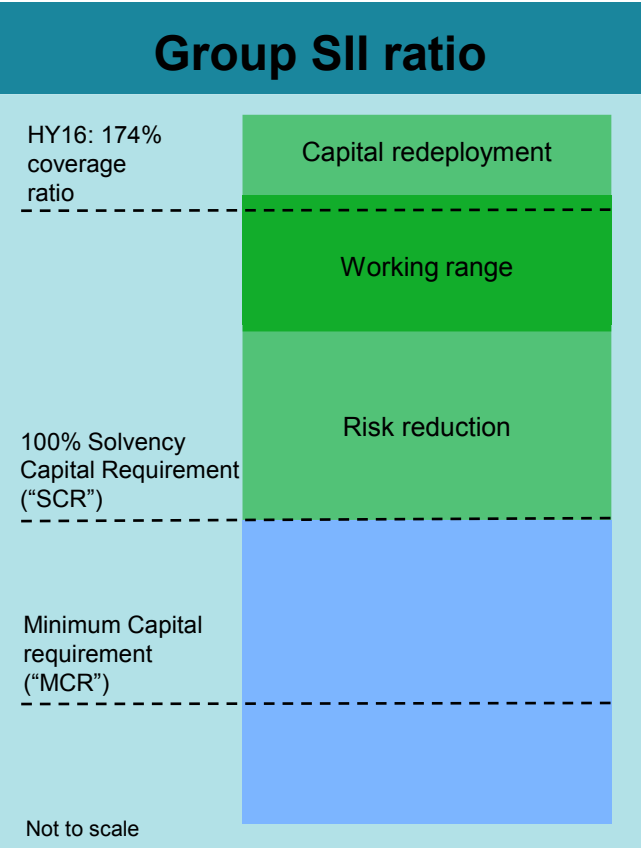
# Strong capital position



<sup>1</sup>The solvency position includes the estimated impact of acquiring the RBC General Insurance business (£0.3 billion) on a pro-forma basis. The acquisition completed on 1st July 2016, and was funded by an issue of £0.3 billion of subordinated debt in May 2016.

<sup>2</sup>The estimated Solvency II ratio represents the shareholder view. This ratio excludes the contribution to Group Solvency Capital Requirement (SCR) and Group Own Funds of fully ring fenced with-profits funds £2.7 billion (FY15: £2.7 billion) and staff pension schemes in surplus £0.9 billion (FY15: £0.7 billion) - these exclusions have no impact on Solvency II surplus.

# Sensitivities remain resilient to stresses

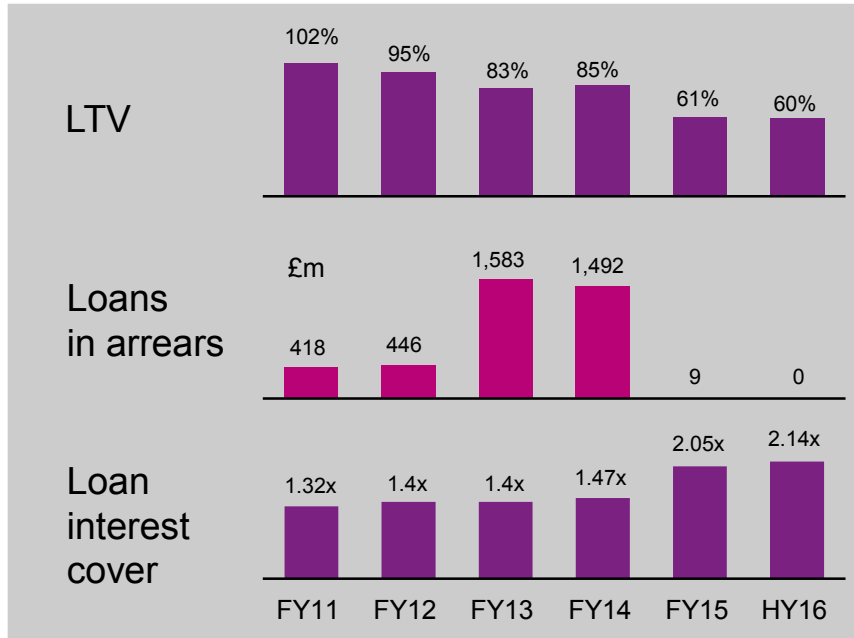


- Coverage ratio at June 30 2016 was 174%
- Our investment portfolio is prudently positioned
- No reliance on UFR
- Aviva has limited sensitivity to interest rates, equities and spreads

<sup>1</sup> 5% increase in gross loss ratio    <sup>2</sup> 5% decrease in mortality rates for annuity business



# Commercial real estate portfolio largely de-risked



## Prudently positioned & reserved

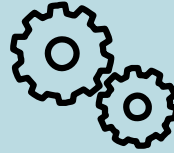
- Loan interest cover improved to 2.14x (FY15: 2.05x)
- £0.6bn IFRS valuation reserve
- LTV's on commercial mortgage portfolio at 60% at HY16 (FY15: 61%)
- Divested non-core portfolios in 2014/15

# Performance



## Operating profit

£1,325m  
up 13%



## Capital

Solvency II ratio<sup>1</sup> 174%  
Capital Generation<sup>2</sup> £1.2bn



## Interim dividend

7.42p per share  
up 10%

<sup>1</sup>The estimated Solvency II ratio represents the shareholder view. This ratio excludes the contribution to Group Solvency Capital Requirement (SCR) and Group Own Funds of fully ring fenced with-profits funds £2.7 billion (FY15: £2.7 billion) and staff pension schemes in surplus £0.9 billion (FY15: £0.7 billion) - these exclusions have no impact on Solvency II surplus. In addition, the estimated impact of acquiring the RBC General Insurance business is included on a pro-forma basis.

<sup>2</sup>Operating Capital Generation



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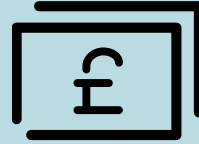
Mark Wilson  
Group Chief Executive Officer

# Our expectations



## Operating profit

Mid-single digit growth  
in medium term



## Cash

£7bn cash remittances  
2016 -2018



## Dividend

50% pay-out  
ratio 2017