

**Aviva - Annual General Meeting - 4th May 2016**

**Mark Wilson, Group Chief Executive Officer**

Well thank you Chairman - and good morning everyone it's nice to be back. You know as usual, I enjoyed a delightful cup of tea with a few of you this morning. We spoke about a lot of things. I particularly enjoyed a fascinating discussion I had with a couple of you about anniversaries.

Now of course, on the 21st of April we wished a very happy birthday to the wonderful lady this centre is named after, of course Her Majesty the Queen. I might also add the beloved Queen of my native New Zealand. And it was pointed out to me - I had a delightful chat with a man called Mr Patel who is in the audience here somewhere. And Mr Patel told me he'd in fact been to every single AGM since Norwich Union demutualised. That's 22 in a row, that deserves a round of applause.

*Applause*

And as Mr Patel said to me he said this is in fact - although I have been CEO for three years, he said this is, in fact, my fourth AGM. So I guess Mr Patel this is like our fourth anniversary. But you know the AGM to my colleagues on the Board and I is one of the highlights of the year. We certainly, and I certainly appreciate the candour, we get colourful personalities, we even get some wonderful attire and the often diverging and deeply held views on any particular debate. I'm sure - and, in fact, I hope and I know we will get the same thing today.

But when I talk to people at the AGM, it brings home to me the real difference that Aviva can make in the lives of our customers, as well as our shareholders. Just as we've been doing for over 320 years.

Now I visit around the regions and countries quite a bit and when I last visited Norwich I delved deep into some of that extraordinary history that we have at Aviva. Our excellent archivist, her name is Anna - she showed me an entry from the oldest Board Minute book from our oldest ancestor company, that company is called Hand-in-Hand.

And the minute contains details of the very first claim we settled - exactly 319 years ago to this very week. 11th May 1697 to be precise. That claim was for the princely sum of £1 and 12 shillings. And it was paid to two gentlemen, a Mr Randall and a Mr Ambler. And their houses stood in St Stephen's Alley - just a stone's throw from where we are all sitting today. And, according to the minute, it said their houses had been damnified by fire, delightful isn't it, on the 16th day of April 1697.

And do you know what? We do exactly the same sorts of things for our 33 million customers today.

So, I'd like to introduce you to one of today's customers and there will be a video. Her name is Janet Warne.

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**Video Played**

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Now I'm not going to add a single word to that. I think it is the apogee of humanity.

You know, we get dozens, we get hundreds, perhaps thousands of those sort of conversations every single day; conversations about floods in Cumbria or car claims in Canada or perhaps investment products in China. And we have thousands of fantastic people like Fiona who really do care more, who want to make a difference, who want to do the right thing for our customers.

Now I'm the first to acknowledge, we don't always get it right. But that is indeed our aim and I think we get better each year. I've sat in the call centres; I've listened to the remarkable job our people do - helping customers when they are at their most vulnerable. And I'm truly grateful for our staff and our people for their dedication, for their achievement and for the service, like we've just seen on the video.

But if we are to meet our responsibilities for customers, for customers like Janet, and provide you, our shareholders, with good, sustainable returns, then, as a company, we've got to be financially strong. We need to have a balance sheet that is fortress-like, a position of strength, rather than a position of weakness. And I don't think anyone in this room would have described Aviva's balance sheet a few years ago as exactly a pillar of strength. Maybe you might have described Aviva as complex, or sprawling, or perhaps financially volatile. Low levels of capital, high levels of debt, a lack of liquidity, and certainly no clear strategy. You can see why I joined.

What about now? Well the balance sheet is fixed, debt ratios are reduced, capital has increased substantially, profits are growing and the strategy is clear. We have gone from having one of the weaker balance sheets in the UK to one of the strongest. We have tripled our economic capital surplus from £3.6bn to £11.6bn. Our central liquidity - that's the cash we have at hand at Group that is up by a factor of 6.

So in short, ladies and gentlemen, as the Chairman said, we have completed the fix phase of our transformation. So we have entered 2016 from a position of financial strength, it's a nice place to be. But I can also say without any hint of complacency whatsoever, that the last year's operating results were in fact some of the best in our history. And, as you will know, this has translated into increased dividends to shareholders, with our dividend up 15% in 2015, that's an increase of 38% over the past two years and we would expect more to come.

And our focus now becomes on transforming the business and delivering on our future commitments - something I'll speak about in a minute. But first let's take a closer look at the performance, the operating performance in the businesses in 2015. And I'd like to focus just for a moment on three key areas: Solvency II; the integration of Friends Life; and our operating performance.

So first our capital position or Solvency II, which has hung over the European insurance sector like the Sword of Damocles. Now I'm pretty satisfied with where Aviva has come out. We have a Solvency II ratio of 180% and a surplus capital on that basis of £9.7bn. Now, having surplus capital of this magnitude is something that Aviva hasn't had for a very, very long time, and quite frankly, this is a very high quality problem. And we think

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it differentiates us from a number of our peers and it should make us going forward a blue chip investment.

We have also fixed the internal loan, something we heard about I think at my very first AGM, an issue that many said was unfixable just a few years ago. That's down from £5.8bn to £1.5bn, much better than our target of £2.2bn.

All in all, this equals a much stronger company, and that's good for customers and it's good for shareholders. And that's the bedrock on which we can perform on our investment thesis of getting up further cash flow and further growth.

Now let's spend just a few minutes on the second area, the small matter of integrating the £6bn acquisition of Friends Life. Now I'm delighted and I spoke to a few ex-Friends shareholders earlier on this morning and talking about their perspectives on the business. And it's great to see that so many Friends shareholders have come to be Aviva shareholders.

And how is the acquisition going? Well the acquisition has delivered everything we hoped it would, and more. So far we have already announced that we will deliver the £225m cost savings target by the end of this year; by the end of 2016, that is one whole year ahead of schedule.

We have also announced that we will produce an extra £1.2bn of capital from that transaction. Now these benefits, make no mistake, were hard-earned and they were done in a context in which many historic UK insurance integrations simply have not worked.

So on that basis I guess I'd like to take this opportunity to thank you, our shareholders, for your excellent judgement in overwhelmingly backing this deal.

So let's have a look at the third area of our operating performance - which is our operating performance in 2015. We've delivered some pretty good results in the face of some serious headwinds, equity market volatility, foreign exchange fluctuations, the biggest UK pension reforms in living memory and of course, Solvency II.

So let's just have a look at the numbers, operating profits - up a very adequate 20% to £2.7bn. What about Life Insurance - Life Insurance has had new business increase 24% that's now 12 consecutive quarters of strong new business growth. I was even thinking before there's even a danger that this growth is starting to look like a trend.

Now it was only a couple of years ago that a lot of our businesses weren't performing, in fact I think I described our Italian and Irish businesses in some rather unflattering terms. I think problem children or perhaps comparisons with our canine friends may have been mentioned somewhere in my presentations. And do you know what? They were problem children. But credit to those teams in those countries where it's due, the businesses have been transformed, with profits and sales up sharply.

What about General Insurance? In General Insurance, our combined operating ratio is 94.6% - that's our best result in General Insurance in nine years. And as part of

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General Insurance growth we've also agreed great new partnerships in the UK in particular with Homeserve and TSB, which should help fund our growth for the future.

What about Aviva Investors? Aviva Investors, I know that's an area that interests a lot of our shareholders. Well, operating profit was up 33% I think to a very creditable £105m and that three digit profit figure was a pretty important milestone. Assets under management in our flagship AIMS range of funds these have increased significantly. I can announce today, for the first time actually, that the assets under management for the AIMS Funds have just exceeded the £5.5bn mark, that is way up from the £3bn we just announced in our year-end results. That's also showing some good trends, but I think there's a lot more to come from Aviva Investors.

So over the past couple of years, I think Aviva is starting to show the consistent improvement in results that I want us to get a name for. We have now had quite a few quarters and quite a few interims and full year results where we've exceeded market expectations. You see, when I think of Aviva a few years ago I think we were like a couch potato- out of shape, slumped on the couch, stuffing ourselves with crisps and chocolate, and gazing blankly at the telly. You sort of get the picture right?.

Now we're getting into shape. We're leaner, we're fitter, we're more athletic, we're more agile - maybe more like a 10k runner. Now, a number of shareholders both in the last few weeks and since our results and this morning have said to me I must be happy with our results. No, we will never be happy with the results, in fact Never Rest is one of our core values. Never rest means we'll never be happy with where we are, so I don't think we should ever be happy with our results and as your CEO I will never be happy with them. But I am happy with the progress we have made.

So, what aren't I happy with? Where do I think we need to progress more? Well, our stock has come a long way since those dark days, and it has performed well compared with our peer group and most others - increasing 34% while the FTSE 100 is down 6% over the same period. When we add in dividends and that's a total shareholder return of 50%. But it is clear we have a lot of work to do before the market believes these growth trends and results will continue.

But you know I am a believer in fundamentals - in market fundamentals and eventually when we keep getting results market sentiment inevitably catches up with the reality of the numbers.

Now let's look forward. What's on the horizon? Well, we can see one thing looming very, very large and that's the EU Referendum. And I'm sure there's some passionate opinions on that subject in the room. And the uncertainty created by the referendum means that the sentiment is weighing on the stock market at the moment in the UK, Aviva included.

But what about strategically? Let's just take a quick look at the three key elements of what we call our Strategic Anchor. They are the who we are, the what we do and the where we do it of our strategy. First, we are what we call a True Customer Composite, or a TCC, being a composite insurance company makes us different. It means we have the ability to offer our customers a wide range of Life Insurance, General Insurance,

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Health Insurance, Asset Management, Pet Insurance if you want it. And here in the UK that puts us in a peer group of precisely one.

You see I want customers to see us as their provider of choice for more and more of their insurance and savings needs. And you know what, 83% of our customers say they want to buy more products from us. And the fact is we can do this far more cost effectively than anyone else can in the market.

Secondly, the second part of our strategy, it's called Digital First. It's more efficient, it's increasingly what our customers want and we certainly have made excellent progress in this regard. This area of the business, I can tell you, is already producing annual revenues of £1.3bn per annum. The infrastructure is largely in place, we've opened our Digital Garages in Shoreditch here in the UK and in Singapore. They are open for business.

And these Garages are where we're creating the products and services our customers want, how they want them. They are pretty exciting places to work. And by the way suits and ties are banned. And these Garages have become real tourist attractions, with visits from investors, from regulators and even from government ministers. So as the shareholders in the room, we now invite you, feel free to pop in for a cup of tea. They always have some hot tea there and some biscuits and see what's going on.

You know for years I've heard people say that Aviva's key issue in systems and digital is that our systems were old and antiquated. A product of too many integrations they said. They said they were unfixable and therefore we couldn't make the transition to digital. Well, I think the technical British management term for that statement is utter codswallop. Because by the end of this year, all of our core customer systems in the UK will be able to talk to each other. I think ladies and gentlemen that is a first for any large insurance group in the world. And that opens up a whole host of exciting possibilities on our digital strategy.

And what about the third part of our strategy - we call it Not Everywhere. We'll continue to focus on the third part and it's my job, and the job of my Board and my colleagues behind me, and my Group Executive colleagues to make allocation of capital decisions and allocate capital to the right businesses. You see I see capital at Aviva as a competitive sport - and we need to be ruthless in picking the parts of the business that we think will win in the future for our shareholders.

It might be investing in our existing businesses for organic growth; we're doing more of that. It might be reducing or restructuring debt. It might be tactical bolt-on acquisitions just like the recent deal we've done with the Royal Bank of Canada. It might be giving capital back to shareholders. Or it might be all of the above. But you know our role in society and for shareholders is not just about paying good dividends. It's about doing the right thing. It's about our values of Care More and Creating Legacy. So we'll continue to campaign on issues that are in the interests of our shareholders and in the interest of honest customers like you - not the least of which in calling out unethical or illegal behaviour.

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For example, in 2015 we worked with the Government on slamming the brakes on that fraudulent whiplash gravy train - fraudulent whiplash that costs honest British consumers billions of pounds every single year. And ladies and gentlemen it's a national scandal, it's a national disgrace and it really must stop.

*Applause*

And what about corporate responsibility? Our role as a big company like Aviva we must do our bit on corporate responsibility. And as the Chairman has said, we have invested more in our global Community Fund last year - which is now making a big difference to our communities in six of our markets across the world. And we will invest more in our Community Fund this coming year as well.

And Aviva has also been a champion in the field of sustainable business and long-term thinking. We're a long term company and we want long term results and we will continue to campaign on sustainability and long term thinking.

So to recap - are we further ahead than I thought we would be? Yes, yes we are. Have we made real and sustainable progress on fixing the key issues? Of course we have, we can all see that. After three years of the fix, debt is down, capital is significantly up, dividends are higher, and profit is growing. All the metrics are pointing in the right direction and we now have a much smaller collection of stronger businesses than we had before.

But have we achieved anything like our full potential? Absolutely not. You see my vision for Aviva is something far greater - it's about a digital insurance and fund management company, it's about a British champion, it's about a business focused on customers with digital absolutely at its heart. No longer a couch potato, more like a marathon runner, perhaps a decathlete, something truly unique - particularly here in the UK.

And for you, our shareholders, our drive and desire is to continue to deliver the consistent, reliable growth in profits and dividends year after year, to be predictable like a Swiss clock. And given what the team has delivered so far I wouldn't bet against us.

So finally, Ladies and gentlemen, fellow shareholders, this is one of the highlights of the year I certainly thank you for your support and for your trust, I know that always has to be earned year after year and I certainly look forward to having a chat and meeting more of you and having a chat after the meeting. So I thank you.