

AVIVA 2017 INTERIM RESULTS

VIDEO TRANSCRIPT

Hello. I'm Mark Wilson and I am talking to you here from our Digital Garage in Hoxton Square, London.

And we are here to talk about Aviva's 2017 interim results.

00:19 Financial performance

And the numbers show Aviva is delivering. We've seen growth in both bottom line profits and top line sales. And both of these results are broad-based, they're broad-based geographically and through multiple product lines.

What you are seeing is the result of the foundation we've put in place over the last few years. And the numbers really speak for themselves, operating profit is up, it's increased 11% to £1.47 billion. And that's, in fact, the fourth year in a row that operating profits are up.

What about earnings per share? Well, EPS is also up 15% to 25.8 pence. And you know I and the team, we remain pretty confident that we can keep growing earnings by mid-single digits over the medium term.

01:10 Dividend

We've also announced today an interim dividend of 8.4 pence per share. That's an increase of 13%, and you know I hope that's a very welcome piece of news to our half a million retail shareholders here in the UK. And those same shareholders have seen the dividend rise by 50% over the past four years.

Our businesses are on the front foot; they're delivering growth, they're picking up market share - but I should say that market share isn't what we strive for. That growth in market share is just the result of a clear strategy and some pretty good execution from our people.

Now you know this is a very clean, clear set of results. And that is just the way I like it and it's just the way I know our shareholders like it.

01:56 UK businesses

So what about our performance around the geographies? Well in our home market here in UK, we are growing and we are also investing. The UK and Ireland operating profit increased by a very creditable 8%, despite all the uncertainty and political turmoil we've seen in these markets. In our core businesses of general insurance, long-term savings, protection and annuities we delivered double-digit operating growth.

What about our UK general insurance business? That's the largest general insurance business in the Group, it grew operating profit 7% and achieved a very positive combined ratio of 93.2%, that's our best UK combined ratio in 11 years. I think that's pretty satisfactory as well.

02:46 HSBC deal

We've also announced a new ten-year exclusive distribution agreement with HSBC. Now obviously this is one of the UK's biggest general insurance deals; they are a fine bank with a[n] extraordinary network and distribution ability, and it really sets us up well for the future.

03.12 Aviva Investors

And what about Aviva Investors? Operating profit's up 45%.

Now the flagship range of funds – AIMS - that increased as well, that added on another £3 billion to be £12 billion in assets. And we've seen, I think, some sort of halo effect from that because the inflows we are getting into Aviva Investors are now a broad base - high yield fund, fixed income mandates; quite a number of mandates over this first half, so we'd expect the fund flows to continue pretty strongly in this second half. Now they know they've still got more to do, but it's going in the right direction and I'd expect them to keep delivering as we move forward.

03.49 International businesses

Looking internationally - now the benefit of Aviva is that we have about half of our business outside of the UK. This is a deliberate strategy and it's part of our investment thesis. And, you know, for this set of results, our success and growth has been very broad-based geographically as well.

Europe has shown considerable improvement with operating profit up 9% led by good results in Poland, France and you know Turkey is also up very strongly.

Asia also performed well with sales up very strongly right across the board.

On the other hand, Canada had a challenging half year. Higher claims and also the fact that we've strengthened our reserves, really did weigh on their results. But you know I've spoken to the team and I've seen their plans; I'm confident that they will address that in the second half of the year.

04:42 Digital

What about digital? I'm standing here in our Digital Garage, of course. Now our aim is to make insurance simpler, more convenient for customers. Registrations to my Aviva - that's our online hub - they're up one million to six million and we are expecting a very big half next half-year on that as we bring in our Friends Life customers - four million of them.

Now, it's true that more customers are buying insurance digitally; we've seen quite decent increases in that - general insurance premiums are up a further 13%. But really the story about our digital business in the first half of the year is our intellectual property. Our intellectual property, the software we're developing, really is world-class. We believe it can reinvent the insurance industry globally. Watch this space there's much more to come.

05:36 Balance sheet strength

And what about Aviva's financial position? Because we can't do much without a really strong balance sheet. Well, our capital surplus has increased to £11.4billion – that's a ratio of 193% of our target working range of 150 to 180 [percent].

And, frankly, this gives us some very interesting options. We've started an initial £300 million share buy-back. We keep on generating surplus capital and as we do that we'll consider bolt-on acquisitions, we'll consider debt repayment and we will also consider further capital returns to our shareholders.

06:12 Strategic progress

And what about our strategic agenda? In particular our oaks, acorns and apple trees. Well the oaks are delivering; they are giving us cash and profit. The acorns are growing, that's what they're supposed to do. And you know we've done a bit of work pruning some of the apple trees haven't we?

I'm now getting into a pretty good space. I'm happy with the high quality franchises we have left, because we've taken out some of the businesses where we didn't have a strategic advantage. Now that means the management team and I can spend less time 'pruning the apple trees' and focus more time on growing the business and getting the products our customers need.

Of course, we have announced the sale of the Spanish business and we've also just in the last couple of weeks, announced the sale of Friends Provident International, which is really a business that didn't fit with our profile, that didn't fit with what we wanted to do and so I feel that's a very good sale for all parties.

We've also been investing which is important. We've taken 100% of our JV with VietinBank in Vietnam. We've integrated RBC into Canada. And of course we've done the JV with Tencent in Hong Kong and that promises to have a pretty exciting future, at least we believe.

So there's a lot to do on the strategic agenda, but now we've done that fix phase, the team and I are very focused on delivery.

07:36 Looking ahead

You know I always get asked "are the numbers good?" and yeah when you look at the numbers it's pretty hard to quibble on this one, isn't it? But we all at Aviva feel the same: it's not time for high fives, I'm not going to crack open the champagne yet, because success is judged over the long-term, its judged year after year getting consistent reliable results and delivering for our customers. And you know what? We're not there yet. What we want to do is reinvent the insurance world, we want to grow digital, we want to keep all of our businesses growing; but these results, backed up by our last set of results, I think clearly show we're moving forward.