

Aviva plc

Interim Results 2018

Disclaimer

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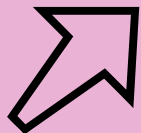
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Mark Wilson

Aviva plc

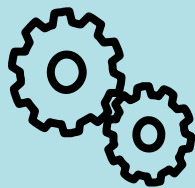
Group Chief Executive Officer

HY 2018 key financial metrics



EPS

Operating EPS
26.8p, +4%



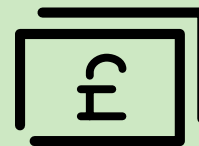
Capital

Solvency II ratio¹
187%, -11pp



Cash

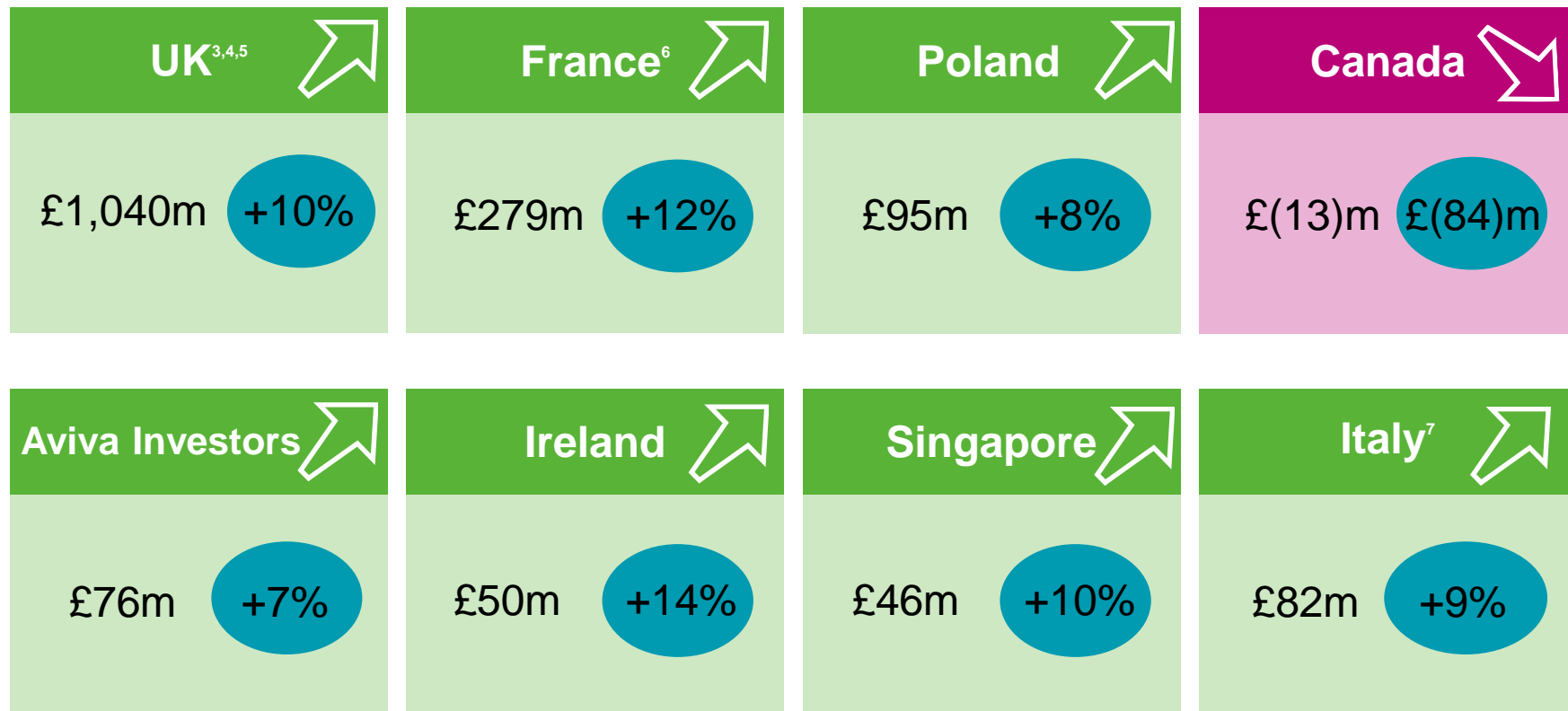
Cash remittances²
£1.49bn, +28%



Dividend

9.25p per share
+10%

7 out of 8 major markets delivered strong growth



Major markets performance highlights

UK

LT Savings net inflows £2.5bn
Annuity sales +83%
GI COR⁸ 94.3%

France

Mix shift to U/L & protection
Operating expenses -2%
GI COR⁸ 95.5%

Poland

Maintained high quality mix
U/L & protection c85% of sales
GI COR⁸ 89.0%

Canada

GI COR⁸ 104.6%
Weather 2.2ppts above LTA
Early signs underlying improvement

Aviva Investors

AIMS improved performance
Positive cost-income jaws
Investment in talent

Ireland

GI COR⁸ 87.1%
NWP flat as market cycle evolves
Completed Friends First acquisition

Singapore

VNB⁹ +43%
Growth from volume and mix
Aviva FA: 772 advisers

Italy⁷

Net inflows £2.3bn driven by hybrid
and with-profits
GI COR⁸ 97.4%
Completed sale of Avipop

Confidence in achieving >5% FY growth ambition

H1 Headwinds*

- Canada -£84m
- UK Weather -£60m
- Disposals -£83m

FY Outlook

- + Organic growth
- + Canada stabilisation
- + 2017/18 Capital returns

2018 FY

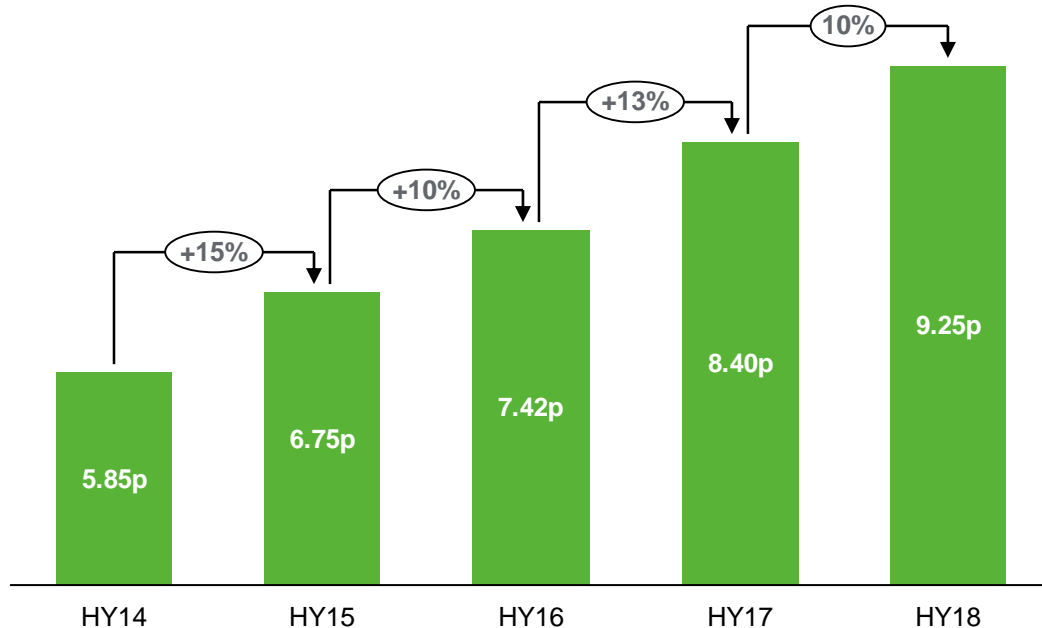
Ambition



EPS growth >5%

Double-digit dividend growth underpins FY confidence

Interim dividend up 10%



Interim dividend
9.25p

2018 share buyback
£600m

Disciplined deployment of surplus capital

	2018 capital deployment: YTD progress	H2 outlook
Organic growth	Invest to grow – internally funded GCS, AFA, Aviva Investors, BPA, LT savings	Invest to grow Business as usual
Bolt-on M&A	c.£500m target €146m: completed acquisition of Friends First in Ireland	c.£400m Unused budget will reduce debt or roll into 2019
Debt deleveraging	c.£900m target €500m 6.875% T2 repaid in May	\$575m to repay 7.875% RT1 Nov 18
Capital returns	£600m buyback announced £376m completed YTD*	£224m Remainder to complete

*As at 31 July 2018

HY 2018 key messages

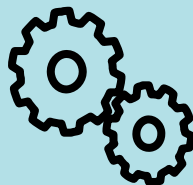
Operating EPS



+4%

On track for >5%
operating EPS target
in FY18

SII Capital¹



187%

Strong and resilient
capital position
maintained

Cash remittances²



+28%

Surplus deployed to
de-lever and provide
additional returns

Interim dividend



+10%

Confidence reflected
in continued growth in
the dividend

Tom Stoddard

Chief Financial Officer

Operating profit

£m		HY17	HY18	Change
Major markets	UK Insurance ^{4,5}	942	1,040	10%
	Aviva Investors	71	76	7%
	Canada	71	(13)	n/a
	France (excl. Antarius)	250	279	12%
	Poland	88	95	8%
	Italy (excl. Avipop)	75	82	9%
	Ireland	44	50	14%
	Singapore	42	46	10%
Total major markets		1,583	1,655	5%
Strategic investments		(33)	(59)	(79)%
Corporate costs, non insurance & other		(66)	(62)	6%
Group debt costs ⁴		(189)	(184)	3%
FPI		70	71	1%
Contribution from disposals*		100	17	(83)%
Operating profit		1,465	1,438	(2)%

Operating EPS

26.8p

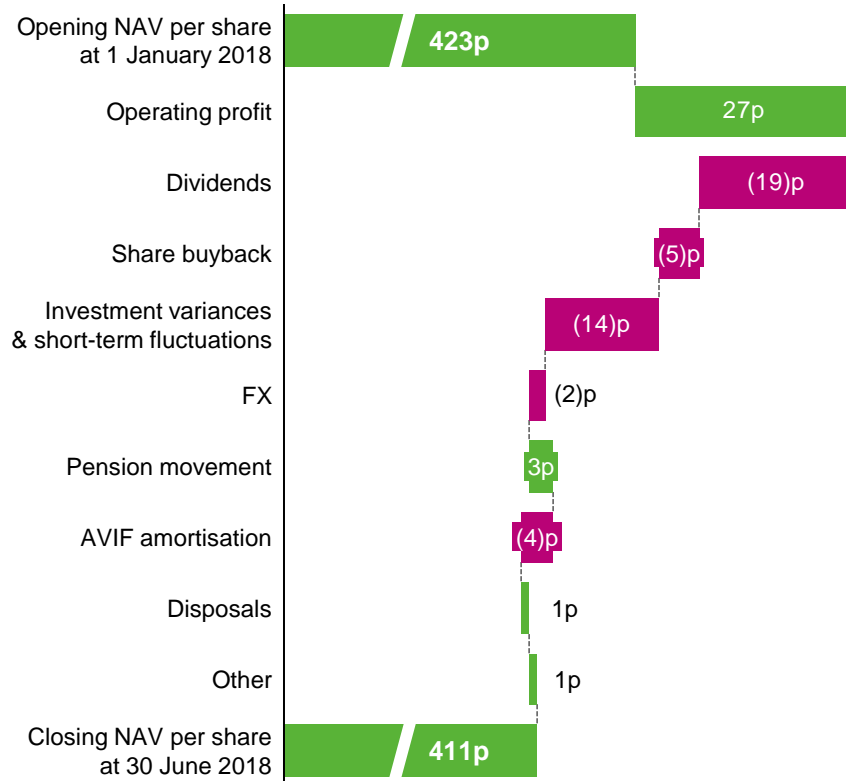
+4%

Operating EPS
after I&R costs

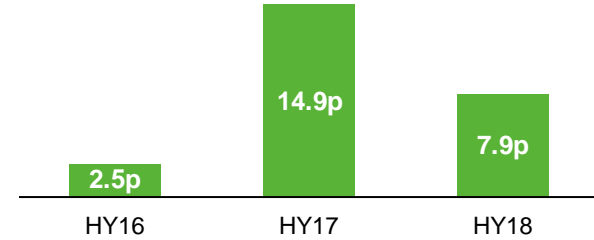
26.8p

+8%

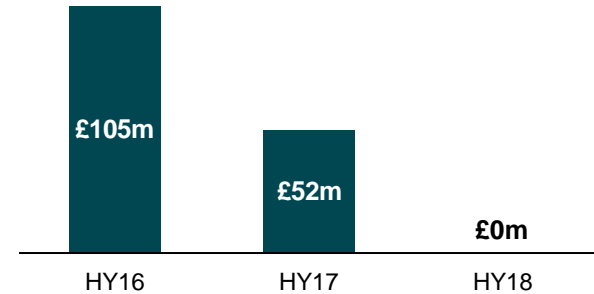
Net asset value¹⁰



Basic EPS

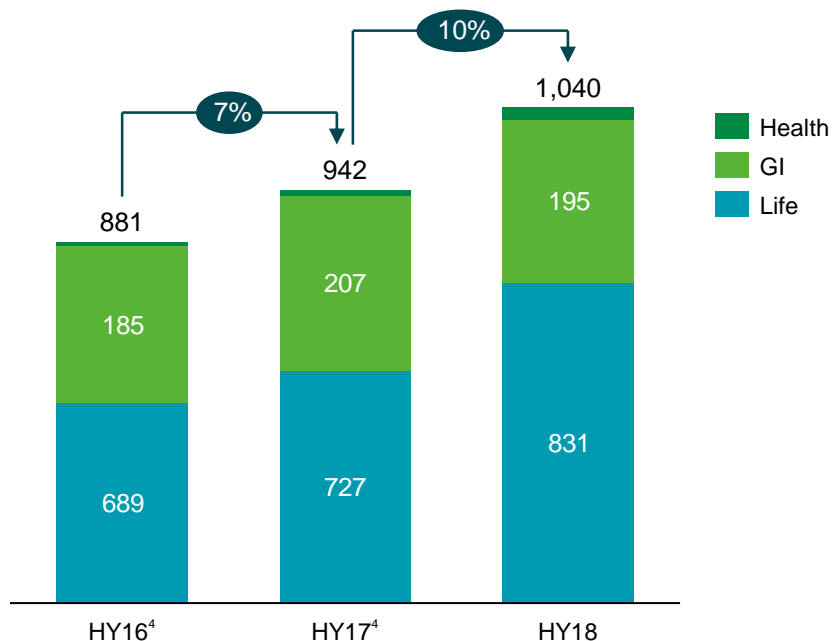


Integration & restructuring costs



Operating profit⁵

£m

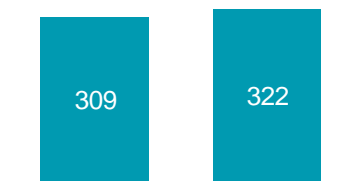


Performance

- Unique, large scale multi-line insurer with unparalleled brand & distribution and a top 3 rank across multiple product lines
- Long term savings net flows up 17% to £2.5bn (HY17: £2.1bn), BPA volumes⁹ x5 to £1.5bn (HY17: £0.3bn) driven by M&S win
- 94.3% GI COR⁸ (HY17: 93.2%) with PY releases and improved underlying performance more than offset by 3pp (£60m) higher weather costs
- Continued benefits from positive longevity developments, driving an increase in 'Other' of £98m
- £1.25bn of Friends Life specials remitted to date, exceeding 2016-18 target of £1bn

UK Insurance profit drivers

Life



Annuities & Equity Release

- £2.6bn PVNBP⁹ (+83%)
- Our largest ever BPA win (£0.9bn)
- Temporarily reduced NB margin pending origination of target asset mix



Long-term savings

- £121bn AuA (HY17: £109bn; FY17: £118bn)
- £23bn Platform AuA (+12% vs. FY17)
- Stable inforce margin (25bps)



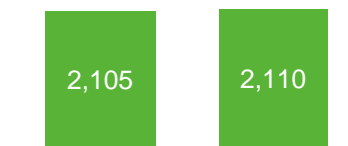
Protection

- New business sales down: pricing discipline in competitive market
- Actions taken following adverse claims experience in 2H17

HY17 HY18

Operating profit (£m)

General Insurance



Net written premiums (£m)

- Maintained disciplined growth in our preferred channels in a soft market
- +5% Commercial Non Motor
- +11% Direct Home



Combined ratio⁸ (%)

- Weather vs. budget: adverse (0.2)pp in CY vs. favourable 2.8pp in PY
- 2.0pp benefit from PY releases (HY17: 0.5pp)
- Normalised COR of 96.1% improved by 0.4pp



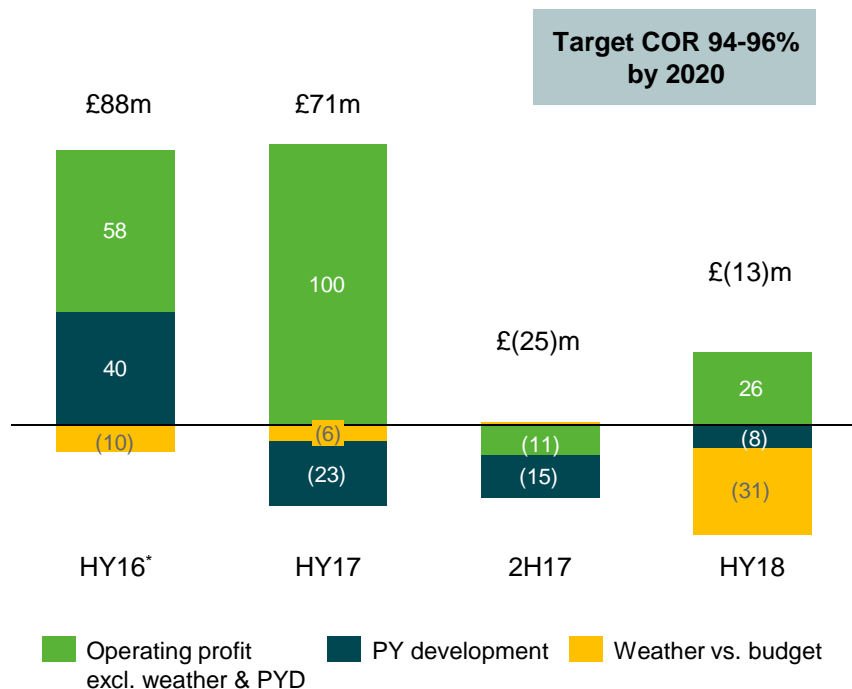
Operating profit (£m)

- Underwriting result down 15% mainly due to higher weather costs despite continued underlying progression

HY17⁴ HY18

Canada

Operating profit

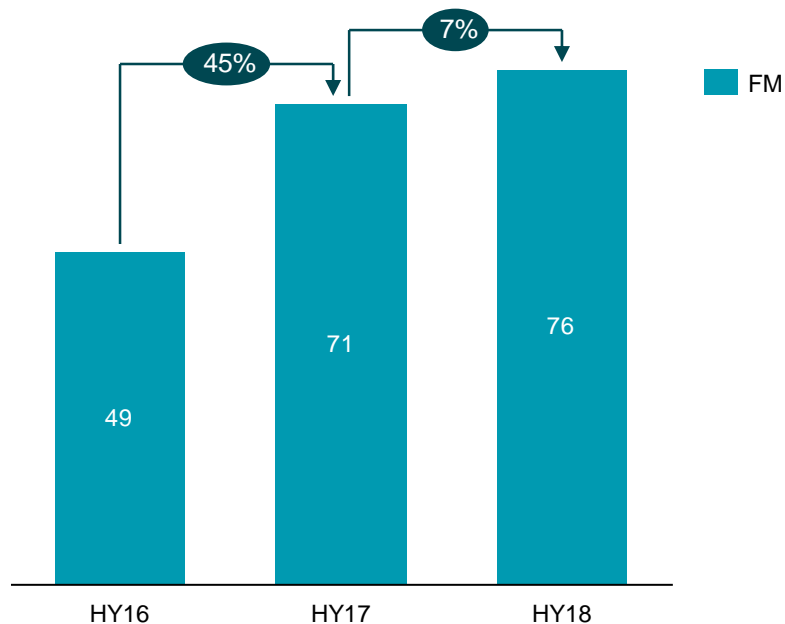


Performance

- Small improvement on 2H17 loss despite materially elevated weather losses and challenging conditions in motor market
- COR⁸ 104.6% (HY17: 98.9%; 2H17: 105.3%) with c2pp higher weather costs following significant wind & ice storms
- Commercial COR 97.8% while Personal COR remained >100%
- Normalised COR 101.9% (HY17: 96.9%; 2H17: 104.4%); early signs of progress from recovery plan
- NWP +5% (excl. FX) to £1.5bn with rate increases in Personal Lines and underwriting discipline in Commercial Lines
- Encouraging progress from remediating actions to date around pricing, risk selection, distribution and claims; Further work necessary to return COR to targeted 94-96% by 2020

Operating profit

£m

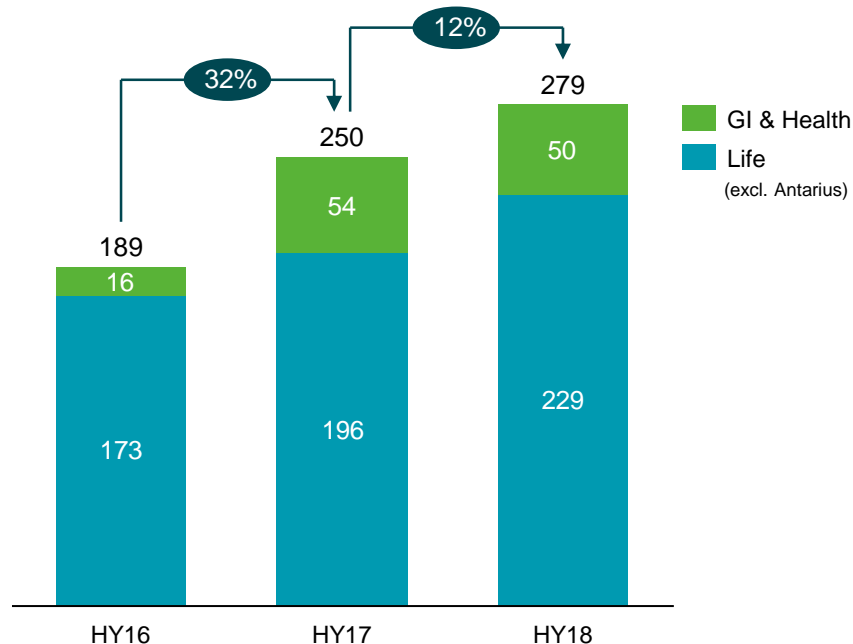


Performance

- Stable average AUM in difficult market environment while we continue to invest to expand capabilities
- Investment to build equities team and broaden distribution coverage in the US & Europe
- Revenue growth exceeded expense growth with operating profit margin increasing to 27% (HY17: 26%)
- £347bn AUM (FY17: £351bn¹⁵) with £3.7bn net outflows primarily in internal legacy products
- AIMS AUM £12.0bn (FY17: £12.6bn): improved relative performance
- External clients were 35% of revenue and 21% of AuM at HY18, stable period to period

Operating profit

£m



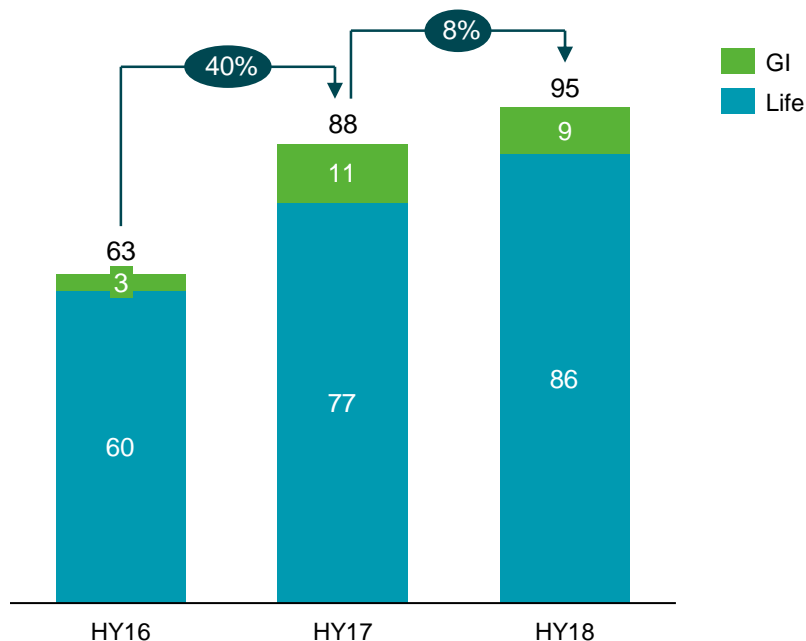
Performance

- Strong distribution footprint, with increased brand recognition providing an opportunity to expand our presence with customers
- VNB⁹ up 10% to £123m (HY17: £111m) driven by higher volumes and improved mix
- Protection and unit-linked sales contributed 49% of PVNBP⁹ (HY17: 46%)
- COR⁸ 95.5% (HY17: 93.2%) with adverse PYD partly offset by lower large losses & continued underlying improvements
- GI NWP +4% (excl. FX) mainly from pricing actions
- Increased focus on efficiency with operating expenses down 2% (excl. FX)

Poland

Operating profit

£m

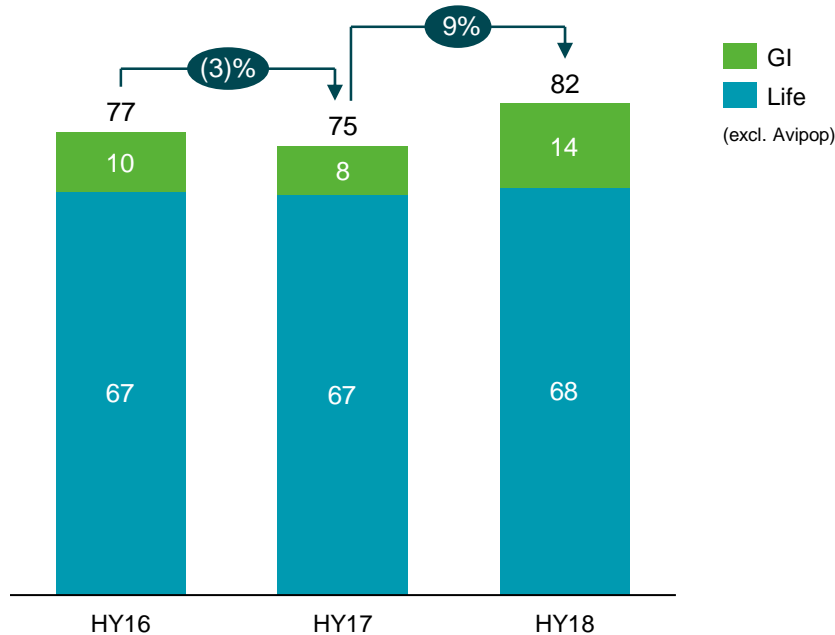


Performance

- High ROCE multi-line franchise with 15% share of profit pool
- Life operating profit +8% (excl. FX) with higher assets under management driving increased fee income
- VNB⁹ £25m (HY17: £28m); Maintained high quality mix with protection & unit-linked sales c85% of total new business sales
- COR⁸ 89.0% (HY17: 86.2%) with lower NWP from underwriting actions on Personal Motor in softening market
- Continued focus on digital strategy with new propositions under development

Operating profit

£m



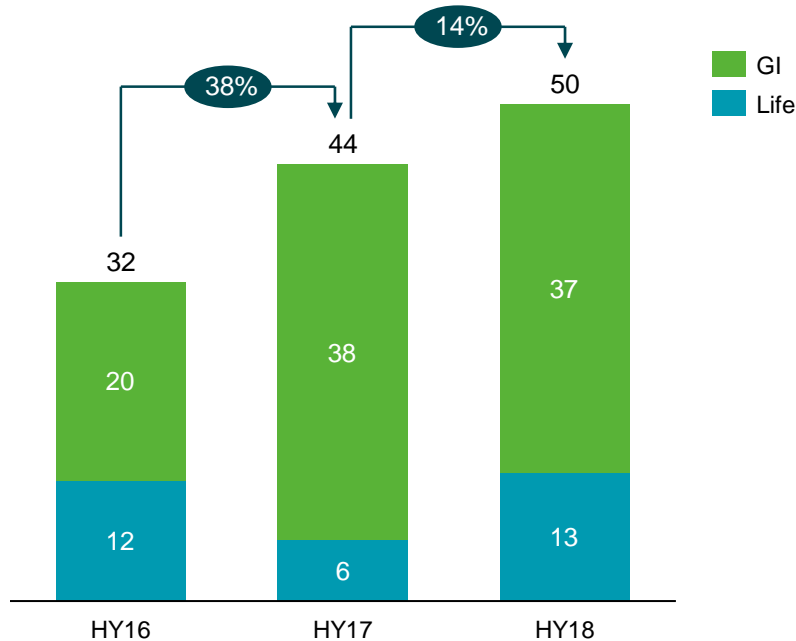
Performance

- Multi-line business with major bancassurance partnerships and a growing IFA franchise
- £2.3bn net inflows (HY17: £0.9bn; FY17: £2.3bn) from continued success of capital-light 'hybrid' and WP products
- VNB⁹ nearly tripled to £146m (HY17: £50m) from higher volumes and improved with-profit margins
- Strong flows to drive growth in life operating profit in the second half
- COR⁸ improved to 97.4% (HY17: 98.7%) from remediating motor book; NWP down 10% (excl. FX)
- Completed sale of Avipop JV to Banco BPM for €265m

Ireland

Operating profit

£m



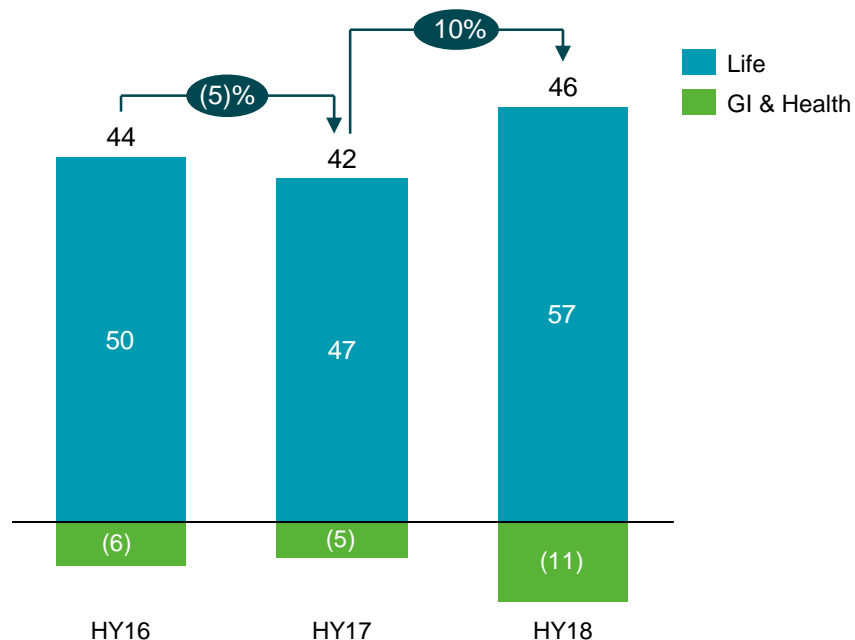
Performance

- Largest multi-line insurer with strong brand and 15% market share in both Life and GI
- COR⁸ 87.1% (HY17: 84.7%) with lower PY releases and less benign weather partly offset by improved underlying performance
- NWP stable at £223m (HY17: £221m) as focus remained on pricing discipline
- Life operating profit benefitted from asset optimisation on annuity book
- Friends First acquisition completed in June - integration in progress

Singapore

Operating profit

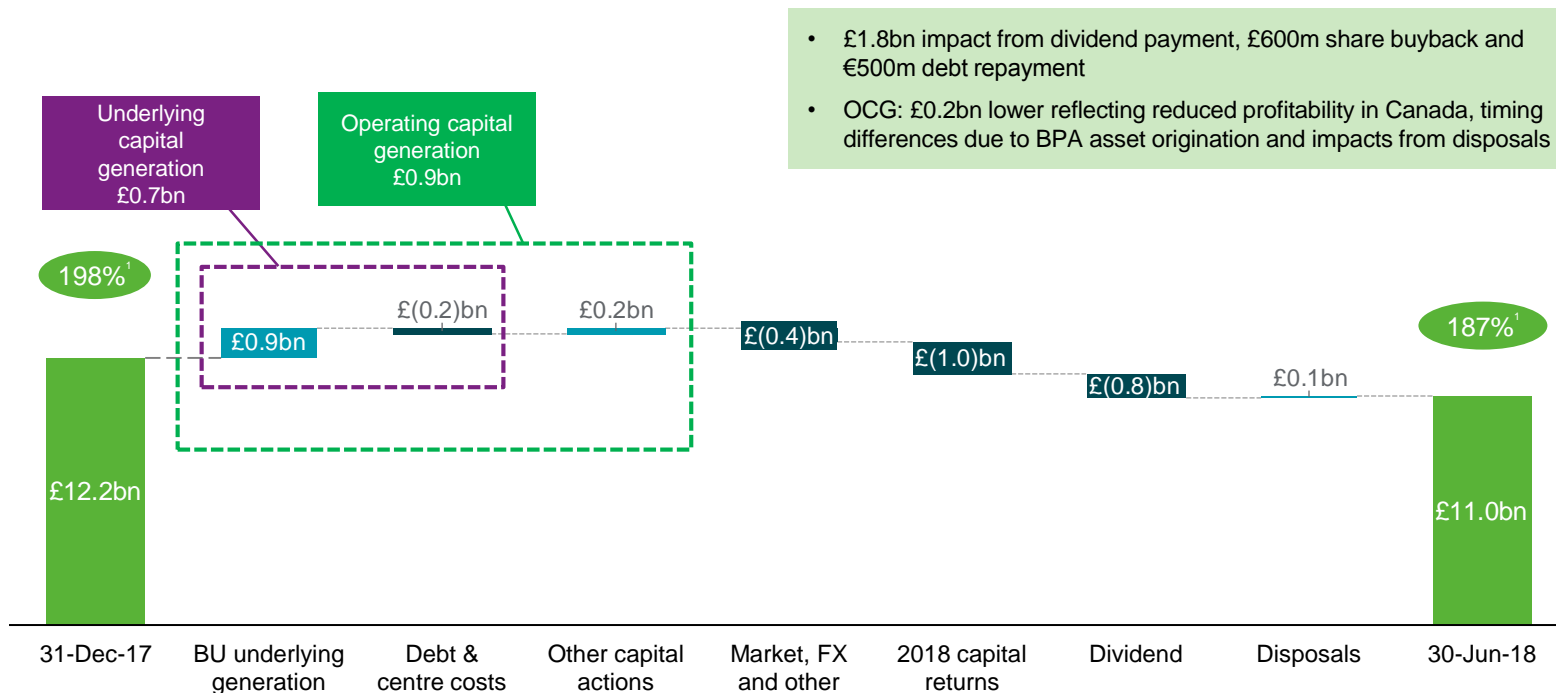
£m



Performance

- Top 6 in Life & Health segment with opportunity to take additional share through disruptive distribution strategy
- Life operating profit up 22% (excl. FX) to £57m from strong growth in FA channel partly offset by investment to build scale in GI & Health
- Aviva Financial Advisers: up 49% to 772 advisers at HY18 (HY17: 518; FY17: 673)
- VNB⁹ up 47% (excl. FX) to £62m (HY17: £44m) with double-digit volume growth from FA channel and further mix shift: protection sales 47% of PVNBP⁹ (HY17: 42%)

Capital generation



Sources of EPS growth

HY18 operating EPS

Underlying growth: c5%

- + Capital returns offset adverse impact from disposals
- + Small positive impact from FX & operating tax rate
- Managing change spend in line with performance: c(1)% net impact from combination of longevity, weather & change spend

= Reported operating EPS growth: 4%

2018 outlook

Targeting operating EPS growth >5%

- + Organic growth in major markets: >5%
Canada: about flat because of weather
- + Capital returns: c4-5%
- Perimeter changes: c(3)%
 - Residual impacts from disposals to date
 - FPI completion expected late 2018
- Tax: c(1)-(2)%
- ? FX, weather & other
Longevity may contribute in 2018 & 2019 unless trends reverse

HY 2018 key messages

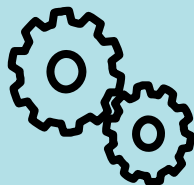
Operating EPS



+4%

On track for >5%
operating EPS target
in FY18

SII Capital¹



187%

Strong and resilient
capital position
maintained

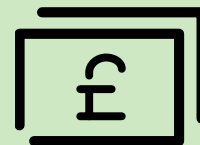
Cash remittances²



+28%

Surplus deployed to
de-lever and provide
additional returns

Interim dividend



+10%

Confidence reflected
in continued growth in
the dividend

Appendix

UK profit overview

UK profit overview

£m		Operating profit			Margin				Driver	
		HY17 £m	HY18 £m	Δ	HY17 % bps	HY18 % bps	FY17 % bps	Target range	HY17	HY18
Long Term Savings	New	(40)	(41)	(2)%	n/a	n/a	n/a	FY (90)-(100)	105bn (Opening assets)	118bn (Opening assets)
	Existing	129	147	14%	25bps	25bps	25bps	25-30bps		
	Total	89	106	19%						
Annuities & Equity Release	New	109	108	(1)%	8%	4%	8%	7.5-8.5%	1,435m (PVNBP)	2,631m (PVNBP)
	Existing	200	214	7%	70bps	71bps	68bps	55-70bps	57bn (Opening assets)	61bn (Opening assets)
	Total	309	322	4%						
Protection	New	67	51	(25)%	52%	48%	52%	40-50%	128m (APE)	106m (APE)
	Existing	66	57	(14)%	8%	6%	6%	7.5-8.5%	1.69bn (In-force premiums)	1.77bn (In-force premiums)
	Total	133	108	(19)%						
Legacy		187	188	0%	40bps	48bps	41bps	35-40bps	81bn (Opening assets)	78bn (Opening assets)
GI³	Underwriting	135	115	(15)%					2,105m (GI & Health NWP)	2,110m (GI & Health NWP)
	LTIR & other ⁴	72	80	11%						
	Total	207	195	(6)%					93.2% (GI COR)	94.3% (GI COR)
Health³	Total	8	14	75%						
Other⁵		9	107	n/a				FY £150-200m		
Total		942	1,040	10%						

Earnings per share

Operating earnings per share

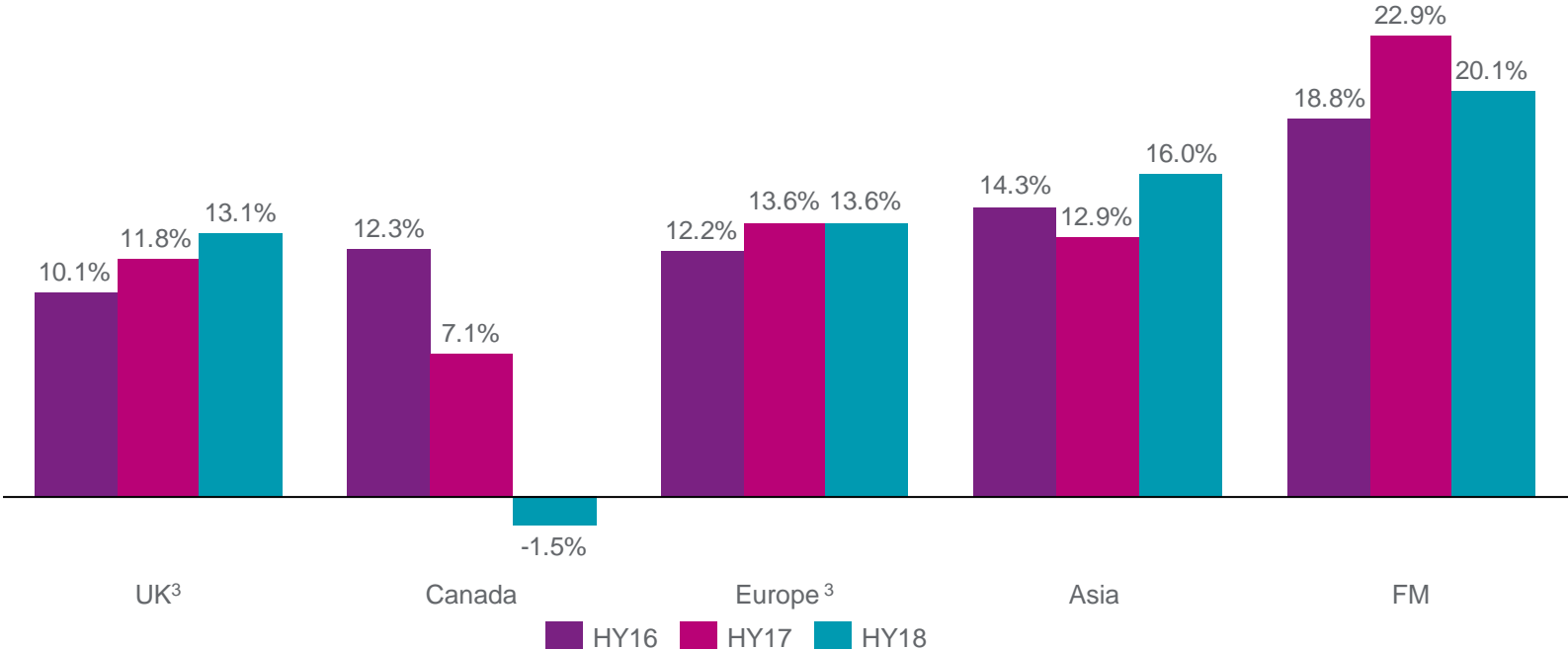
	HY17	HY18
Group operating profit	1,465	1,438
Less operating tax	(311)	(303)
Minority Interest	(73)	(46)
DCI and fixed rate tier 1 notes	(23)	(6)
Preference shares	(9)	(9)
Total operating earnings after tax, MI & DCI and preference shares	1,049	1,074
Weighted average number of shares	4,061	4,009
Operating earnings per share	25.8	26.8

Basic earnings per share

	HY17	HY18
Operating profit attributable to shareholders	1,049	1,074
Investment return variances and economic assumption changes on long-term business	(129)	(419)
Short-term fluctuation in return on investments backing non long-term business	(166)	(160)
Economic assumption changes on GI & Health business	(10)	27
Impairment of goodwill, joint ventures and associates and other amounts expensed	(19)	-
Amortisation and impairment of intangibles	(71)	(82)
Amortisation and impairment of acquired value of in-force business	(201)	(178)
Profit/(loss) on disposal and remeasurement of subsidiaries, JVs and associates	192	31
Integration and restructuring costs	(40)	-
Other ¹¹	-	22
Profit attributable to ordinary shareholders	605	315
Weighted average number of shares	4,061	4,009
Basic earnings per share	14.9p	7.9p

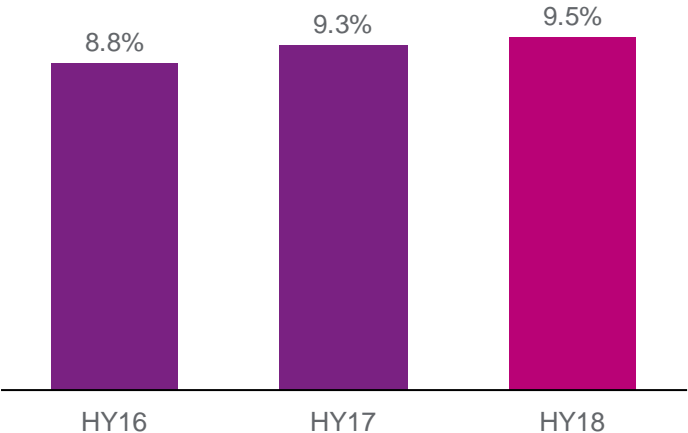
Returns

Operating return on total capital employed

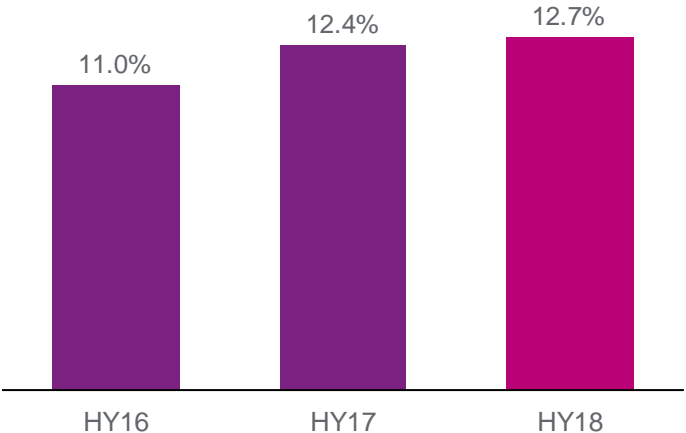


Operating return on total capital employed & return on equity

Group return on capital employed



Group return on equity



Analysis of operating return on equity

£m	Before tax	After tax	Weighted average shareholders' funds including non-controlling interests	Return on Equity %
United Kingdom Life ^{3,5}	831	659	10,883	12.1%
United Kingdom General Insurance ^{3,5}	209	169	1,720	19.7%
United Kingdom	1,040	828	12,603	13.1%
Canada	(13)	(10)	1,325	(1.5)%
Europe	526	374	5,495	13.6%
Asia	132	128	1,596	16.0%
Fund management	74	53	527	20.1%
Corporate and Other Business ¹²	(132)	(85)	5,597	n/a
Return on total capital employed	1,627	1,288	27,143	9.5%
Subordinated debt	(188)	(152)	(6,988)	4.4%
Senior debt	(1)	(1)	(1,417)	0.1%
Return on total equity	1,438	1,135	18,738	12.1%
Less: Non-controlling interests	—	(46)	(1,141)	8.1%
Direct capital instrument and tier 1 notes	—	(6)	(730)	4.9%
Preference capital	—	(9)	(200)	8.5%
Return on equity shareholders' funds	—	1,074	16,667	12.7%

Capital & debt

Solvency II – sensitivities

Impact on solvency cover ratio

30/06/2018 solvency cover ratio: 187%¹

25bps increase in interest rate	4%
100bps increase in interest rate	12%
25bps decrease in interest rate	(6)%
50bps decrease in interest rate	(12)%
50bps increase Corporate Bond spread ¹³	(4)%
100bps increase Corporate Bond spread ¹³	(8)%
50bps decrease in Corporate Bond spread ¹³	4%
Credit downgrade on annuity portfolio ¹⁴	(4)%
10% increase in market value of equity	2%
10% decrease in market value of equity	(2)%
25% decrease in market value of equity	(5)%
10% increase in maintenance and investment expenses	(8)%
10% increase in lapse rates	(3)%
5% increase in mortality / morbidity rates – life assurance	(3)%
5% decrease in mortality rates – annuity business	(12)%
5% increase in gross loss ratios	(3)%

Solvency II own funds by tier

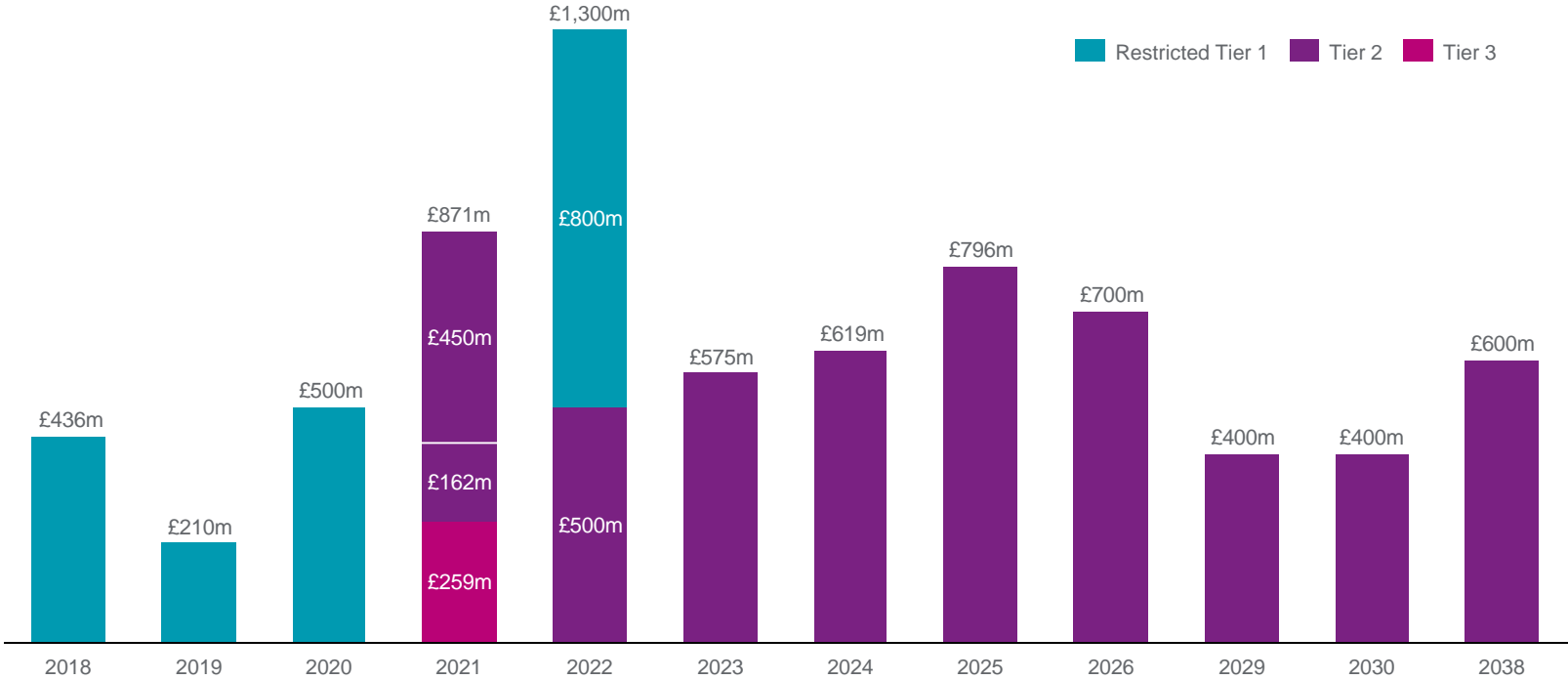
Regulatory view*			
HY18	£bn	% of SCR	% of own funds
Tier 1	22.1	128%	78%
T1 unrestricted	19.6	113%	69%
T1 restricted	2.5	15%	9%
Tier 2	5.8	33%	21%
Tier 3	0.4	2%	1%
	28.3	163%	100%

*Estimated

Shareholder view

- Regulatory view of own funds adjusted by £4.7bn due to with-profits funds, pension schemes, notional reset of transitionals and other pro-forma adjustments
- Shareholder view coverage ratio of 187%¹

Subordinated debt profile



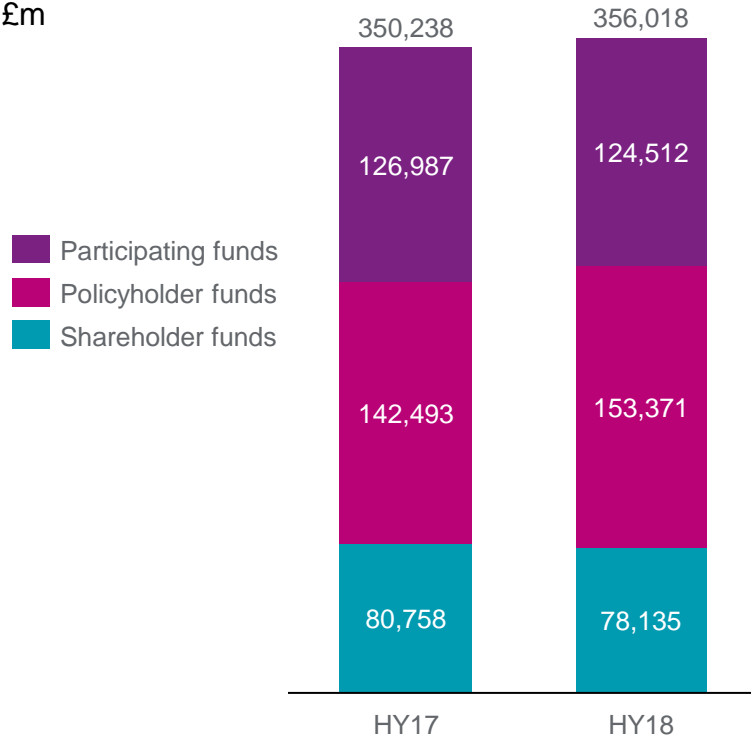
All callable debt instruments have been presented at optional first call dates at nominal values converted to GBP using 30 June 2018 rates.

Balance sheet

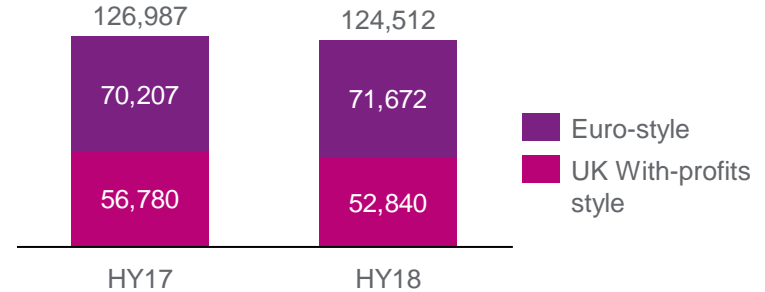
Total managed assets

Assets by liabilities covered

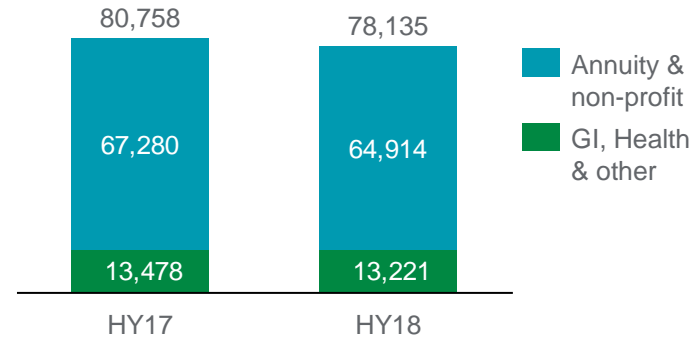
£m



Participating assets by type

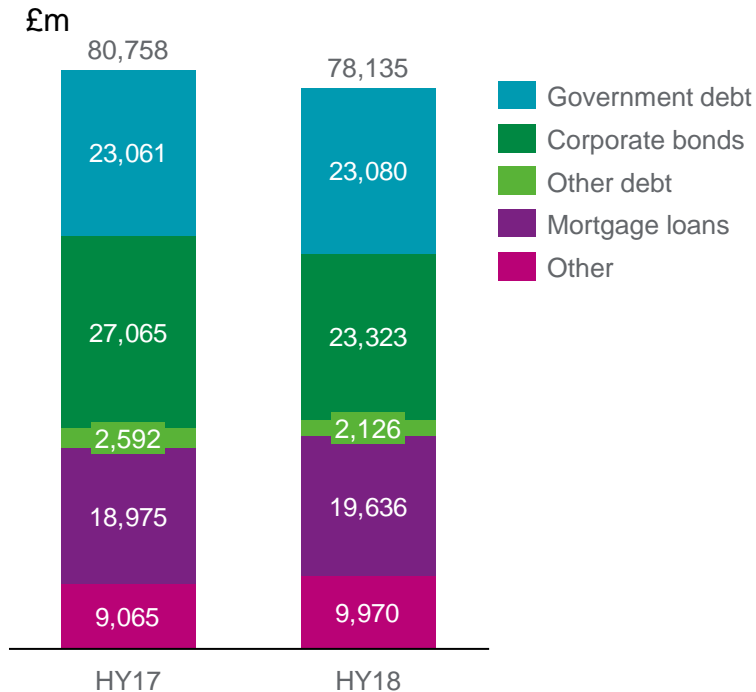


Shareholder assets by type

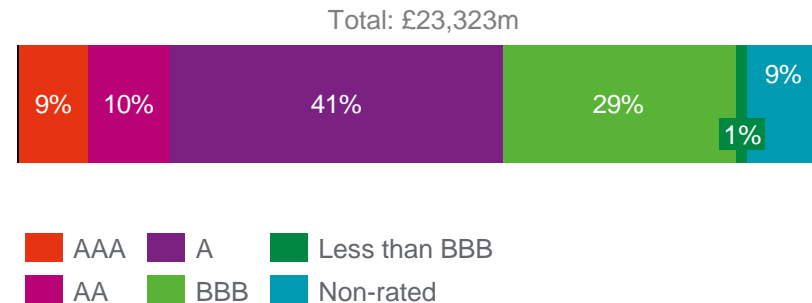


Shareholder assets

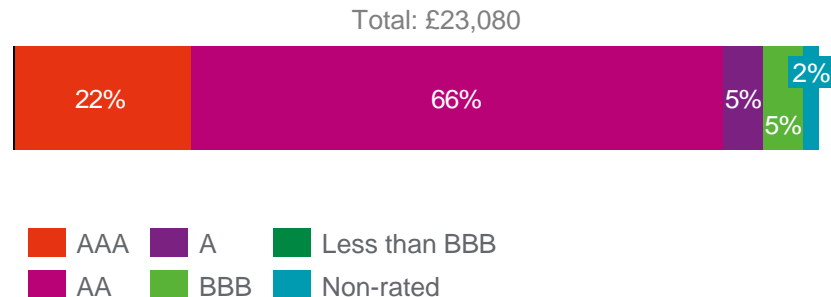
Shareholder assets by type



Corporate debt by rating

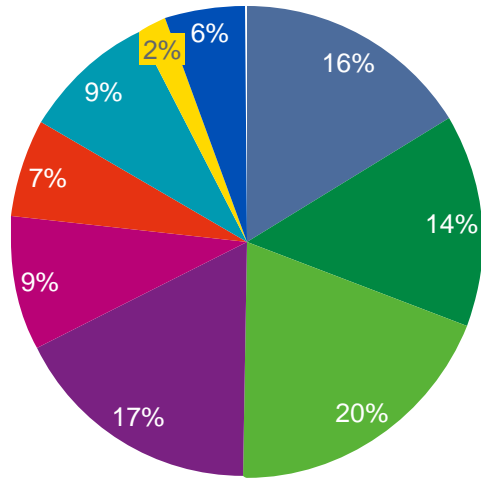


Government debt by rating



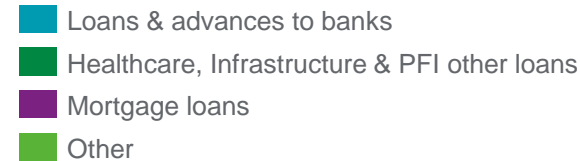
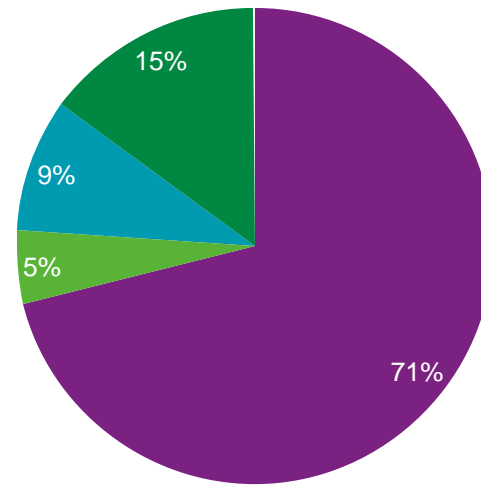
Shareholder assets

Corporate bonds by industry



Loans by type

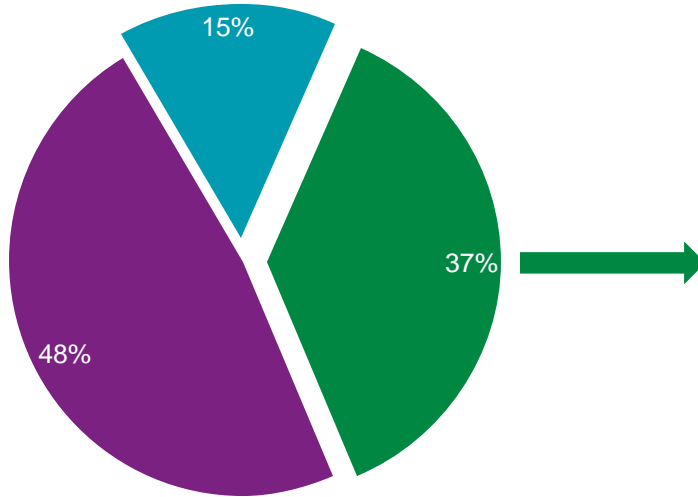
Total: £27,717m



Shareholder assets – Mortgage loans

Mortgage loans

Total: £19,636m

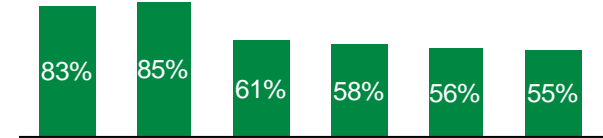


- Healthcare, infrastructure & PFI
- Commercial
- Securitised mortgage loans & equity release

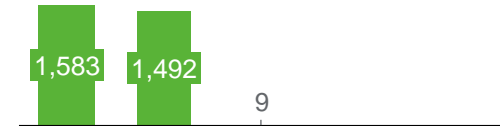
Commercial real estate portfolio

Commercial: £7,271m

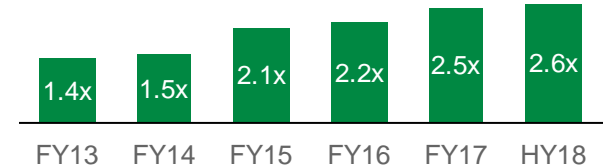
LTV



Loans in arrears



Loan interest cover

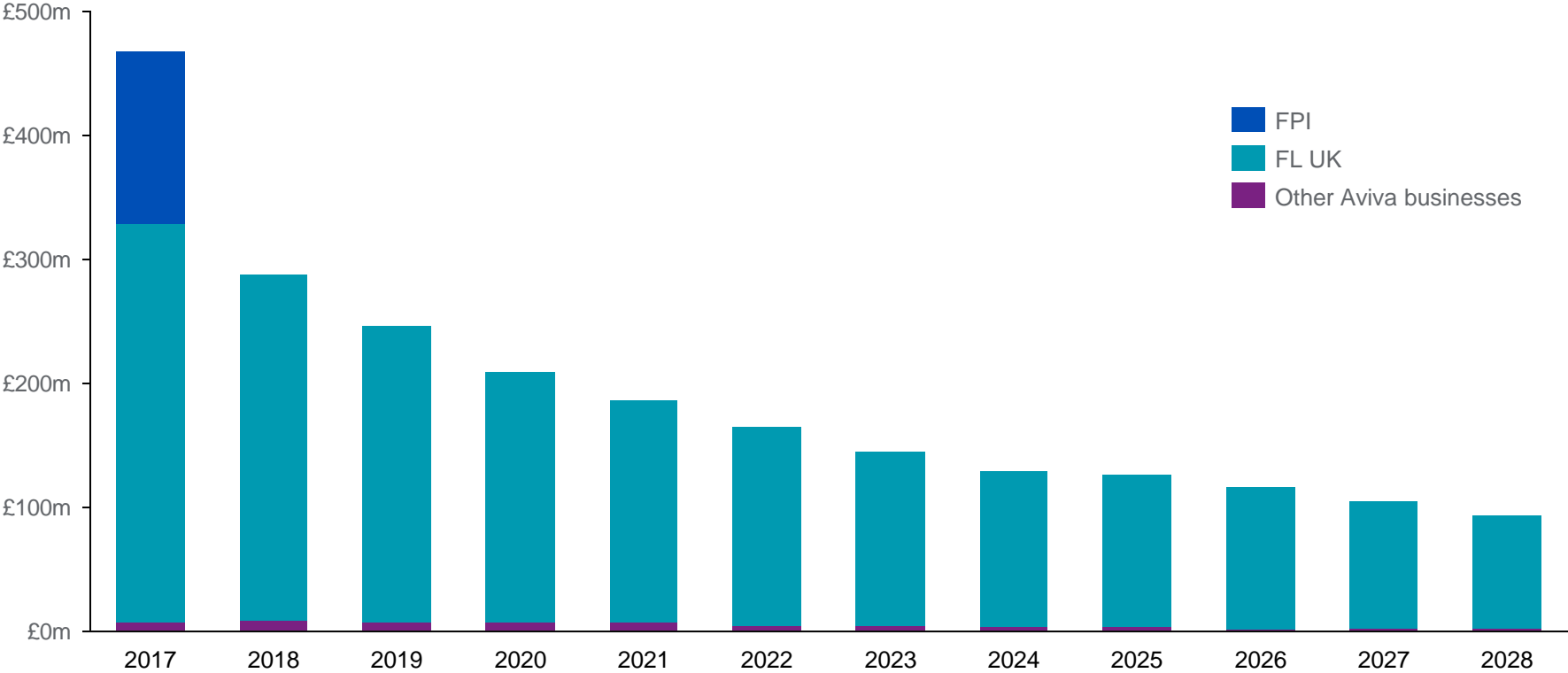


Other

Disposals

	Consideration	Period	Completion	Operating profit (before tax & MI) (£m)	Operating profit (after tax & MI)	Operating EPS (p)
Antarius	€500m	FY17	1Q17	22	6	0.2
Spain	€677m	FY17	Sept '17 (Part I)	76	30	0.6
		HY18	Jul '18 (Part II)	9	3	0.1
Avipop	€265m	FY17	March '18	51	18	0.4
		HY18		8	3	0.1
FPIL	£340m	FY17	Pending	119	122	3.0
		HY18		71	71	1.8

Estimated amortisation of acquired value of in-force



This is our latest estimated projection as provided at FY17 and is subject to a number of factors including the effects of markets. We announced the sale of FPI in July 2017. It is expected to complete in late 2018.

Footnotes

1. The estimated Solvency II position represents the shareholder view only. See Section 8i of the Analyst Pack for more details.
2. Cash remitted to Group and Solvency II operating capital generation are managed at legal entity level. As Ireland constitutes a branch of the United Kingdom business, cash remittances from Ireland are not aligned to the new management structure within Europe, but they are reported within United Kingdom.
3. Following the launch of UK Insurance which brings together UK Life, UK General Insurance and UK Health into a combined business, the Ireland Life and General Insurance businesses have been aligned to the new management structure and reported within Europe. As a result, comparative balances have been restated.
4. Prior year comparatives have been restated for the impact of the AGH loan. This restatement has been applied to these slides only and has not been applied to the Analyst Pack.
5. Non-insurance operations relating to the UK have been reclassified to their respective market segments to better align with the segmental note as per note B5 'Segmental Information' of the Analyst Pack.
6. Excludes Antarius (disposed of).
7. Excludes Avipop (disposed of).
8. The combined operating ratio is now reported on an earned basis. Comparatives have now been aligned to reflect this change.
9. PVNBP and VNB are presented on an adjusted Solvency II basis.
10. NAV is presented net of tax and MI.
11. Other includes a gain of £36 million relating to negative goodwill on the acquisition of Friends First (refer to Note B4(a) of the Analyst Pack) and a charge of £14 million relating to goodwill payments to preference shareholders which were announced on 30 April 2018.
12. The Corporate and other business loss before tax of £132 million comprises corporate costs of £99 million, other business operating loss (net of investment return) of £74 million, partly offset by interest on internal lending arrangements of £5 million and finance income on the main UK pension scheme of £36 million.
13. Credit spread movement for corporate bonds with credit rating A at 10 year duration, with the other ratings and durations stressed by the same proportion relative to the stressed capital requirement.
14. An immediate full letter downgrade on 20% of the annuity portfolio bonds (e.g. from AAA to AA, from AA to A).
15. Following a review of external funds under management, comparative amounts have been amended from those previously reported to reflect the fact that certain crossholdings had not been correctly eliminated on consolidation. The effect of this change is to reduce external funds under management by £2.5 billion.