

# BofA Merrill Lynch Conference

30 September, 2015

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Group CEO

# Disclaimer

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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; 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, including specifically the integration of Friends Life; 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; 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 the risk factors contained in the Euro Note Programme prospectus published on 1 May 2015. 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.

# The macro view



- Leading G7 economic growth
- Largest deficit reduction of major economies
- Political / regulatory dynamic improved
- Pensions market to treble in 10yrs



- Well recognised growth
- Regulatory uncertainty



- Polarised economic growth outlook
- Solvency II becoming clearer



- Slowing growth
- Increased volatility
- Maturing regulatory environment



- Nascent growth
- Continued political uncertainty

We have a clear strategy to deliver sustainable and progressive cash flows underpinned by good potential for growth, by always putting the customer first



## True Customer Composite

Meeting all our customer needs across life, general, health insurance and asset management



## Digital First

Emphasising customer experience driven by digital – online and mobile



## Not Everywhere

Focusing only in markets and segments where we can win

Across our 16 businesses, we protect our 34 million customers and the things that are important to them:

£24.6bn

Paid in benefits and claims in 2014

£1.4m

Paid out per day for UK life insurance and critical illness claims in 2014

£328bn

Life Managed Assets

319 years

Protecting our customers since 1696

Our investment thesis is:

**Cash Flow + Growth**

# Aviva – a simple story



34 million customers



Largest UK Insurer - True customer composite



Growth option in developed AND emerging markets



Robust balance sheet - predictable cash flows



Leading retirement solutions provider



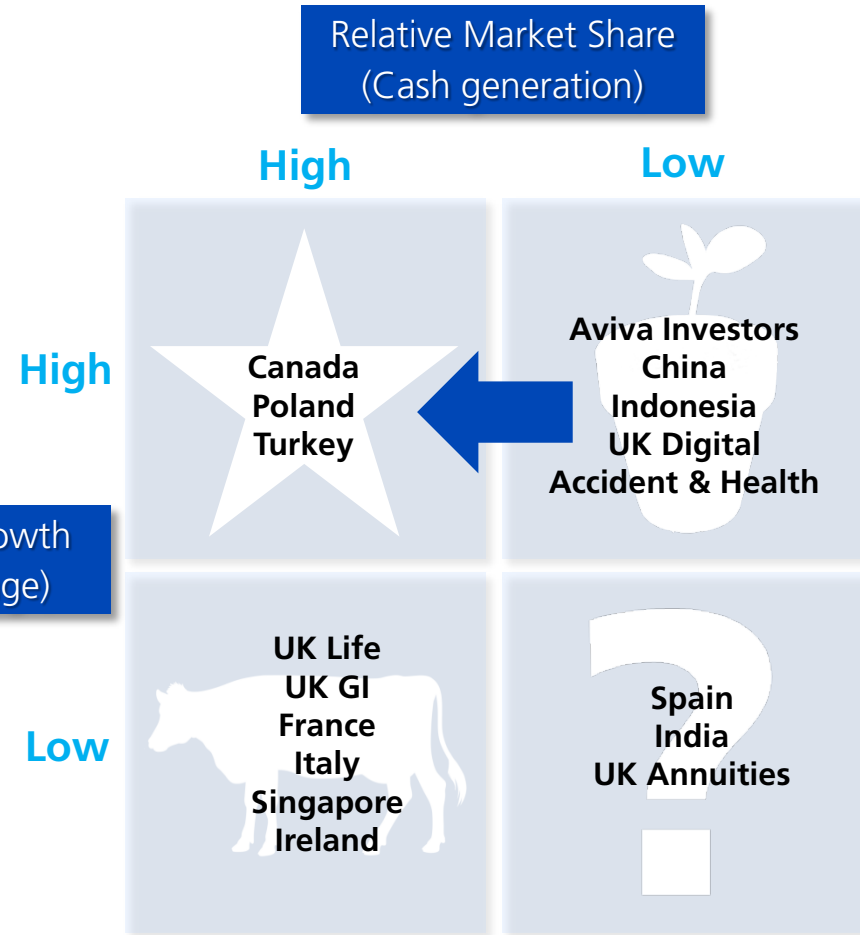
The UK's most valued insurance brand<sup>1</sup>



Upside from Friends Life transaction



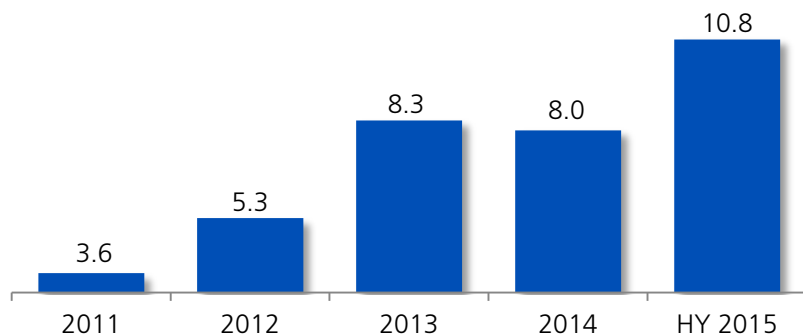
Digital opportunity group wide



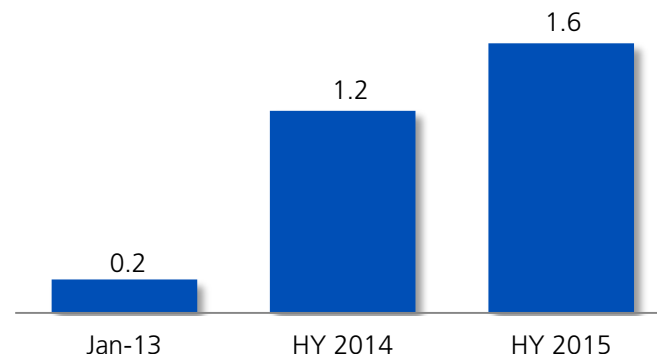
Source: BCG matrix

# Improved financial flexibility

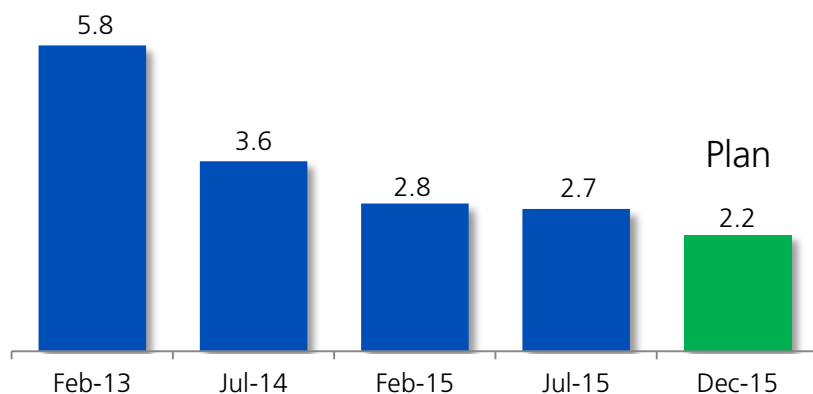
Economic capital surplus<sup>1</sup> - £bn



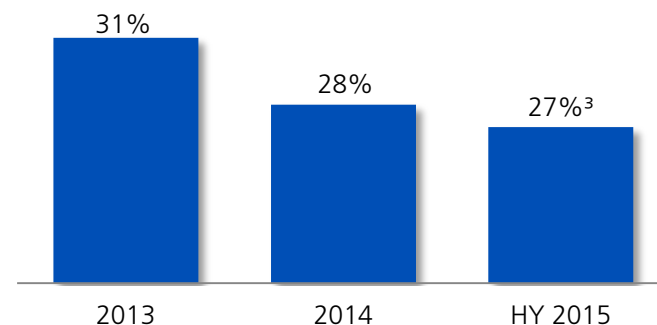
Holding company liquidity<sup>2</sup> - £bn



Intercompany loan - £bn



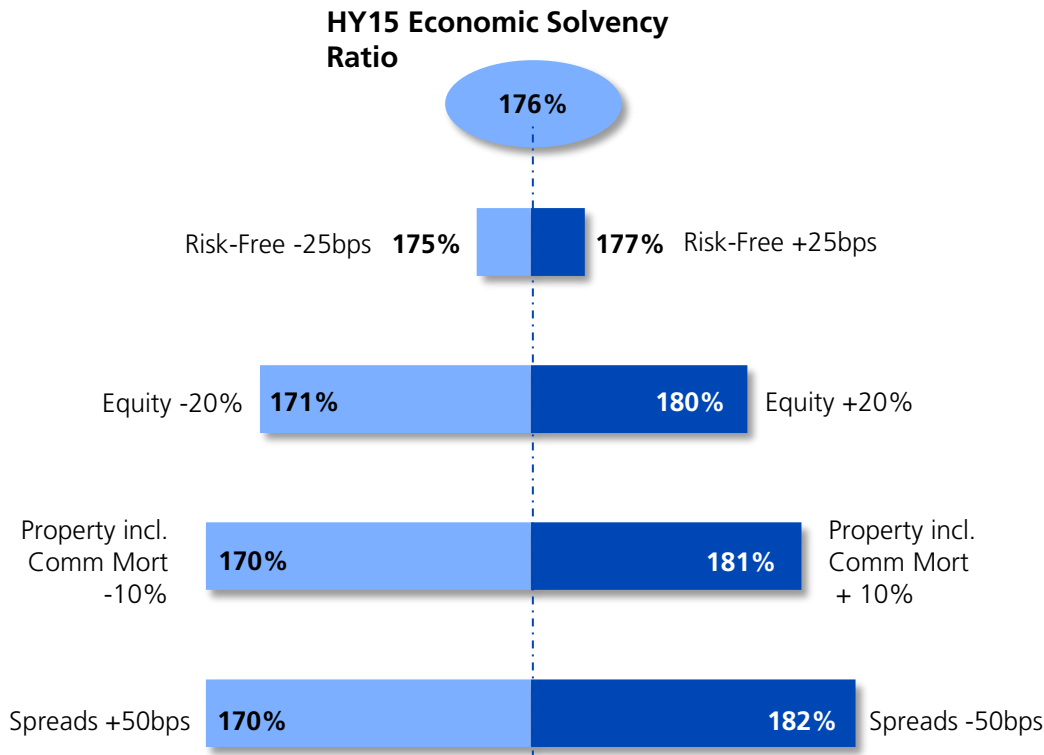
S&P leverage ratio - %



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.  
2. Holding company liquidity consists of cash, liquid assets and c.£200 million of syndicated loans, held in Aviva and Friends Life holding companies. Excludes amounts set aside to meet debt redemptions in Q3 2015.  
3. Pro-forma basis excluding pre-financed debt redemptions.

# Well positioned for increased market volatility

## HY economic capital ratio sensitivity



## Protecting dividend trajectory

- Capital coverage ratio largely insensitive to market movements
- Extensive hedging program
- Portfolio yields significantly above guarantee yields on traditional life products
- Recently disposed of more than £2bn of higher risk commercial property loans
- Reinsured large latent risk portfolio, reducing earnings volatility

Over past 3 years we have grown capital surplus and improved its resilience

# 2015 Interim Results – 3 key areas

## Results



Operating profit up 9%



VNB growth up 25%<sup>1</sup>



Combined operating ratio 93.1%, improvement of 2.4ppts



Economic Capital surplus £10.8bn<sup>2</sup>



15% increase in interim dividend

## Friends Life Integration



Ahead of schedule



Run-rate savings £63m



£23bn Assets transferred



Agreement for additional £24bn



Property rationalisation announced – 33% reduction



FTE plans communicated

## Solvency II



Internal model submitted June 2015



Internal model approval expected December 2015



Already disposed of a number of capital intensive businesses



Economic Capital model more closely aligned to SII - £900m strengthening



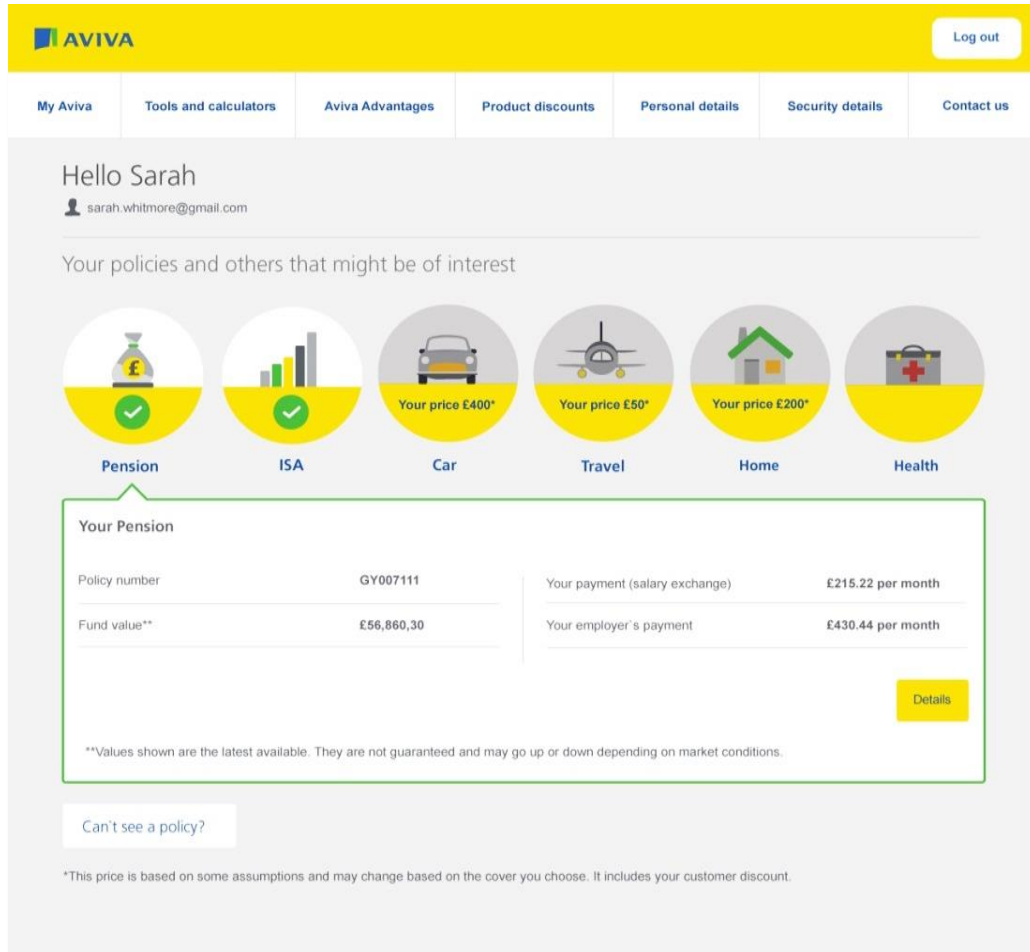
Currently operating within SII target range

1. Constant currency basis.

2. 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.



# Digital advantage as a composite insurer



The screenshot shows the Aviva MyAviva digital customer interface. At the top is a yellow header with the Aviva logo and a 'Log out' button. Below the header is a navigation bar with links: My Aviva, Tools and calculators, Aviva Advantages, Product discounts, Personal details, Security details, and Contact us. The main content area greets the user 'Hello Sarah' with her email 'sarah.whitmore@gmail.com'. It lists 'Your policies and others that might be of interest' with six icons: Pension, ISA, Car, Travel, Home, and Health. The 'Pension' icon is highlighted with a green checkmark. Below this, a detailed view of the pension policy is shown, including the policy number (GY007111), fund value (£56,860.30), and payment details (salary exchange of £215.22 per month and employer's payment of £430.44 per month). A 'Details' button is present. A disclaimer at the bottom states: '\*\*Values shown are the latest available. They are not guaranteed and may go up or down depending on market conditions.' A link 'Can't see a policy?' is also visible.

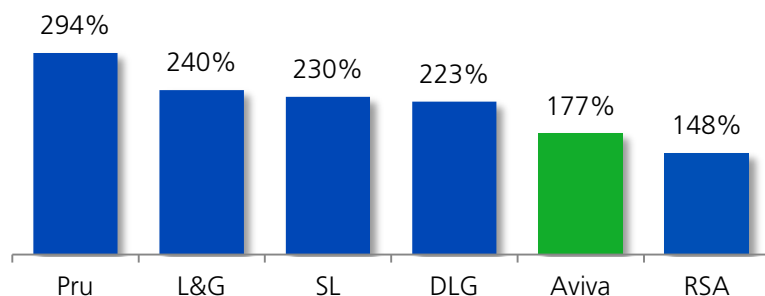
## Improved customer experience

- Composite product offering creates competitive advantage
- Separate UK digital entity based in our digital garage in Hoxton
- £100m per annum reallocated to digital
- Ambition to increase average product holding from 1.7 to 3
- Enhancing MyAviva - single view of underwriting and pricing at customer level
- UK Digital Insurer of the year 2014

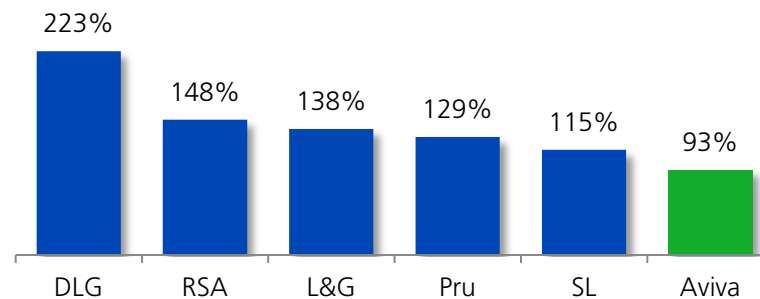
The benefits of a composite offering are enhanced in a digital world

# Attractive valuation on a number of metrics<sup>1</sup>

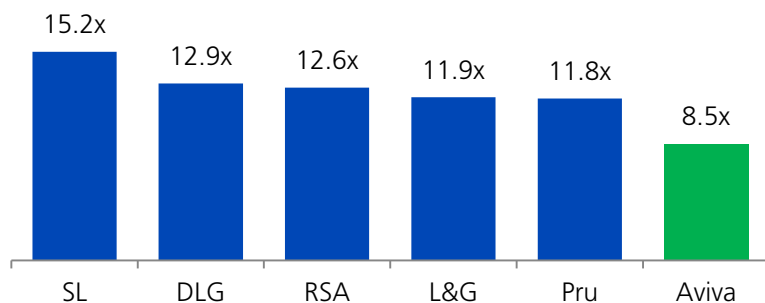
P/TBV<sup>2</sup>



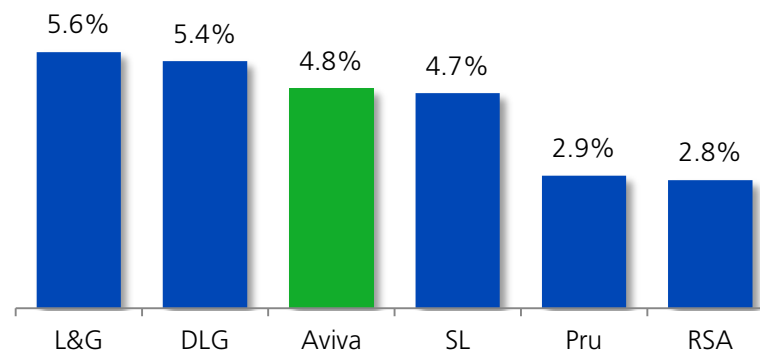
P/EV<sup>2</sup>



P/E - 2016E



Dividend Yield – 2015E



<sup>1</sup>BofA Merrill Lynch Research estimates

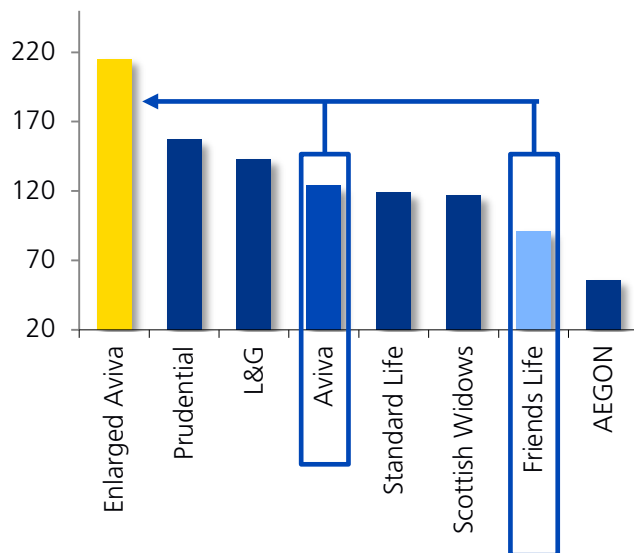
<sup>2</sup> Estimated current book value, priced at 27/09/2015

# Appendix

# Cost advantage following Friends Life acquisition

## Largest UK life back book

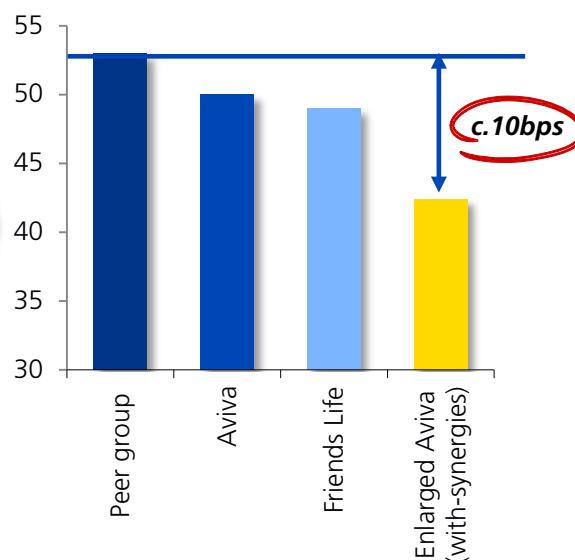
UK Life AuA (2013, £bn)<sup>1</sup>



£215bn of Combined UK Life AuA

## Driving Improvement

UK Life Cost / AuA (bps)<sup>2,3</sup>

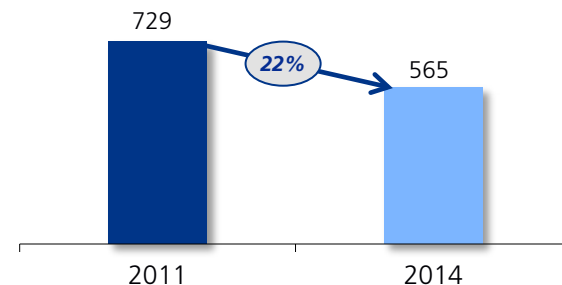


## Evidence of Delivery

Friends Life's cost reduction achieved (£m)



Reduction in Aviva's UK Life cost base (£m)



The acquisition of Friends Life provides significant opportunity for operational leverage

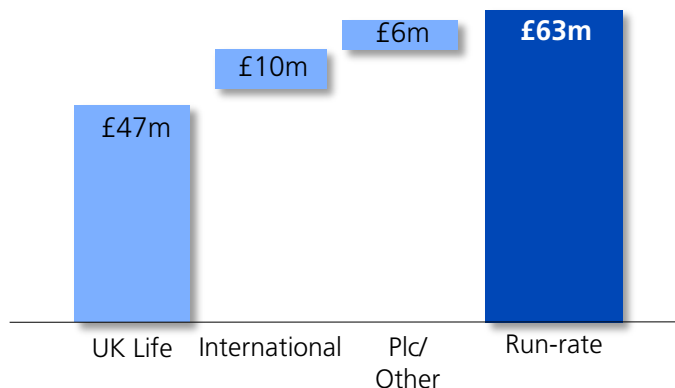
<sup>1</sup>. As at December 2013; obtained from report and accounts; Aviva relates to 1H14. Standard Life excludes UK institutional pensions

<sup>2</sup>. As per Aviva presentation on 2 Dec 2014, statements on synergies and any "quantified financial benefits statement" are the sole responsibility of Aviva and its directors. Neither Friends Life nor its directors assume any responsibility for any such statements.

<sup>3</sup>. As at December 2013. AuA as per footnote 1 above. Peer group comprises of Standard Life, Prudential, Legal & General and AEGON UK. Basis of preparation contained in Appendix of Aviva's acquisition presentation on 2 December 2014.

# Friends Life Integration – ahead of schedule

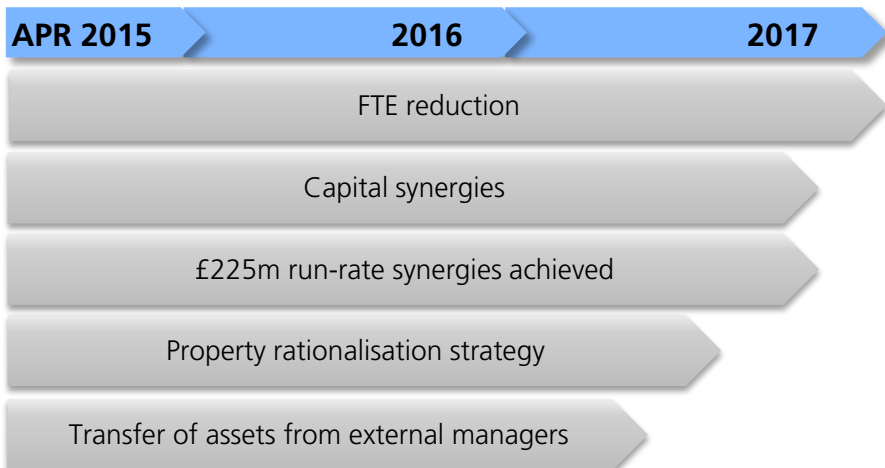
## Progress towards £225m synergy target



## Integration update

- 869,000 sqft. of property reductions.
  - Total footprint reduced by 33% by end 2016
- £22.3bn Assets transferred
- Agreement for additional £24bn
- FTE plans communicated
- FL New World Retirement project stopped

## Key Integration deliverables



## UK Life update

- Leadership teams appointed
- UK Life VNB +31% excluding contribution from Friends Life
- Equity release, BPAs and protection have offset the reduction in individual annuities
- Direct to consumer platform and new core protection system launched