

Interim Results 2017

Disclaimer

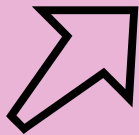
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Mark Wilson

Group Chief Executive

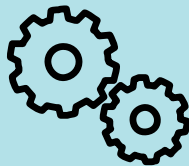
Performance highlights



Operating profit

£1,465m
+11%

Operating EPS
25.8p, +15%



Capital

Solvency II ratio
193%¹

Capital Generation
£1.1bn



Cash

£1,170m cash
remittances
+56%

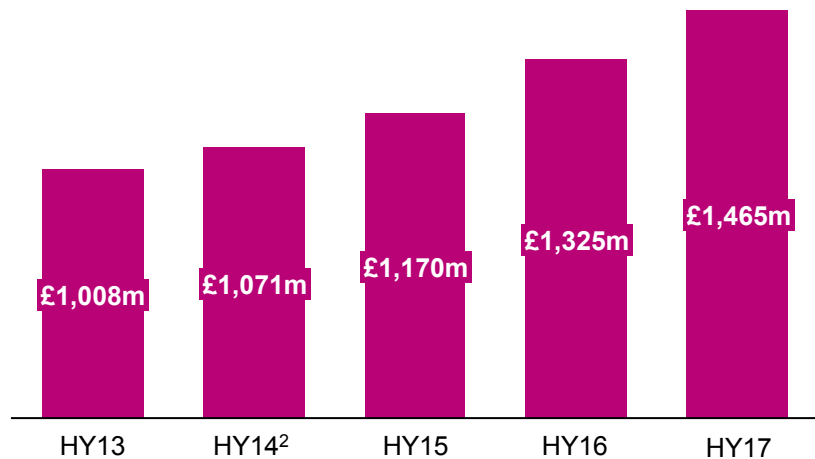


Interim dividend

8.40p per share
+13%

Operating profit

Operating profit: +11%

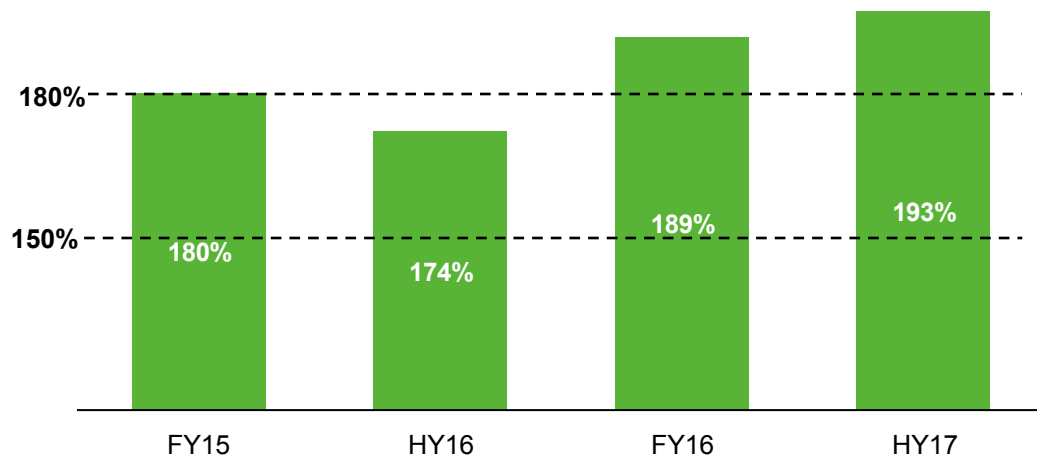


Growth drivers: HY17



Capital & cash

Solvency II cover ratio¹



SII Capital Generation

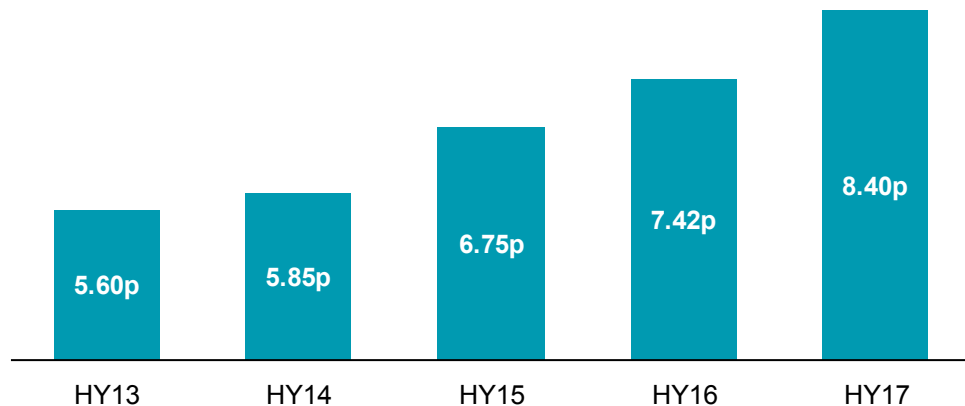
£1.1bn

Cash remittances

£1,170m

Interim dividend

Interim dividend up 13%



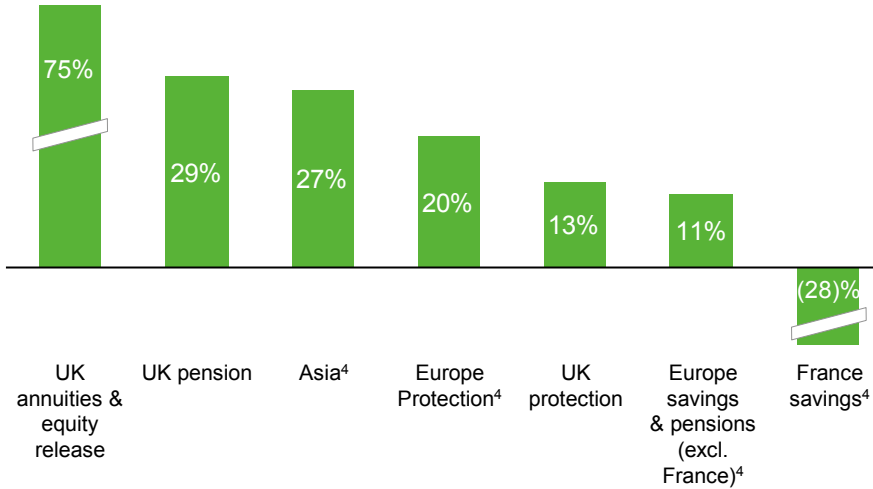
Interim dividend
8.40p

2017 share buyback
£300m

Growth

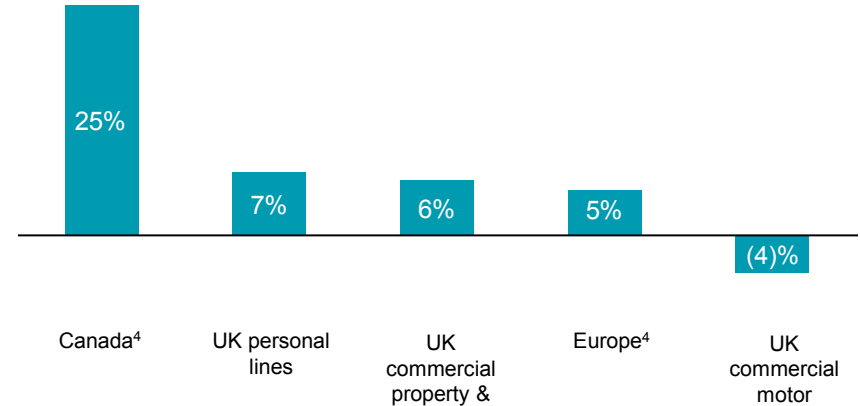
Life insurance

New business volumes³



General insurance

Net written premiums

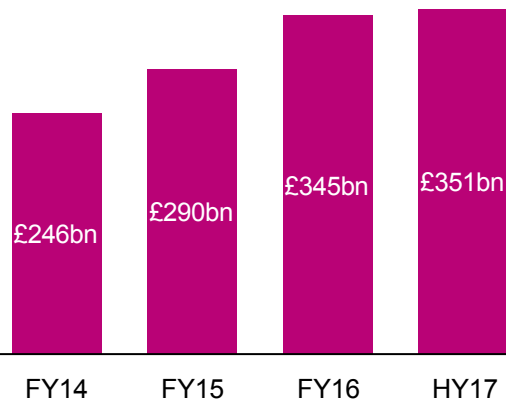


Aviva Investors

Growing

Operating profit £71m (+45%)
Operating margin 26% (+6pp)

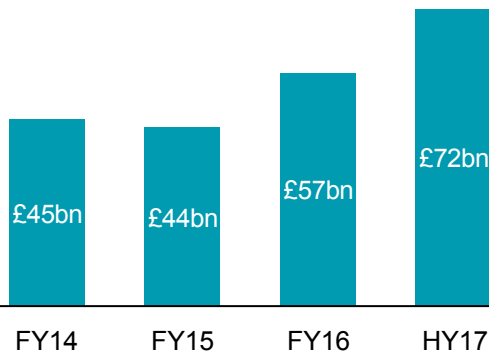
Assets under management



Winning mandates

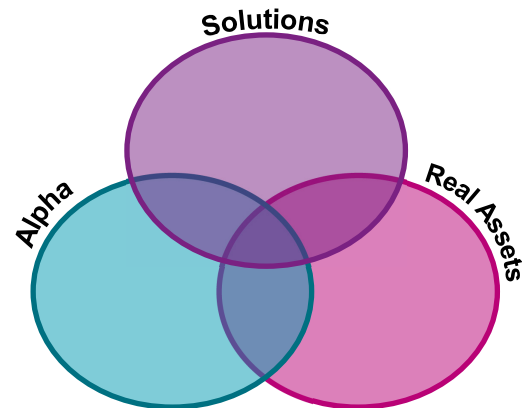
External appeal
increasing

External AUM



Diversifying products

Progress on
multiple fronts



Digital



Trading

- 6m registrations⁵ (+28%)
- GI premiums £525m⁶ (+13%), c25% of total UKGI sales
- MyAviva: higher propensity to buy 2nd product
- 45% new business sales to existing customers



Strategic

- Foundations in place
- Unlocking back-books
- Strategic partnerships
- Product innovation



Disruption

- Leading IP
- Using robotics and AI
- Data & risk analytics
- Ask it Never
- Rewarding loyalty

Strategic progress



Oaks

- HSBC partnership
- UK insurance: single operating model
- RBC integrated in Canada
- France: progress under new management



Acorns

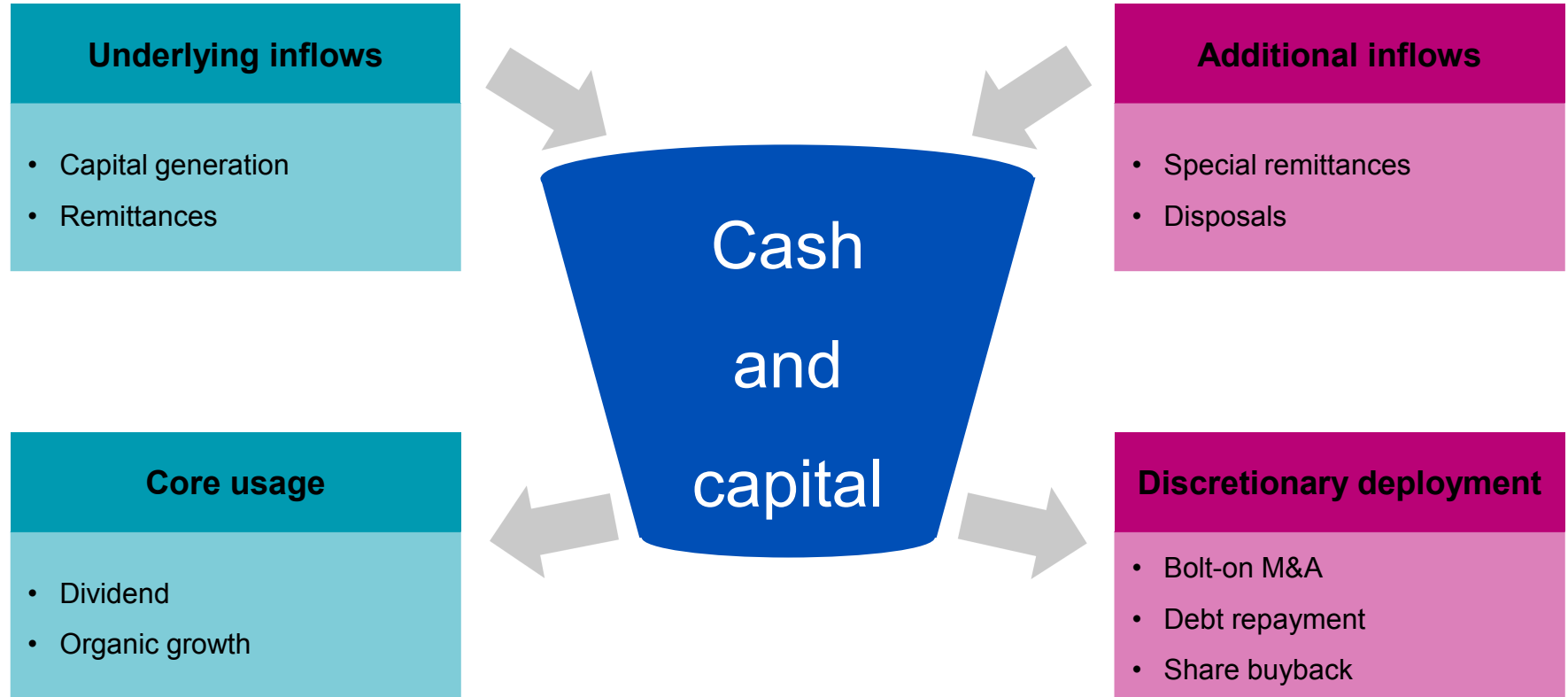
- Vietnam: 100% owned
- Aviva Investors: AIMS at £12bn AUM
- HK Tencent JV: awaiting regulatory approval








Apple trees

- Spain: capital withdrawn
- FPI: sale announced
- India: re-evaluating options

Capital management



Checklist

Grow operating profit	 11% growth
Strong capital	 193%¹, £300m buyback in 2017
Grow dividend	 13% growth, on track for 50% pay-out ratio
Reallocate capital	 Announced disposals, improved focus
Digital	 Further progress, focused on leading IP

Tom Stoddard

Chief Financial Officer

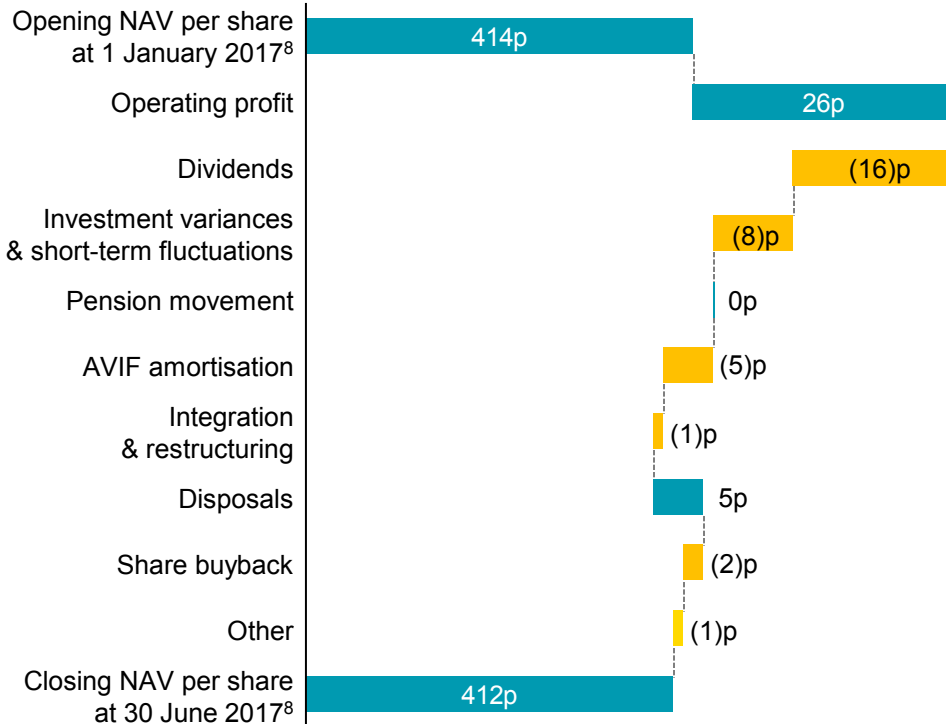
Operating profit

Operating profit (£m)	HY16	HY17	Change
UK & Ireland life	711	756	6%
UK & Ireland general insurance & health ⁷	222	259	17%
Aviva Investors	49	71	45%
Canada	88	71	(19)%
Europe	430	518	20%
Asia	112	115	3%
Corporate costs, non insurance & other	(132)	(166)	(26)%
Group debt & other interest costs ⁷	(155)	(159)	(3)%
Operating profit	1,325	1,465	11%

Operating profit
£1,465m
Up 11%

Operating EPS
25.8p
Up 15%

Net asset value



Integration & restructuring costs

Down 50%

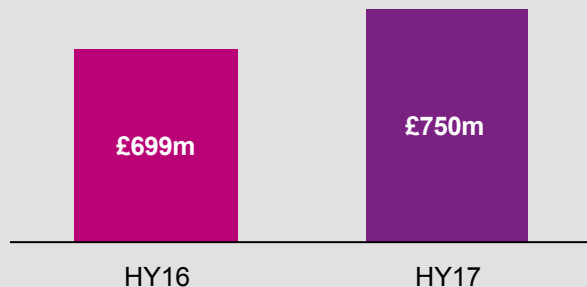
Basic EPS

14.9p

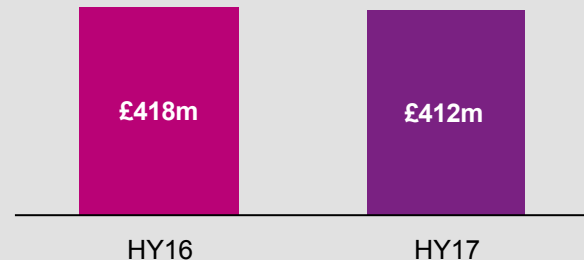
Up significantly

UK Life – consistent growth

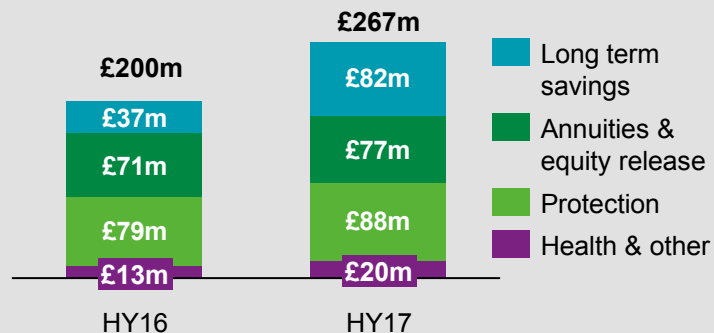
Life operating profit



Operating expenses



Value of new business³



Highlights

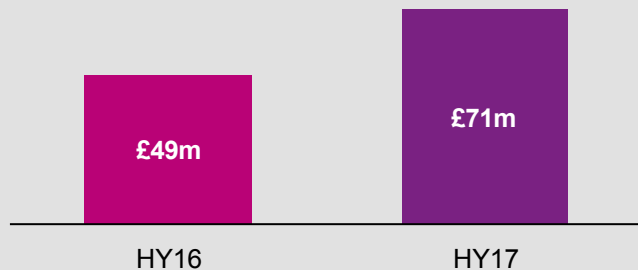
- Double digit growth in three core product lines
- 36% growth in new business volumes (PVNBP³)
- Remittances of £922m, including £315m special

UK Life – double-digit growth across all core segments

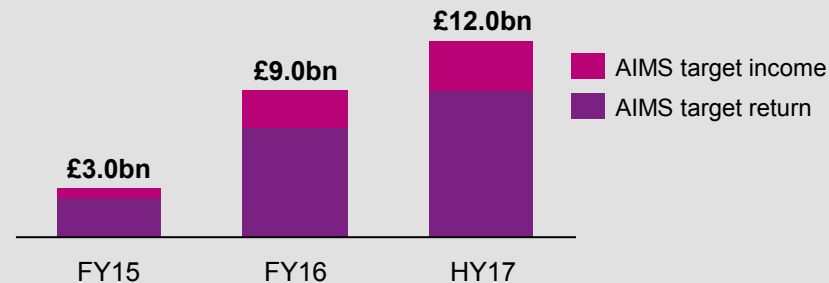
		Operating profit			Margin			Driver	
		HY16 £m	HY17 £m	Δ	HY16 % bps	HY17 % bps	Target range	HY16	HY17
Long Term Savings	New	(45)	(40)	11%	n/a	n/a	(45)-(50)		
	Existing	109	129	18%	25bps	25bps	25-30bps	88bn (Opening assets)	105bn (Opening assets)
	Total	64	89	39%					
Annuities & Equity Release	New	88	109	24%	11%	8%	7.5-8.5%	818m (PVNBP ³)	1,435m (PVNBP ³)
	Existing	158	200	27%	60bps	70bps	55-70bps	53bn (Opening assets)	57bn (Opening assets)
	Total	246	309	26%					
Protection	New	46	67	45%	41%	52%	40-50%	112m (APE)	128m (APE)
	Existing	68	66	(3)%	8%	8%	7.5-8.5%	1.7bn (In-force premiums)	1.7bn (In-force premiums)
	Total	114	133	17%					
Legacy		192	187	(3)%	46bps	46bps	35-40bps	83bn (Opening assets)	81bn (Opening assets)
Other		83	32	(61)%					
Total		699	750	7%					

Aviva Investors – maintaining growth momentum

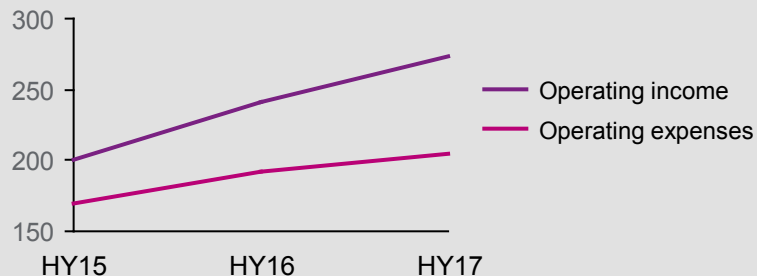
Operating profit



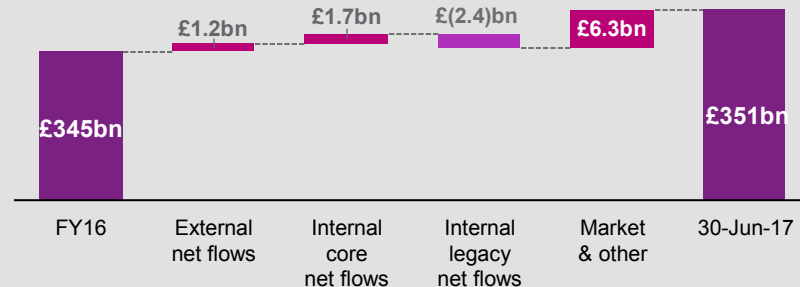
AIMS: £12bn AUM



Positive cost-income jaws

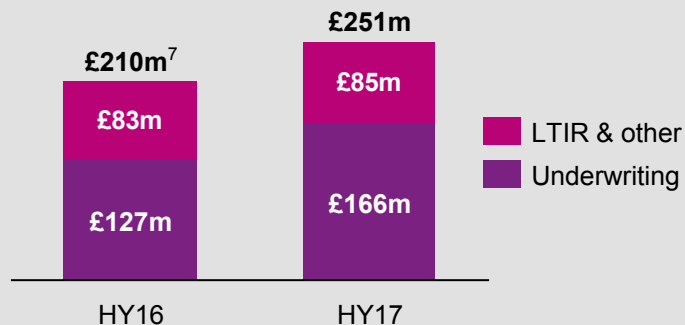


AUM up to £351bn



UK & Ireland GI – organic growth, improved margins

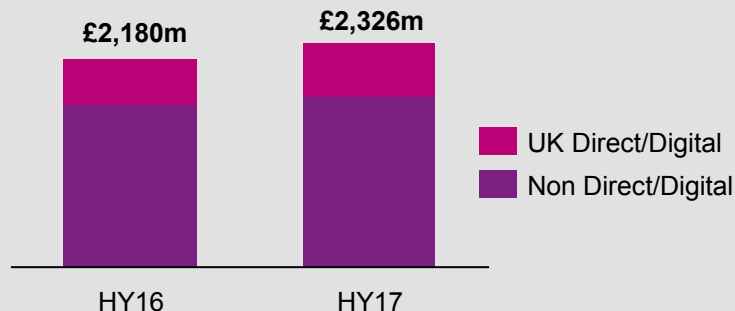
Operating profit



Combined operating ratio⁹

	HY16	HY17
Reported earned COR	93.8%	92.5%
Of which prior year development	+1.5%	+0.9%
Weather	+2.4%	+2.9%
Normalised AY COR	97.7%	96.3%

Net written premiums

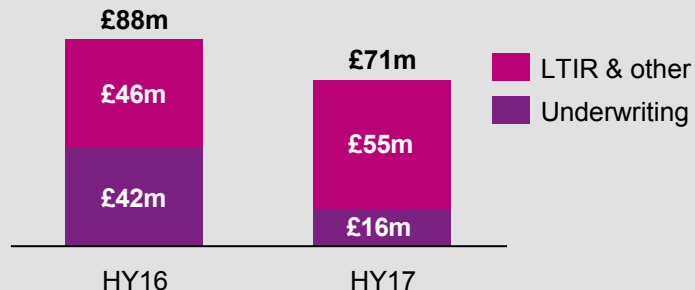


Highlights

- Broad-based growth and continued mix optimisation
- Ireland NWP up 12% in constant currency
- HSBC win to support future growth

Canada – underlying improvement overshadowed by PYD

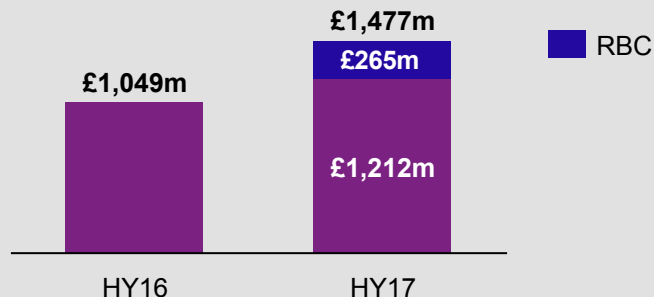
Operating profit



Combined operating ratio⁹

	HY16	HY17
Reported earned COR	95.9%	98.9%
Of which prior year development	+3.8%	(1.6)%
Weather	(0.9)%	(0.4)%
Normalised AY COR	98.8%	96.9%

Net written premiums

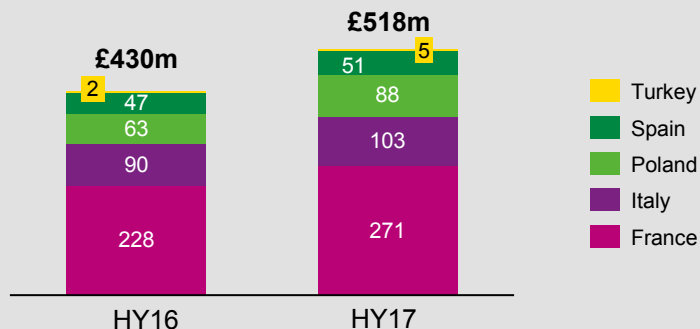


Highlights

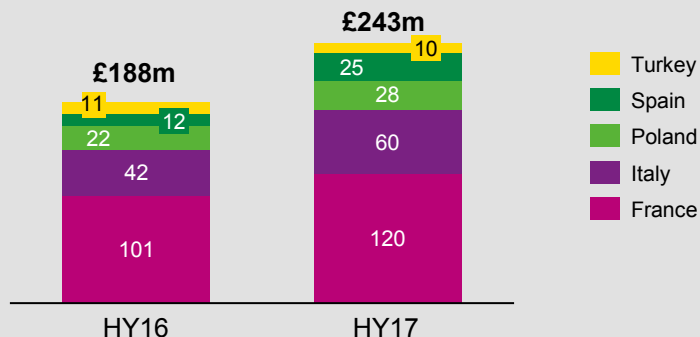
- RBC performing in line with expectations
- Reported COR: adverse PYD and heightened catastrophe losses
- Normalised AY COR: 1.9pp improvement

Europe – improved growth

Operating profit



Value of new business³



Combined operating ratio⁹ & growth

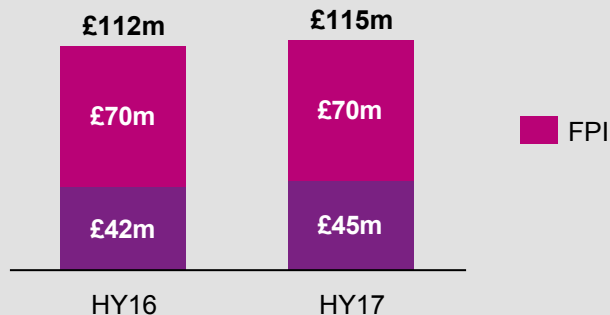
	HY16	HY17
Net written premiums	£757m	£879m
Reported COR	98.9%	92.7%
Of which prior year development	+0.7%	+2.7%
Weather	(2.7)%	(2.1)%
Normalised AY COR	96.9%	93.3%

Highlights

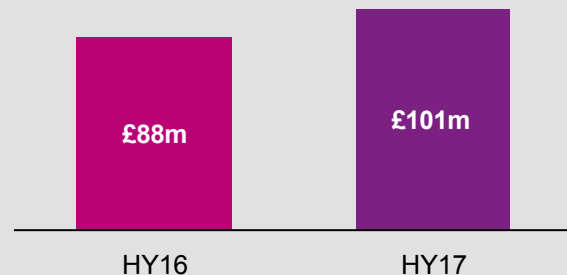
- Operating profit: +9% in constant currency
- Expense discipline: stable in constant currency
- Announced partial disposal of Spanish business for €475 million

Asia – operational progress, portfolio repositioned

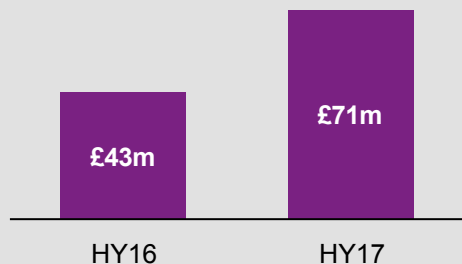
Operating profit



Operating expenses



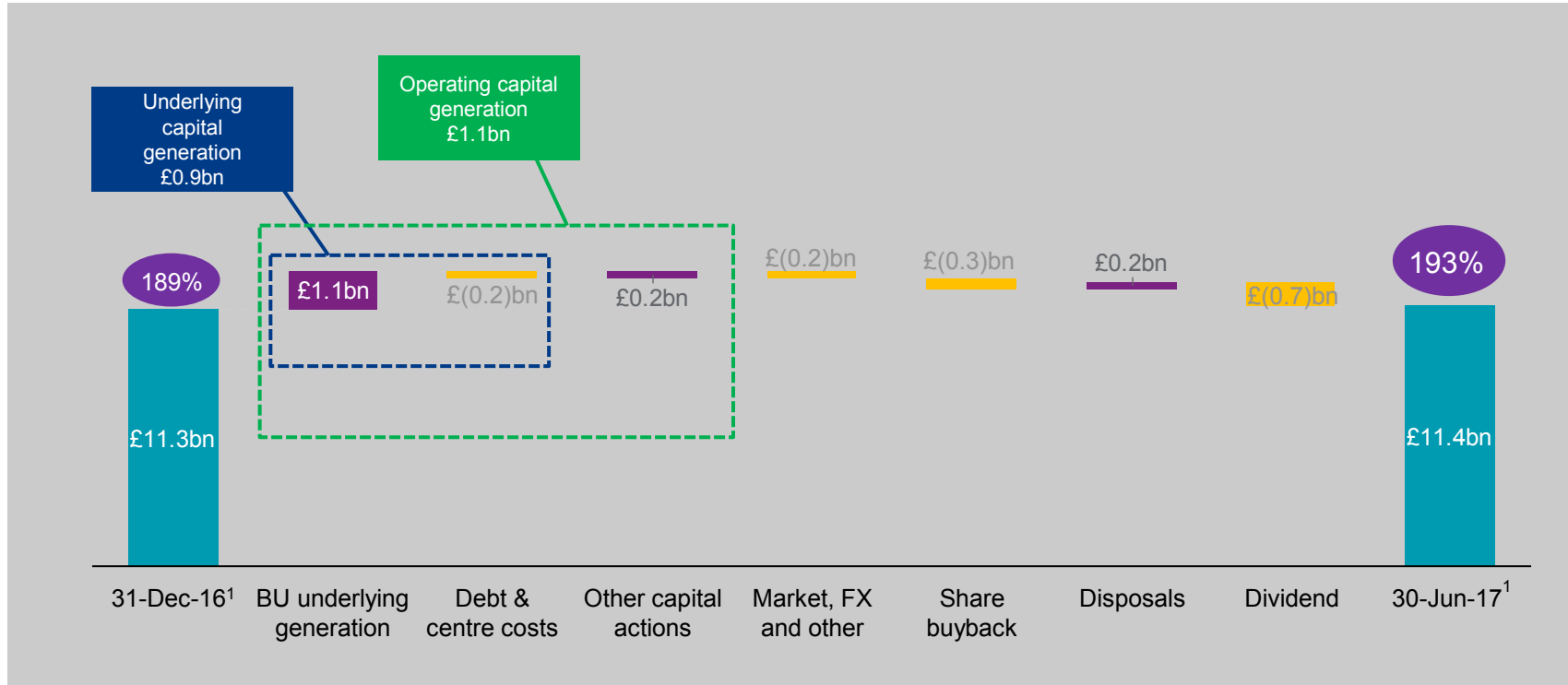
Value of new business³



Highlights

- China: VNB more than doubled
- Vietnam: acquired 100% ownership, aligned incentives
- FPIL: sale announced

Capital generation

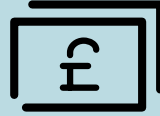


Reiterating financial targets



Operating EPS

Mid-single digit growth
in medium term



Cash

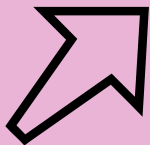
£7bn cash remittances
2016 - 2018



Dividend

50% pay-out
ratio 2017

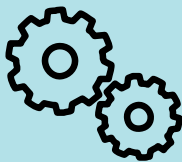
Performance and delivery



Operating profit

£1,465m
+11%

Operating EPS
+15%



Capital

Solvency II ratio
193%¹

Capital Generation
£1.1bn



Cash

£1,170m cash
remittances
+56%



Interim dividend

8.40p per share
+13%

Footnotes

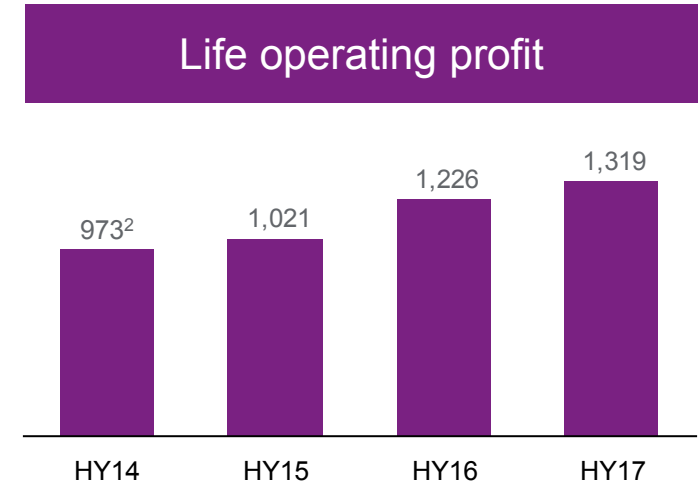
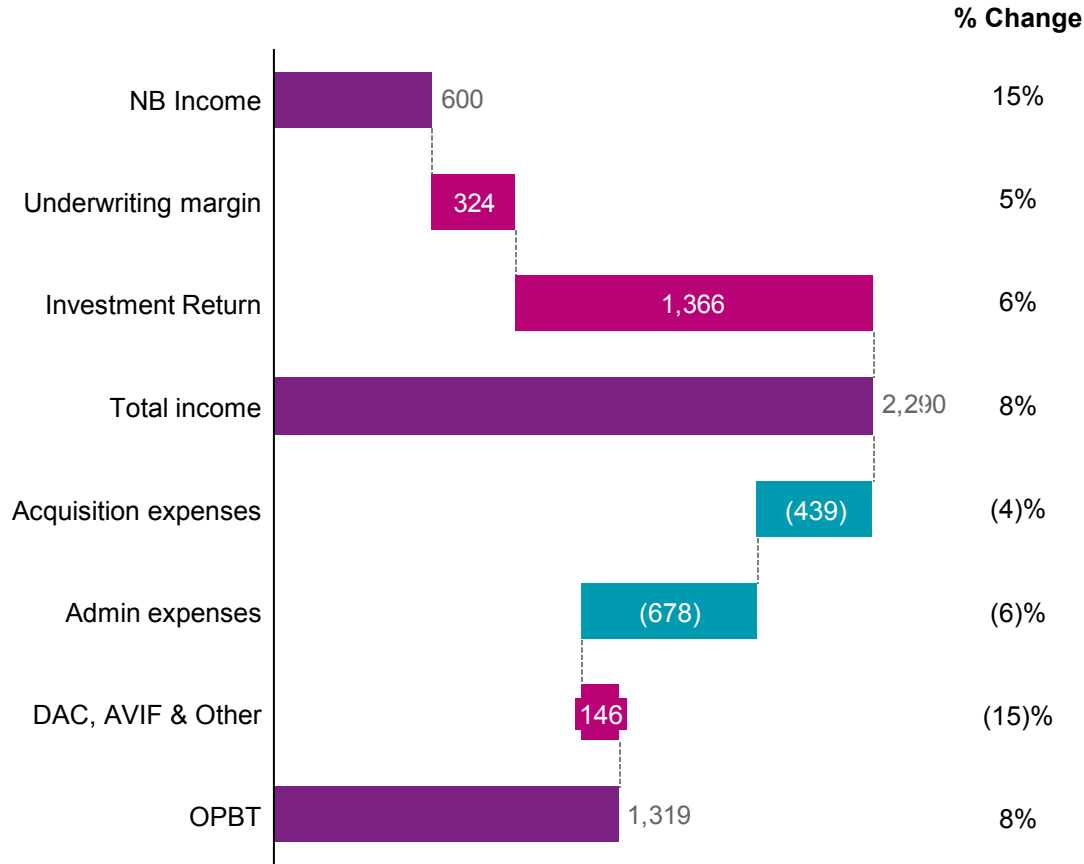
1. Represents the shareholder view. This excludes the contribution to Group Solvency Capital Requirement (SCR) and Group Own Funds of fully ring fenced with-profits funds £3.2 billion (*FY16: £2.9 billion*) and staff pension schemes in surplus £1.2 billion (*FY16: £1.1 billion*). Includes an estimated adverse impact of a notional reset of the transitional measure on technical provisions ('TMTP') to reflect interest rates at 30 June 2017 £0.5 billion decrease to surplus (*FY16: £0.4 billion*). Also included are the pro forma impacts of the disposal of the Spanish joint ventures and retail life insurance business (£0.1 billion increase to surplus), the disposal of Friends Provident International Limited (£0.1 billion increase to surplus), and the buy-back of the remaining £0.2 billion share capital out of the £0.3 billion total commitment announced 25 May 2017. The 31 December 2016 Solvency II position includes the pro forma impacts of the disposal of Aviva's 50% shareholding in Antarius (£0.2 billion increase to surplus) and an anticipated future change to UK tax rules restricting tax relief (£0.4 billion decrease to surplus).
2. Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item.
3. PVNBP and VNB are presented on an adjusted Solvency II basis.
4. On a constant currency basis.
5. Total number of UK digital registrations.
6. Gross written premiums.
7. HY16 general insurance and health operating profit has been rebased for the reduction in the AGH loan.
8. NAV is presented net of tax & MI.
9. The combined operating ratio is now reported on an earned basis. Comparators have been realigned to reflect this change.
10. PVNBP and VNB for HY17 and HY16 are presented on an adjusted Solvency II basis. HY15 and HY14 are presented on a MCEV basis.
11. Excluding Eurovita & CxG.
12. A 50 bps increase in corporate bond spread and 10% increase in lapse rates result in a proportionate decrease in Group Own Funds and Group SCR with no overall impact on the rounded Group cover ratio.

Appendix



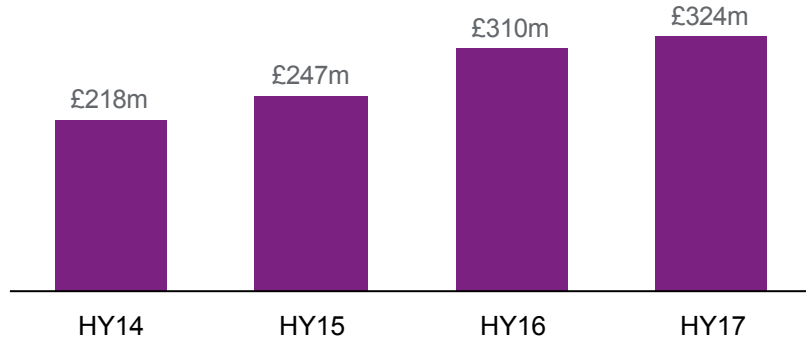
Life

Operating profit snapshot (Global Life)

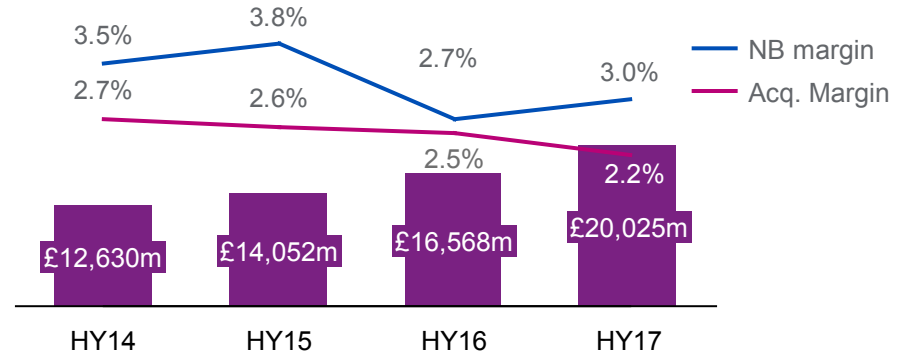


Profit drivers (Global life)

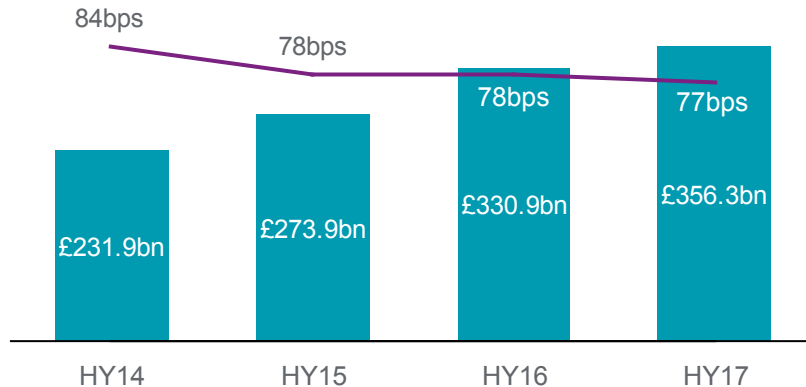
Underwriting margin



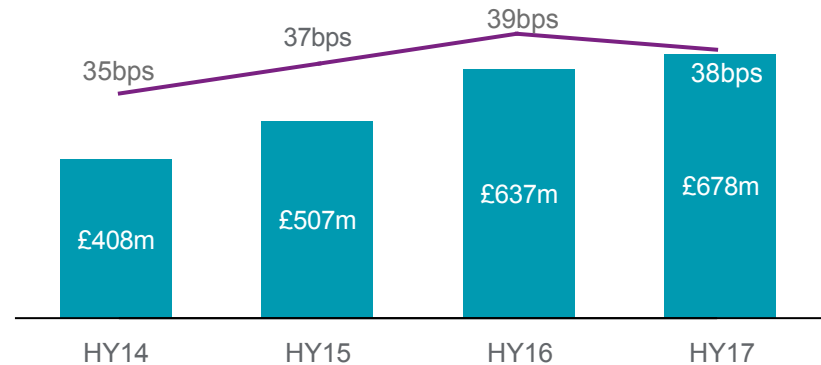
New business (PVNBP¹⁰)



Investment return (AUM / margin)

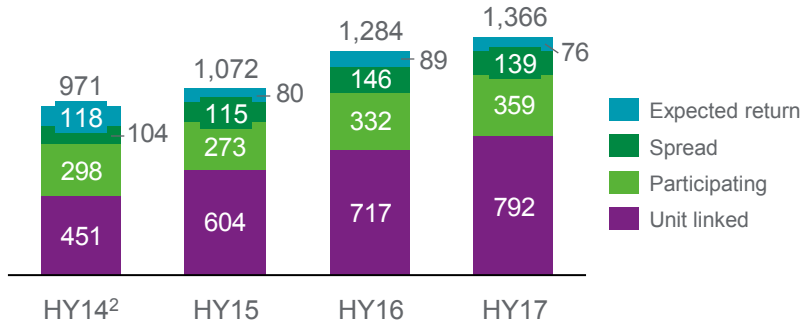


Admin expenses & unit cost

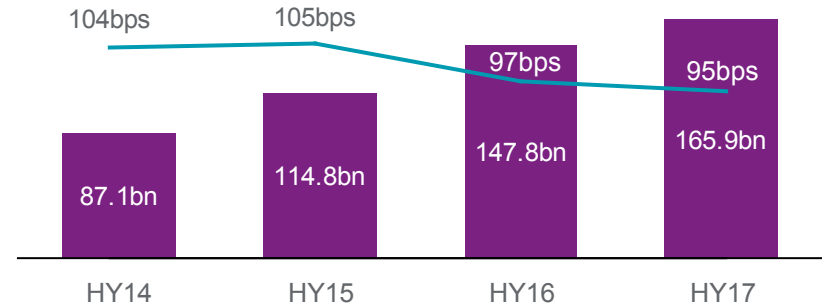


Investment margin (Global life)

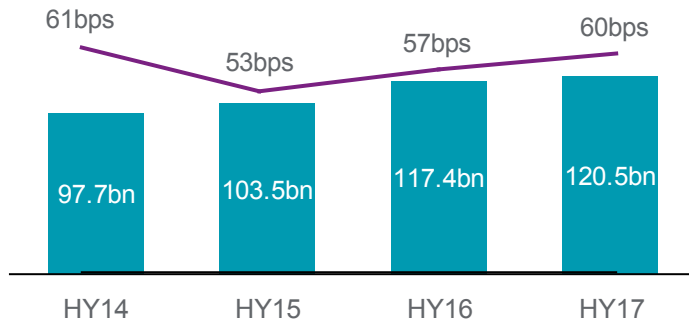
Investment mix



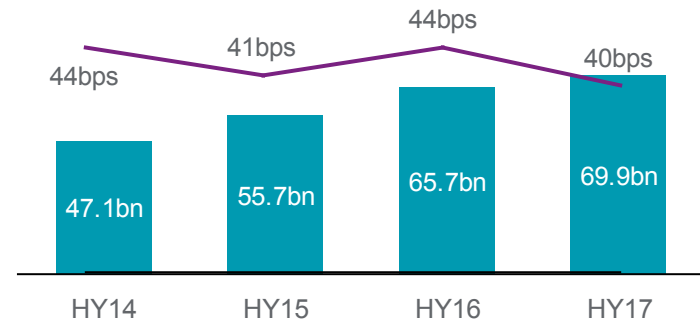
Unit linked (reserves/AMC)



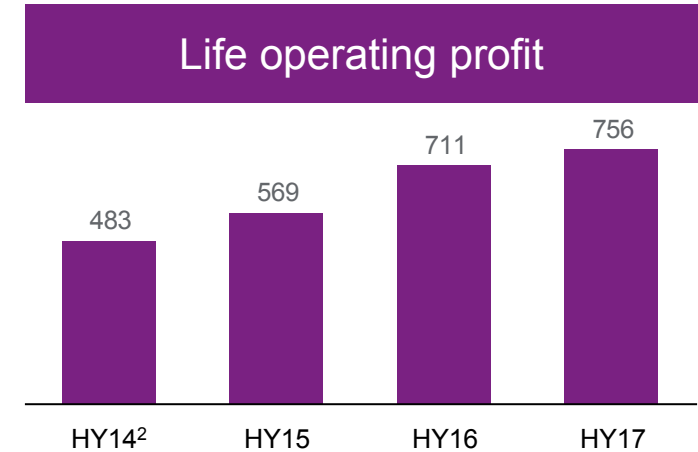
Participating (reserves/bonus)



Spread (reserves/margin)

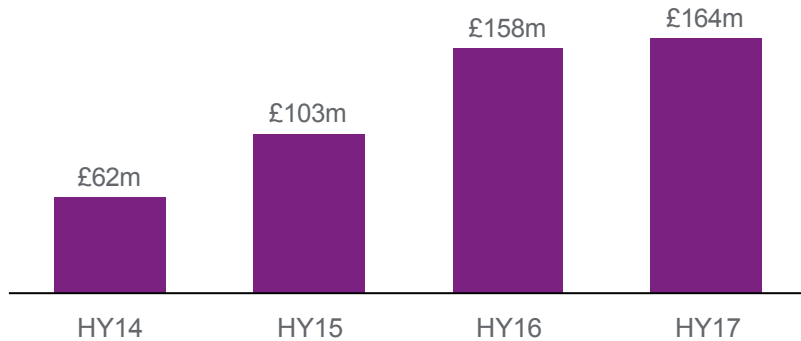


Life operating profit snapshot (UK & Ireland)

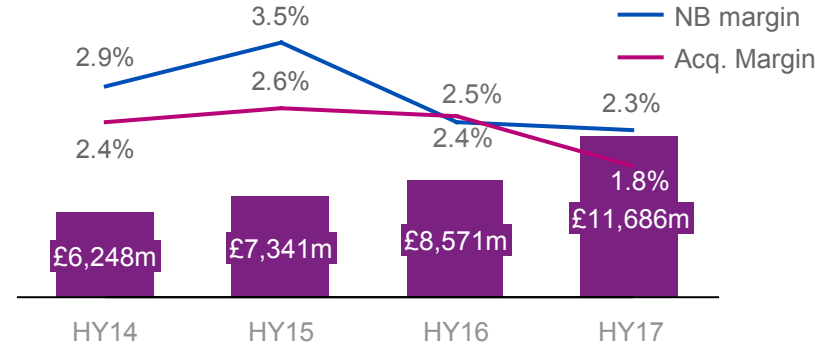


Life profit drivers (UK & Ireland)

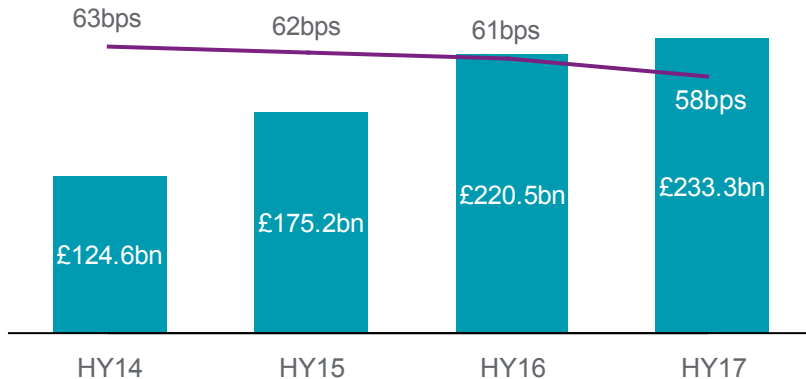
Underwriting margin



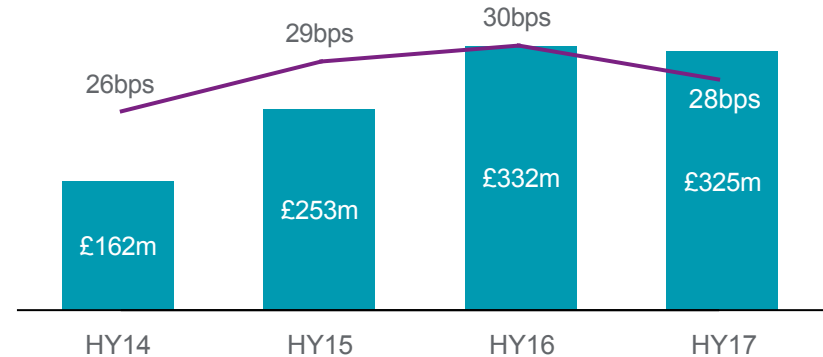
New business (PVNBP¹⁰)



Investment return (AUM / margin)

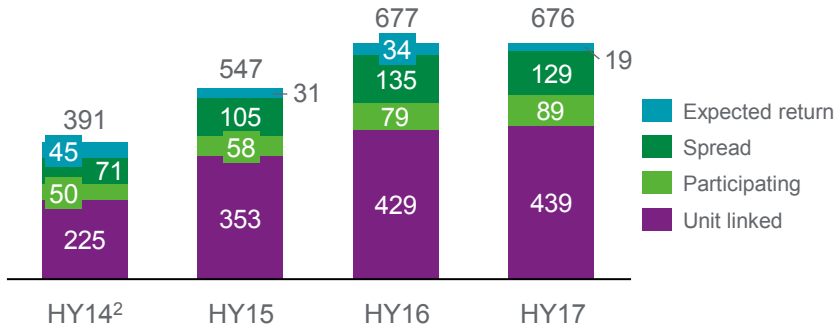


Admin expenses & unit cost

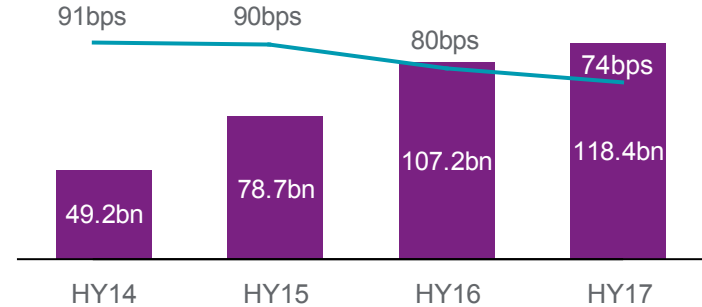


Life investment margin (UK & Ireland)

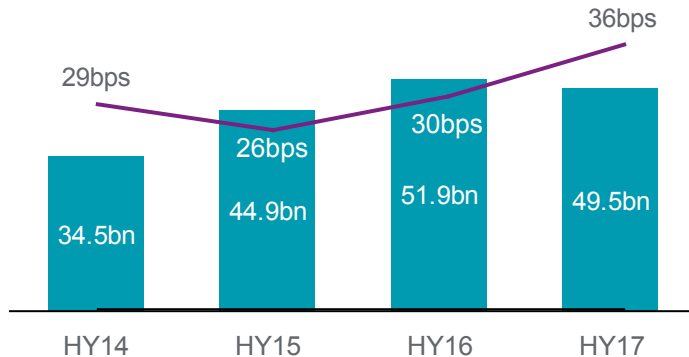
Investment mix



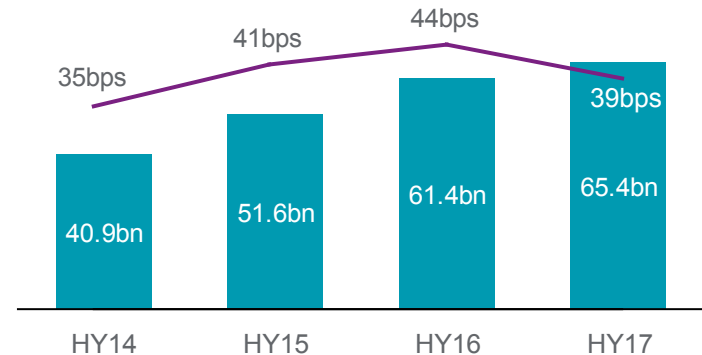
Unit linked (reserves/AMC)



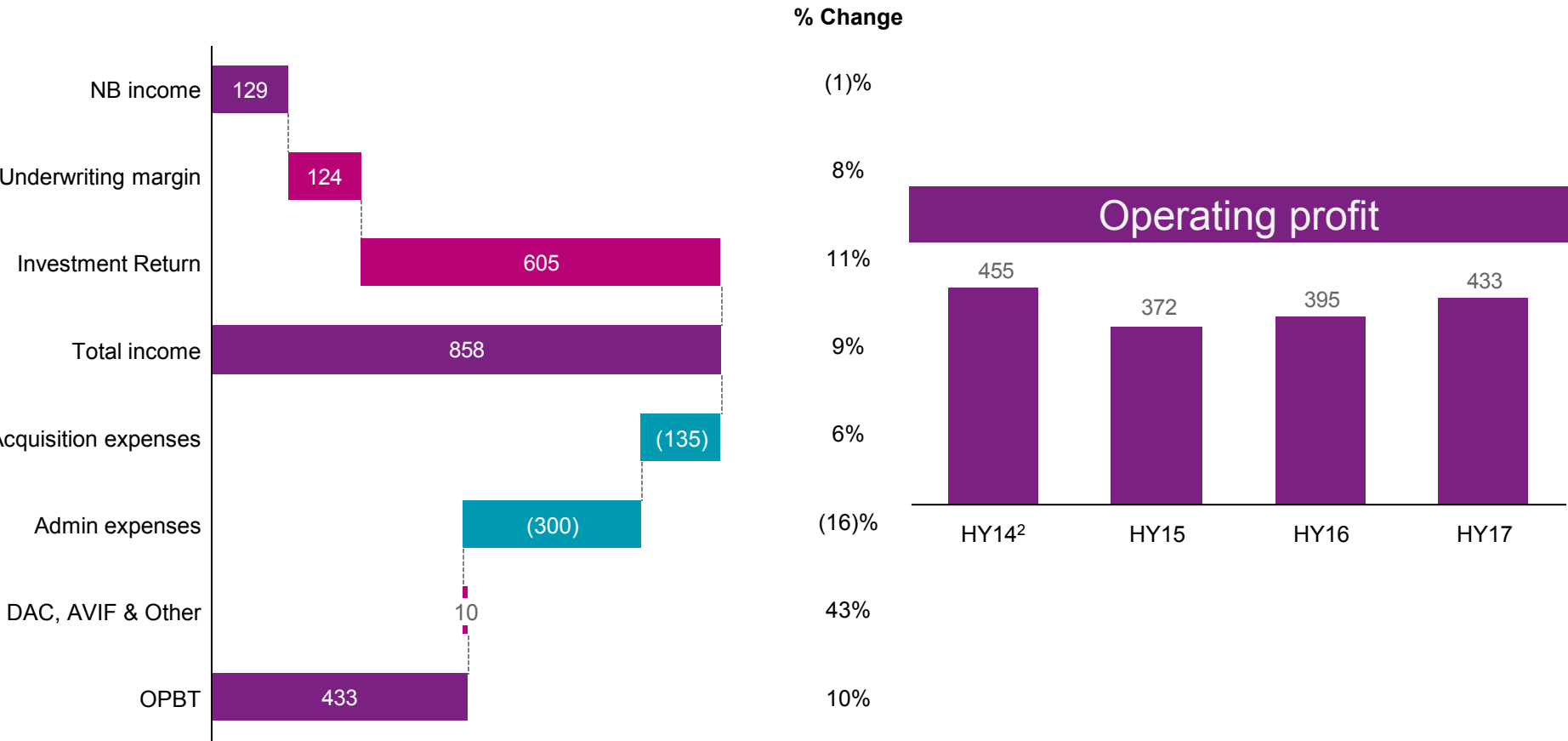
Participating (reserves/bonus)



Spread (reserves/margin)

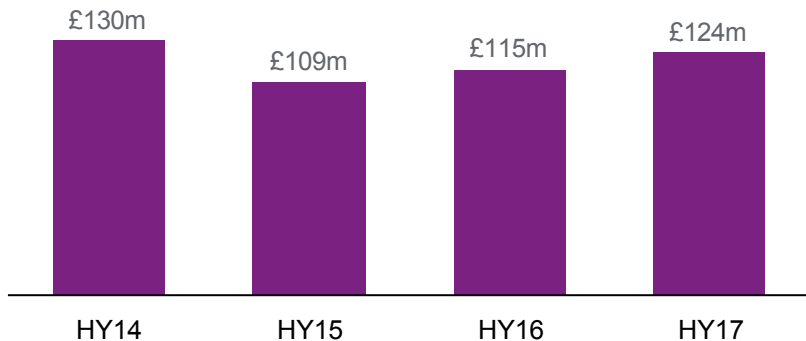


Life operating profit snapshot (Europe)

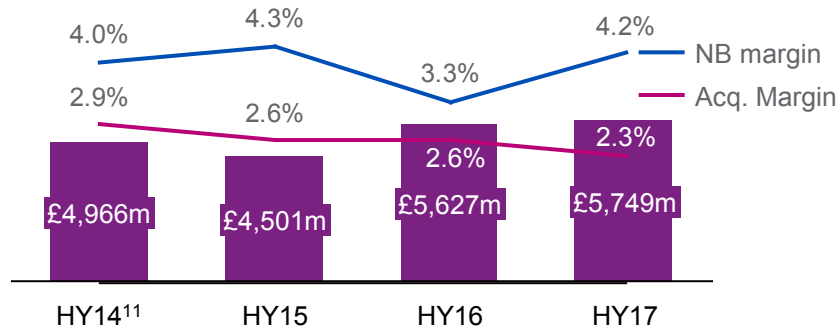


Life profit drivers (Europe)

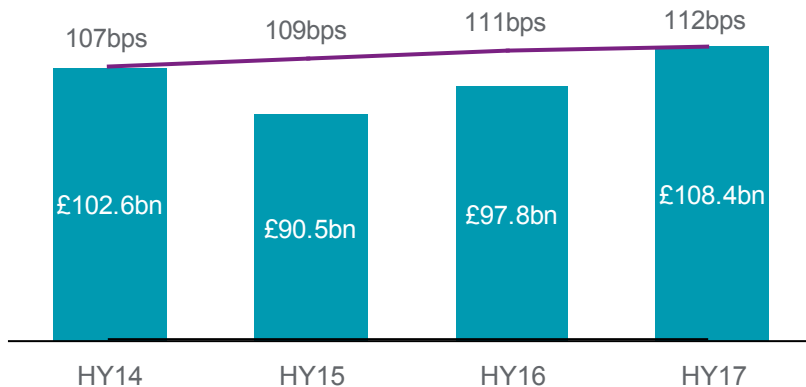
Underwriting margin



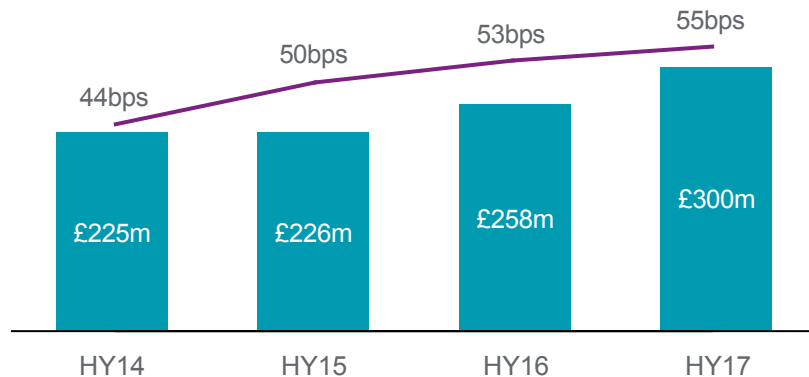
New business (PVNBP¹⁰)



Investment return (AUM / margin)

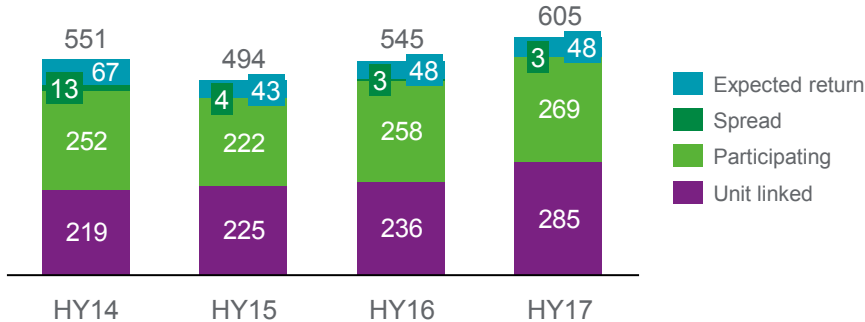


Admin expenses & unit cost

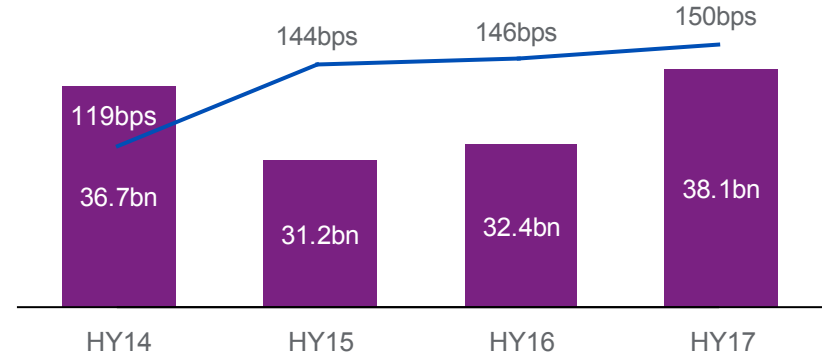


Life investment margin (Europe)

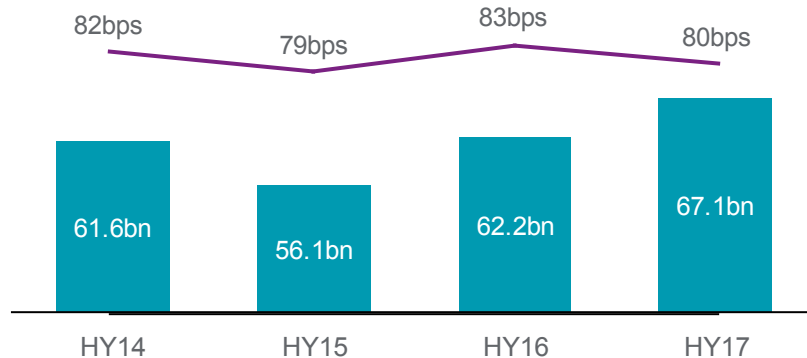
Investment mix



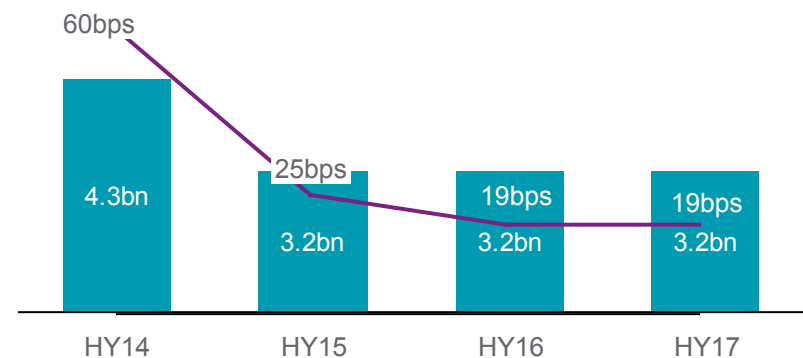
Unit linked (reserves/AMC)



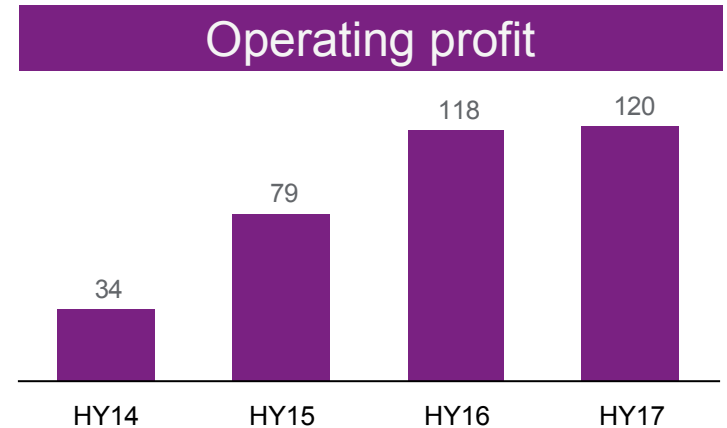
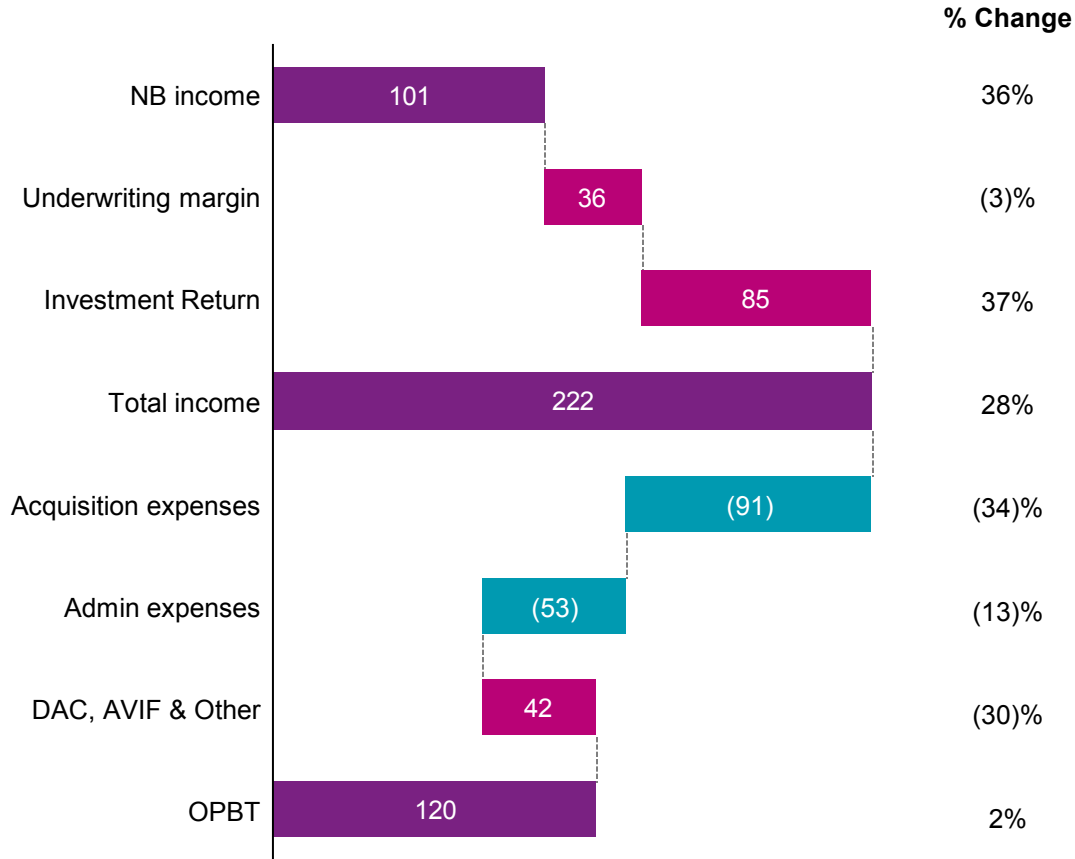
Participating (reserves/bonus)



Spread (reserves/margin)



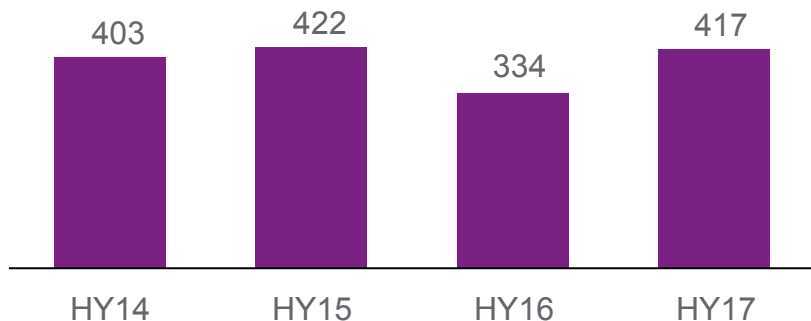
Operating profit snapshot (Asia life)



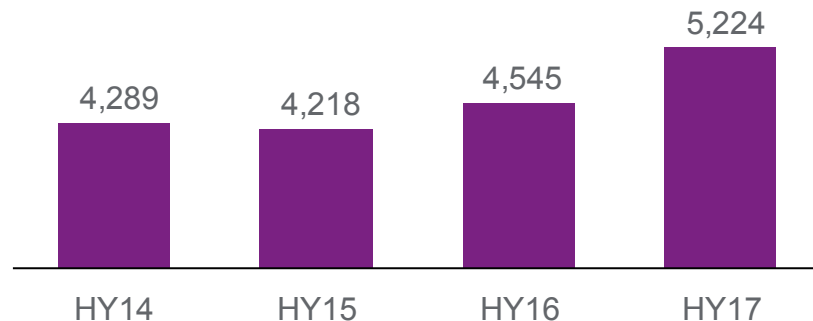
General insurance & health

General insurance and health (Group)

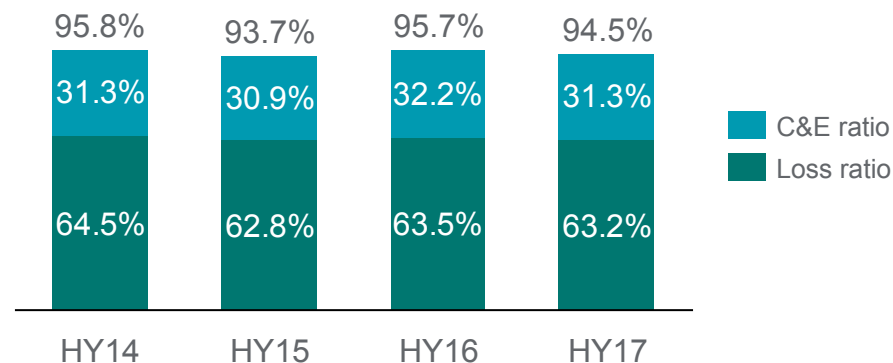
Operating profit



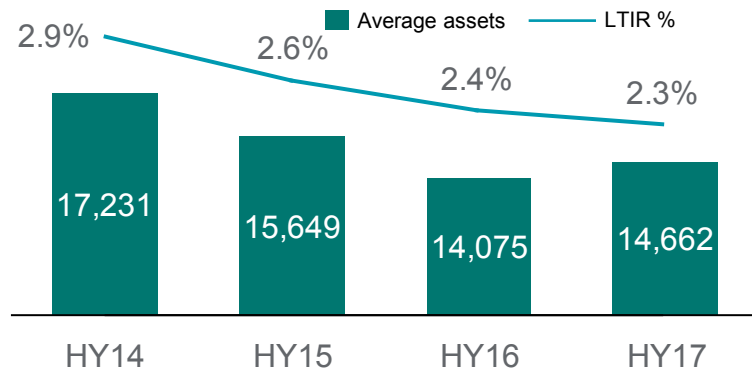
Net written premium



GI Combined operating ratio⁹

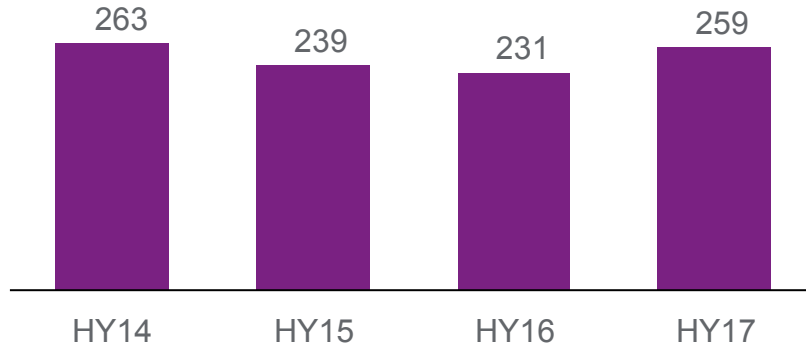


Investments

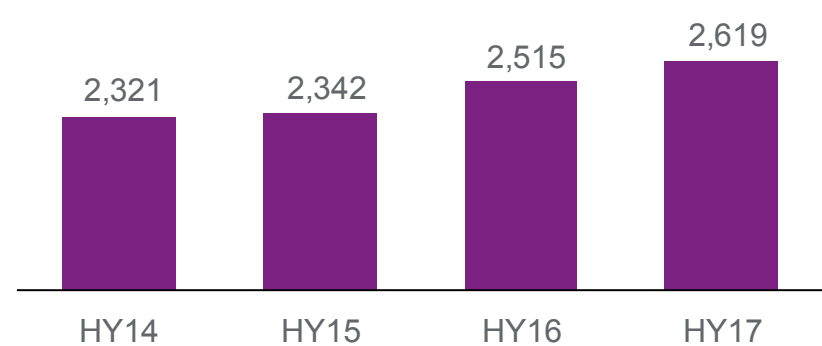


General insurance and health (UK & Ireland)

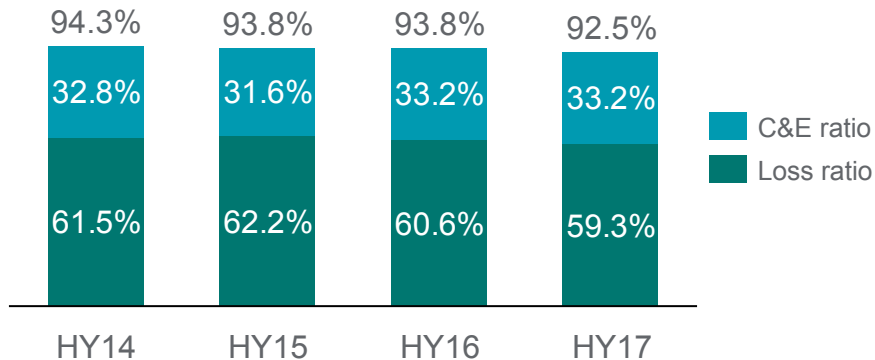
Operating profit



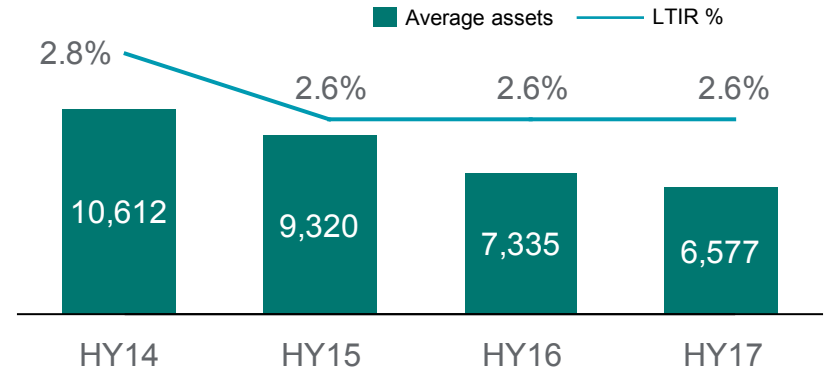
Net written premium



GI Combined operating ratio⁹

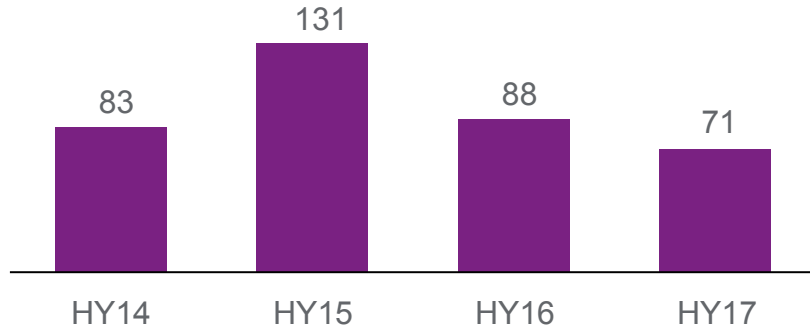


Investments

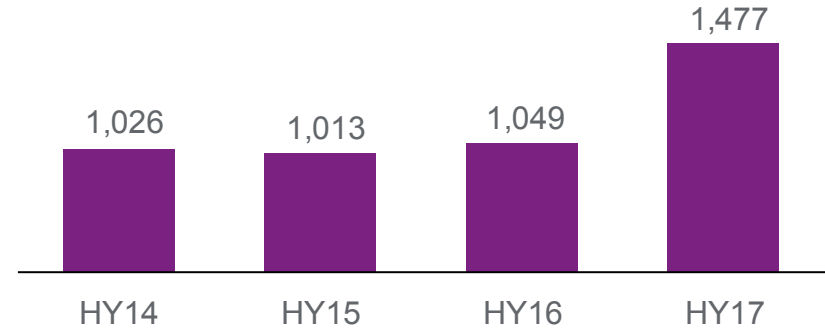


General insurance and health (Canada)

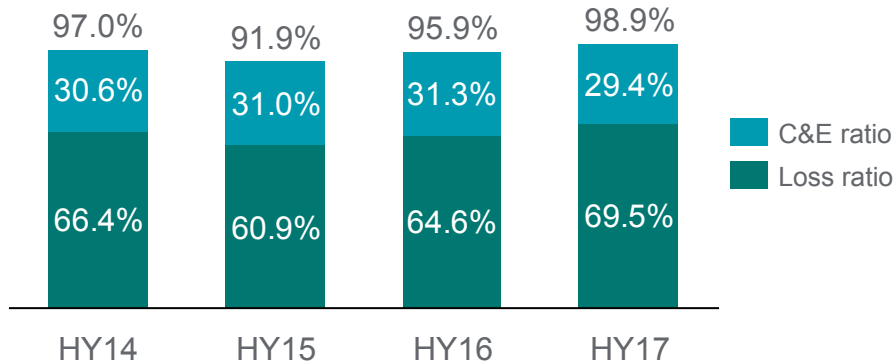
Operating profit



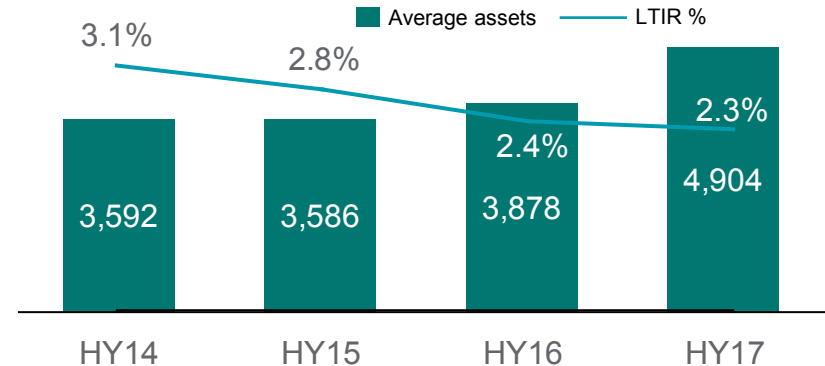
Net written premium



GI Combined operating ratio⁹

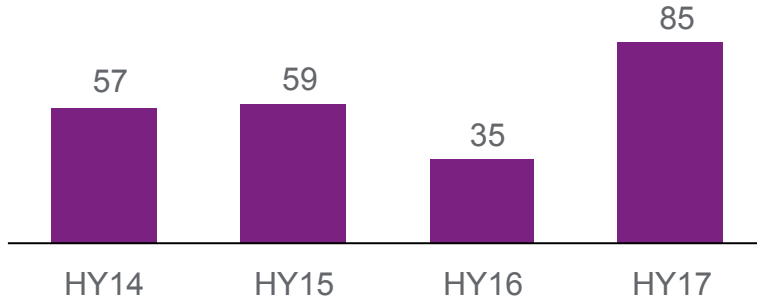


Investments

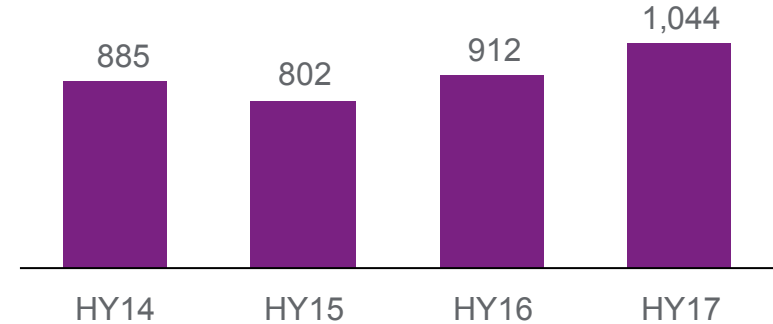


General insurance and health (Europe)

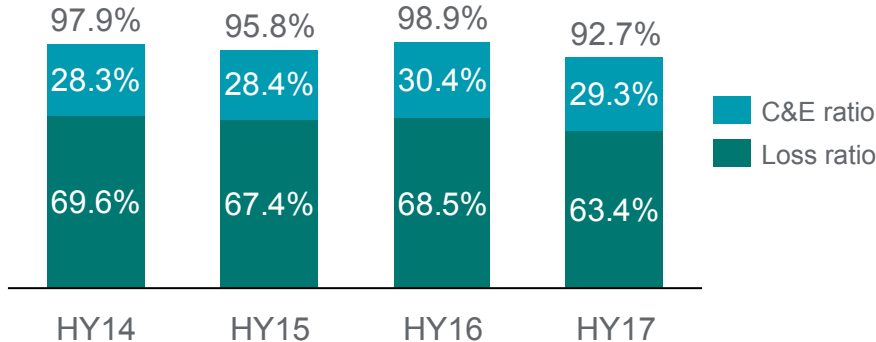
Operating profit



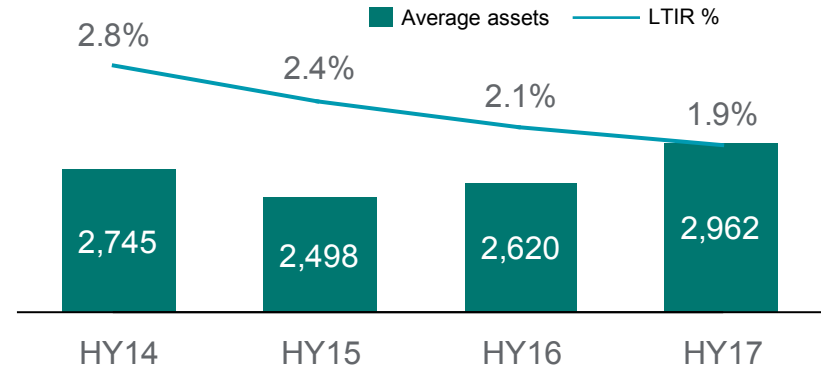
Net written premium



GI Combined operating ratio⁹



Investments





**Earnings per
share**

Operating earnings per share

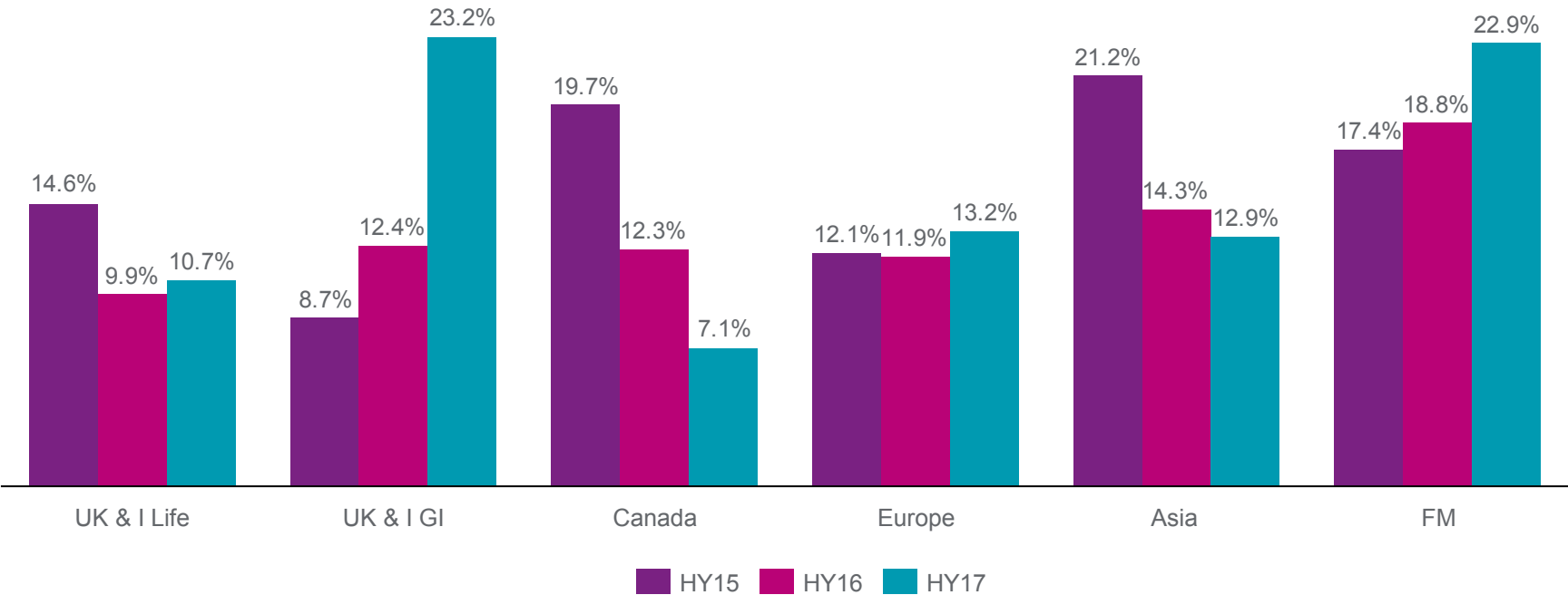
	HY16	HY17
Group operating profit	1,325	1,465
Less operating tax	(323)	(311)
Minority Interest	(67)	(73)
DCI and fixed rate tier 1 notes	(21)	(23)
Preference shares	(9)	(9)
Total operating earnings after tax, MI & DCI and preference shares	905	1,049
Weighted average number of shares	4,046	4,061
Operating earnings per share	22.4	25.8

Basic earnings per share

	HY16	HY17
Operating profit attributable to shareholders	905	1,049
Investment return variances and economic assumption changes on long-term business	(2)	(129)
Short-term fluctuation in return on investments backing non long-term business	(267)	(166)
Economic assumption changes on GI & Health business	(98)	(10)
Impairment of goodwill, joint ventures and associates and other amounts expensed	0	(19)
Amortisation and impairment of intangibles	(68)	(71)
Amortisation and impairment of acquired value of in-force business	(270)	(201)
Profit on disposal and remeasurement of subsidiaries, JVs and associates	(18)	192
Integration and restructuring costs and other	(82)	(40)
Profit attributable to ordinary shareholders	100	605
Weighted average number of shares	4,046	4,061
Basic earnings per share	2.5	14.9

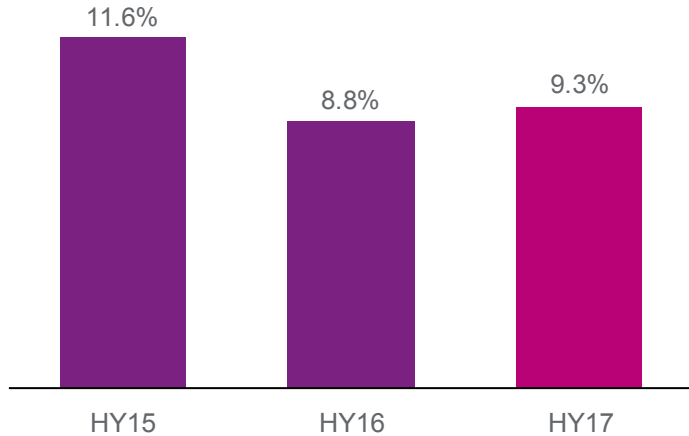
Returns

Operating return on total capital employed

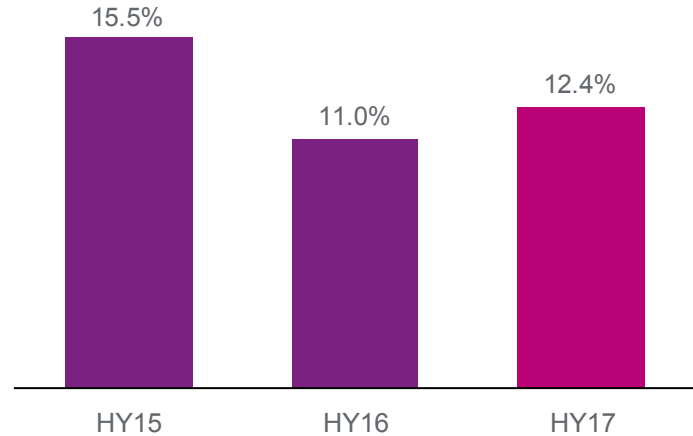


Operating return on total capital employed & return on equity

Group return on capital employed



Group return on equity



Analysis of operating return on equity

£m	Operating return		Weighted average shareholders' funds including non-controlling interests	Return on Equity %
	Before tax	After tax		
UK & Ireland Life	756	606	11,323	10.7%
UK & Ireland GI and Health	259	211	1,817	23.2%
Canada	71	52	1,468	7.1%
Europe	518	367	5,574	13.2%
Asia	115	107	1,661	12.9%
Fund management	69	55	481	22.9%
Corporate and Other Business	(130)	(88)	5,725	n/a
Return on total capital employed	1,658	1,310	28,049	9.3%
Subordinated debt	(191)	(154)	(7,223)	4.3%
Senior debt	(2)	(2)	(1,384)	0.3%
Return on total equity	1,465	1,154	19,442	11.9%
Less: Non-controlling interests		(73)	(1,372)	10.6%
Direct capital instrument and tier 1 notes		(23)	(1,123)	6.1%
Preference capital		(9)	(200)	8.5%
Return on equity shareholders' funds		1,049	16,747	12.4%

Capital & cash flows

Solvency II own funds by tier

Regulatory view*			
HY17	£bn	% of SCR	% of own funds
Tier 1	22.2	131%	77%
T1 unrestricted	19.2	113%	66%
T1 restricted	3.0	18%	10%
Tier 2	6.3	37%	22%
Tier 3	0.4	2%	1%
	28.9	170%	100%

*Estimated

Shareholder view

- Regulatory view of own funds adjusted by £5.2bn due to with-profits funds, pension schemes and other pro-forma adjustments
- Shareholder view coverage ratio of 193%¹

Solvency II – sensitivities

Impact on Solvency cover ratio (SCR)

30/06/2017 SCR : 193%¹

25bps increase in interest rate	4%
100bps increase in interest rate	16%
25bps decrease in interest rate	(6)%
50bps decrease in interest rate	(12)%
10% increase in market value of equity	2%
10% decrease in market value of equity	(2)%
25% decrease in market value of equity	(3)%
50bps increase in Corporate Bond spread ¹²	0%
100bps increase Corporate Bond spread	(1)%
50bps decrease in Corporate Bond spread	(2)%
10% increase in maintenance and investment expenses	(7)%
10% increase in lapse rates ¹²	0%
Credit downgrade on the annuity portfolio	(4)%
5% increase in mortality / morbidity rates – life assurance	(2)%
5% decrease in mortality rates – annuity business	(12)%
5% increase in gross loss ratios	(3)%

Subordinated debt profile



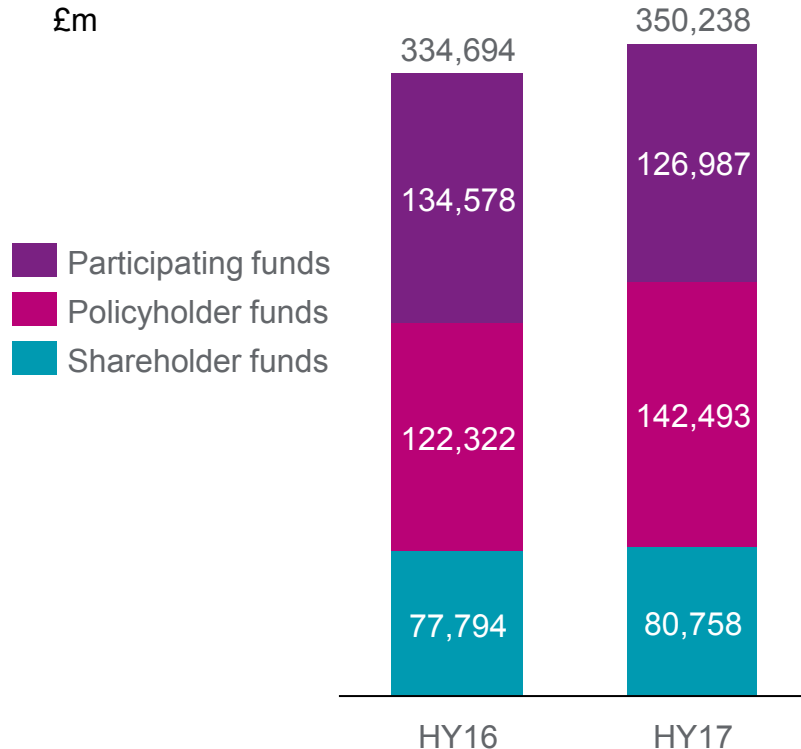
All debt instruments have been presented at optional first call dates at nominal values converted to GBP using 30 June 2017 rates.



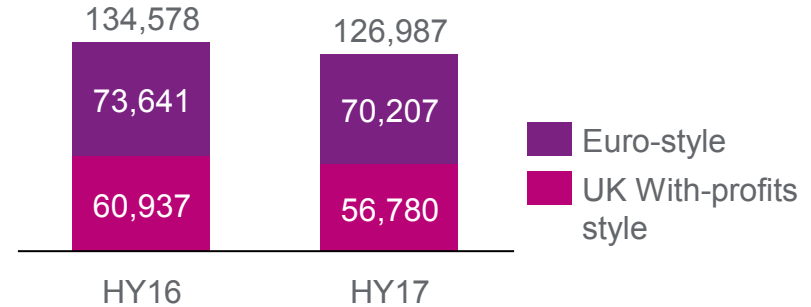
Balance sheet

Total managed assets

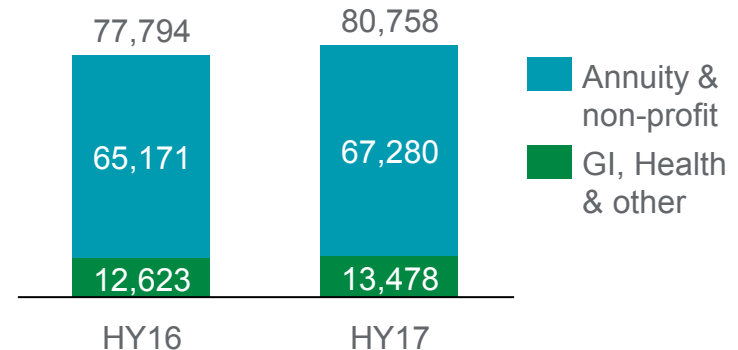
Assets by liabilities covered



Participating assets by type

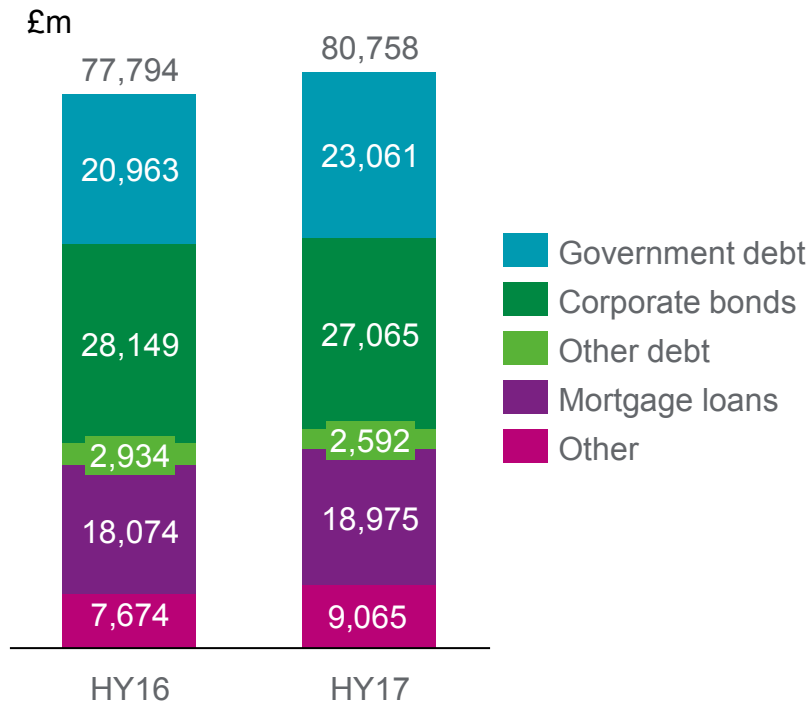


Shareholder assets by type



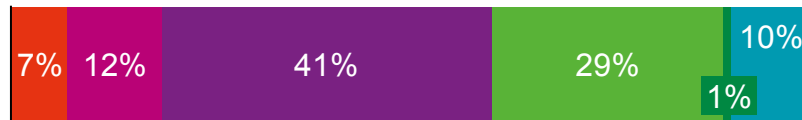
Shareholder assets

Shareholder assets by type



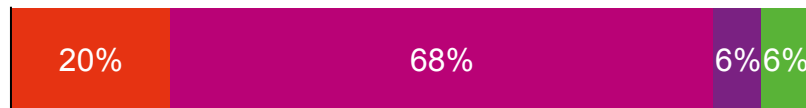
Corporate debt by rating

Total: £27,065m



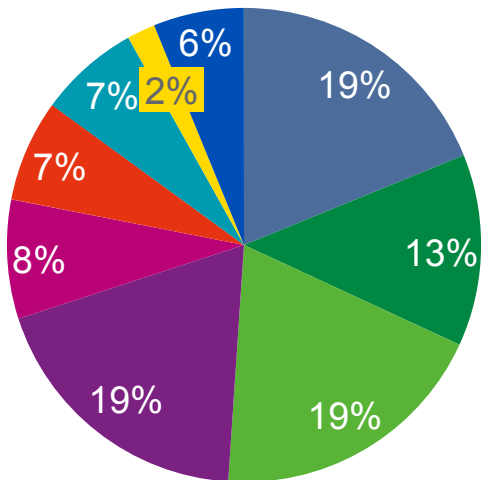
Government debt by rating

Total: £23,061m



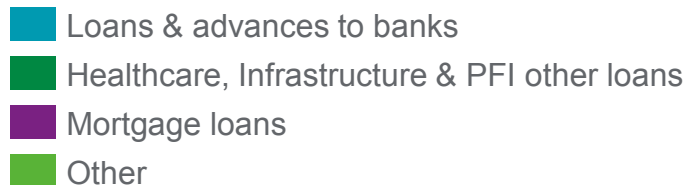
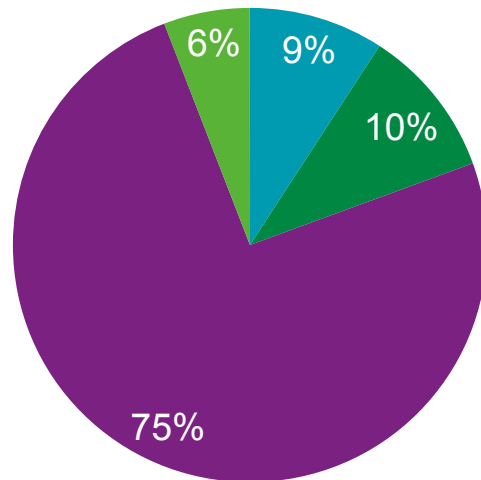
Shareholder assets

Corporate bonds by industry



Loans by type

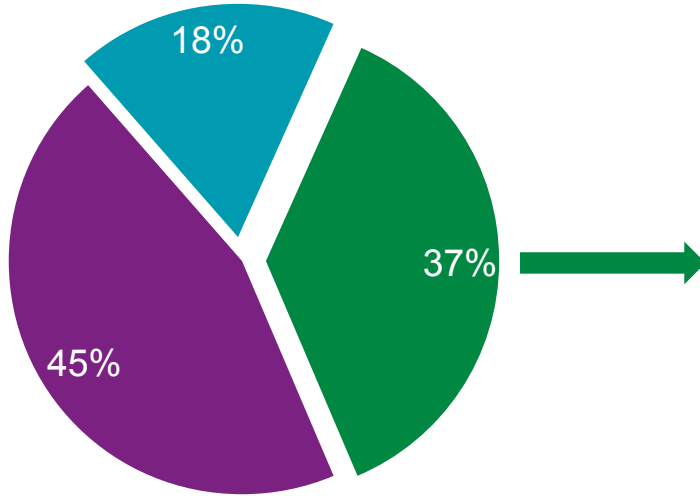
Total: £25,519m



Shareholder assets – Mortgage loans

Mortgage loans

Total: £18,975m

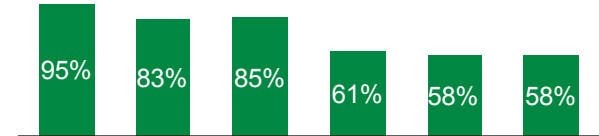


- Healthcare, infrastructure & PFI
- Commercial
- Securitised mortgage loans & equity release

Commercial real estate portfolio

Commercial: £6,923m

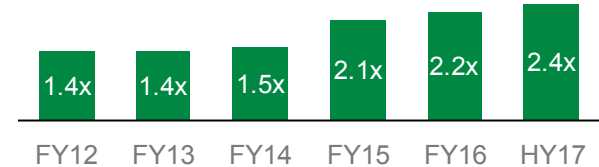
LTV



Loans in arrears



Loan interest cover



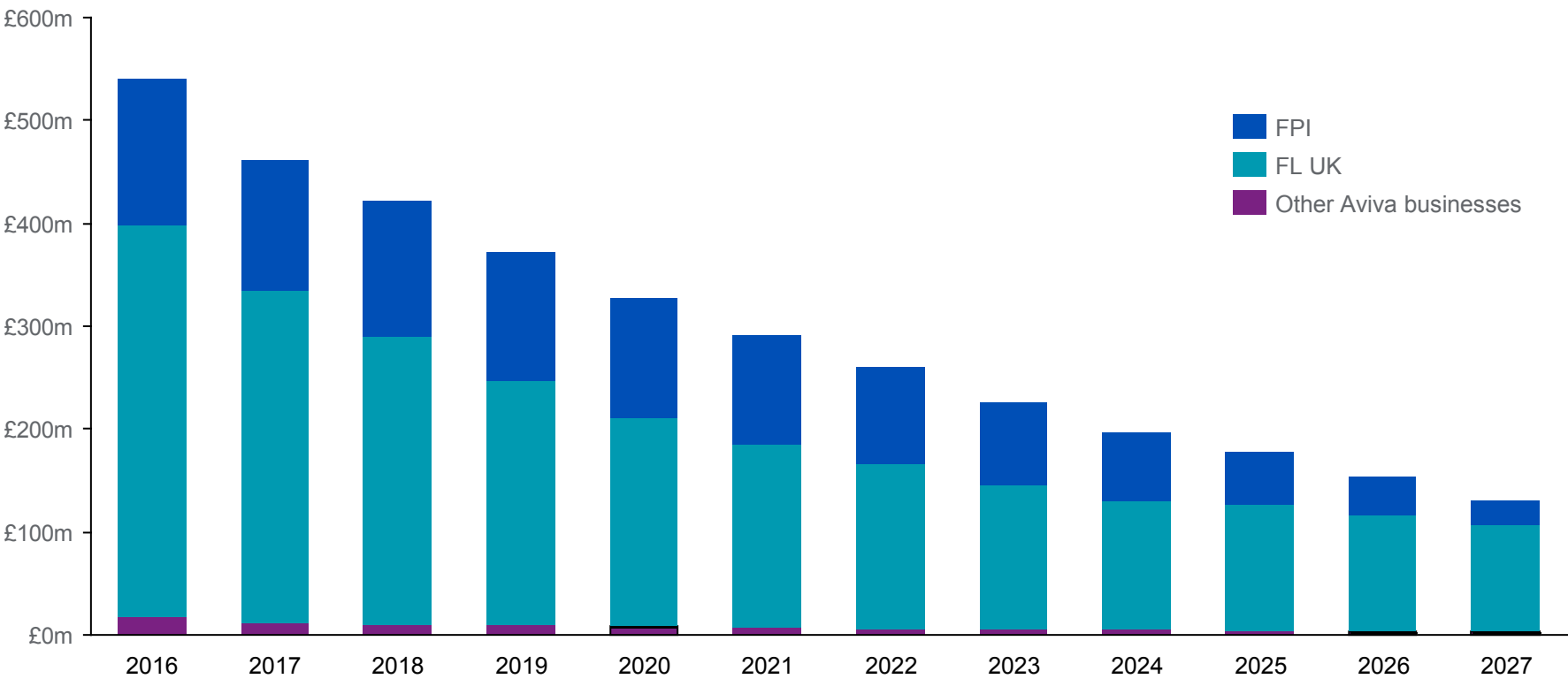
Other

Disposals – pro-forma

	Antarius		Spain (part)		FPIL	
	Completed 1Q17		Expected completion 2H17		Expected completion 2018	
£m	FY16	HY17	FY16	HY17	FY16	HY17
Operating profit (before tax & MI)	78	21	82	39	140	70
Operating EPS*	0.6p	0.2p	0.8p	0.3p	3.5p	1.7p
Proceeds	€500m		€475m		£340m	
IFRS NAV impact (net of proceeds)	Included		c£120m gain		c£(130)m loss	
SII surplus impact (net of proceeds)	All impacts reflected in HY17 surplus position of £11.4 billion					

* based on weighted average number of shares of 4,051m at FY16 and 4,061m at HY17

Estimated amortisation of acquired value of in-force



This is our latest estimated projection as provided at FY16 and is subject to a variety of factors including the effects of markets.

We announced the sale of FPI in July 2017. It is expected to complete in early 2018.

Footnotes

1. Represents the shareholder view. This excludes the contribution to Group Solvency Capital Requirement (SCR) and Group Own Funds of fully ring fenced with-profits funds £3.2 billion (*FY16: £2.9 billion*) and staff pension schemes in surplus £1.2 billion (*FY16: £1.1 billion*). Includes an estimated adverse impact of a notional reset of the transitional measure on technical provisions ('TMTP') to reflect interest rates at 30 June 2017 £0.5 billion decrease to surplus (*FY16: £0.4 billion*). Also included are the pro forma impacts of the disposal of the Spanish joint ventures and retail life insurance business (£0.1 billion increase to surplus), the disposal of Friends Provident International Limited (£0.1 billion increase to surplus), and the buy-back of the remaining £0.2 billion share capital out of the £0.3 billion total commitment announced 25 May 2017. The 31 December 2016 Solvency II position includes the pro forma impacts of the disposal of Aviva's 50% shareholding in Antarius (£0.2 billion increase to surplus) and an anticipated future change to UK tax rules restricting tax relief (£0.4 billion decrease to surplus).
2. Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item.
3. PVNBP and VNB are presented on an adjusted Solvency II basis.
4. On a constant currency basis.
5. Total number of UK digital registrations.
6. Gross written premiums.
7. HY16 general insurance and health operating profit has been rebased for the reduction in the AGH loan.
8. NAV is presented net of tax & MI.
9. The combined operating ratio is now reported on an earned basis. Comparators have been realigned to reflect this change.
10. PVNBP and VNB for HY17 and HY16 are presented on an adjusted Solvency II basis. HY15 and HY14 are presented on a MCEV basis.
11. Excluding Eurovita & CxG.
12. A 50 bps increase in corporate bond spread and 10% increase in lapse rates result in a proportionate decrease in Group Own Funds and Group SCR with no overall impact on the rounded Group cover ratio.