

# **Aviva plc**

## **Results 2018**

# 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 and international political, regulatory and economic conditions; market developments and government actions (including those arising from the referendum on UK membership of the European Union); 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; 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; regulatory approval of extension of use of the Group’s internal model for calculation of regulatory capital under the European Union’s Solvency II rules; 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 (including cyber attack); 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, 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 ‘Other information – Shareholder Information – Risks relating to our business’ in Aviva’s most recent Annual Report. 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.

# 2018 review & outlook

**Tom Stoddard**

Aviva plc

Chief Financial Officer

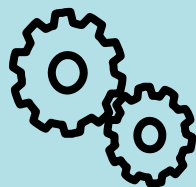
# 2018 key financial metrics



## EPS

Operating EPS  
58.4p, +7%

Operating profit<sup>1</sup>  
£3,116m, +2%



## Capital

Solvency II ratio<sup>2</sup>  
204%

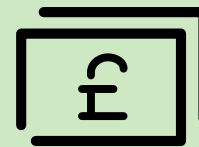
Capital generation  
£3.2bn



## Cash

Cash remittances  
£3.1bn, +31%

Centre liquidity<sup>3</sup>  
£1.6bn



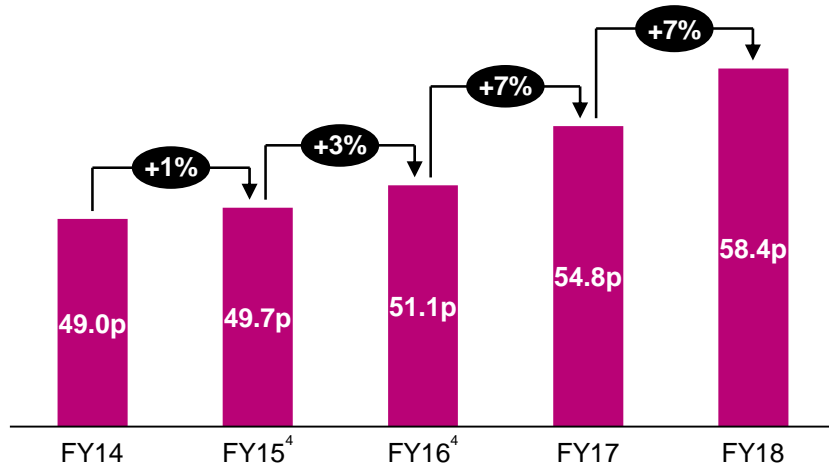
## Dividend

30.0p per share  
+9%

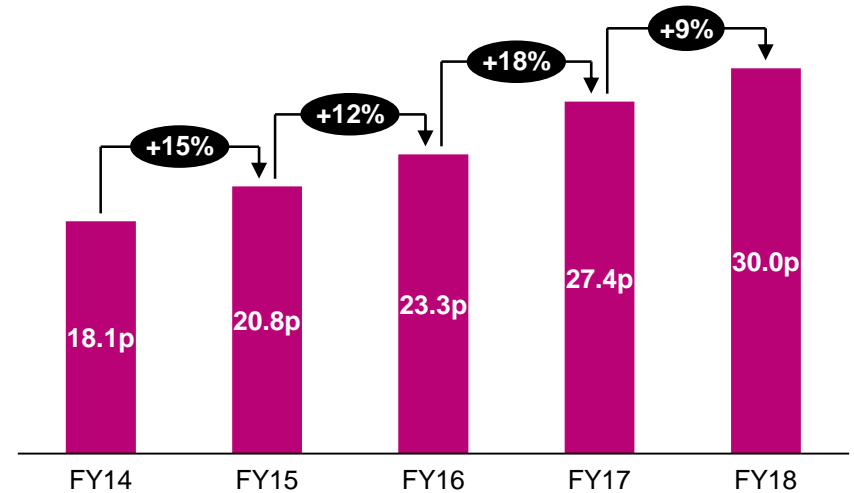
51.4% pay-out ratio  
+1.4pp

# Extending our EPS and DPS growth track record

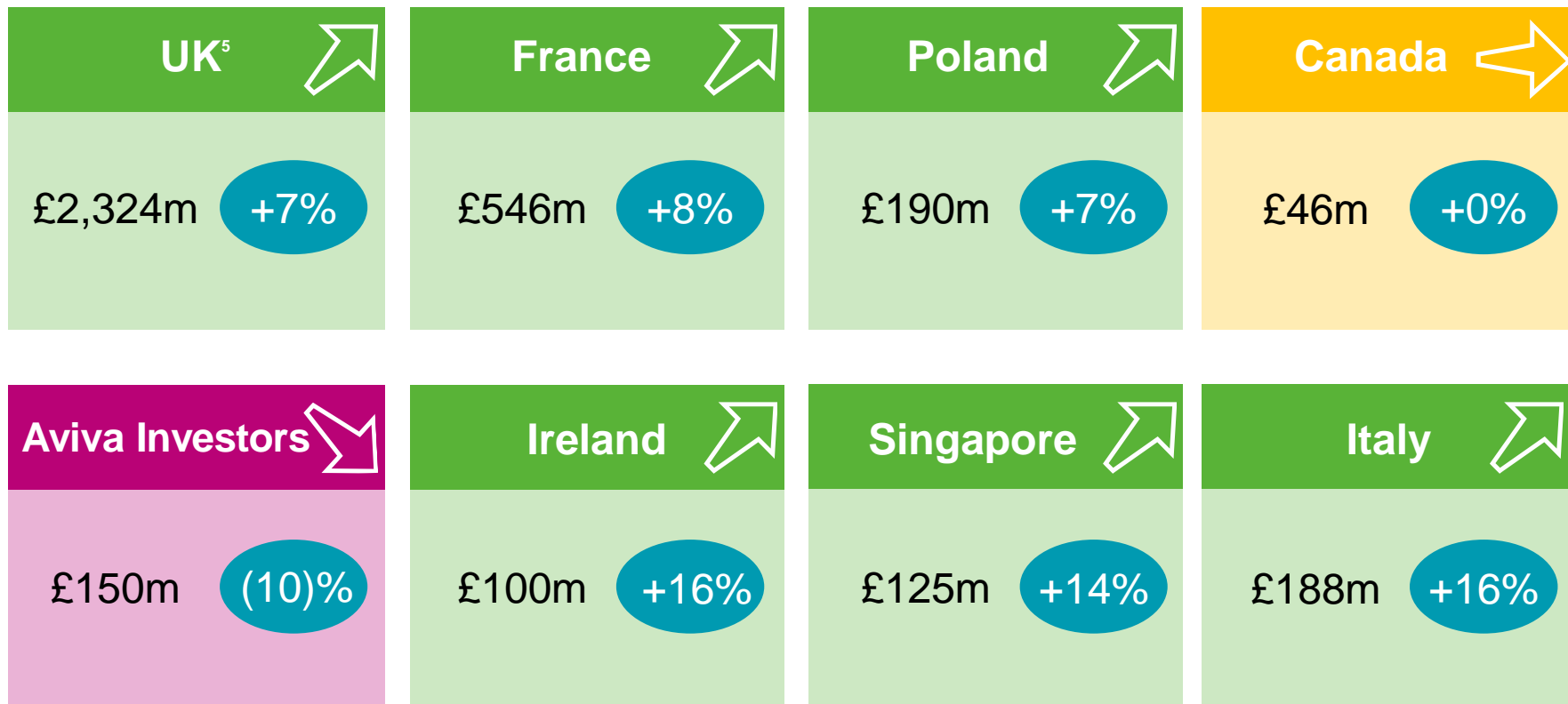
**Operating EPS: +7%**



**Dividend per share: +9%**  
Moving to a progressive dividend policy



## 6 out of 8 major markets delivered strong operating profit<sup>1</sup> growth



# Operating profit<sup>1</sup>

| £m                         |  | FY17         | FY18         | Change    |
|----------------------------|--|--------------|--------------|-----------|
| Major markets              | UK Insurance <sup>5</sup>              | 2,164        | <b>2,324</b> | 7%        |
|                            | Aviva Investors                        | 168          | <b>150</b>   | (10)%     |
|                            | Canada                                 | 46           | <b>46</b>    | -         |
|                            | France (excl. Antarius)                | 507          | <b>546</b>   | 8%        |
|                            | Poland                                 | 177          | <b>190</b>   | 7%        |
|                            | Italy (excl. Avipop)                   | 162          | <b>188</b>   | 16%       |
|                            | Ireland (incl. Friends First)          | 86           | <b>100</b>   | 16%       |
|                            | Singapore                              | 110          | <b>125</b>   | 14%       |
| <b>Total major markets</b> |  | <b>3,420</b> | <b>3,669</b> | <b>7%</b> |
|                            | Strategic investments                  | (85)         | <b>(142)</b> | (67)%     |
|                            | Corporate costs, non insurance & other | (150)        | <b>(224)</b> | (49)%     |
|                            | Group debt costs <sup>5</sup>          | (389)        | <b>(355)</b> | 9%        |
|                            | FPI                                    | 119          | <b>151</b>   | 27%       |
|                            | Contribution from disposals*           | 153          | <b>17</b>    | (89)%     |
| <b>Operating profit</b>    |  | <b>3,068</b> | <b>3,116</b> | <b>2%</b> |



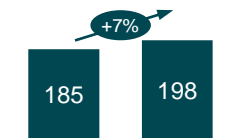
# UK Insurance

## Life core segments



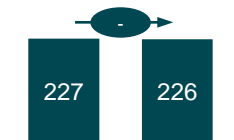
### Annuities & Equity Release:

- £4.8bn PVNBP (+12%) from strong BPA trading (+27%)
- Our largest ever BPA win (M&S: £0.9bn)
- Inforce profit growth up 7% with stable margin at 68bps



### Long-term savings:

- £116bn AuA (-2%); £23bn Platform AuA (+12%)
- Continued positive net flows of £5.0bn (FY17: £5.6bn)
- Stable inforce margin (25bps)



### Protection:

- New business sales down 8%: competitive market with hardening reinsurance rates
- Existing business profits up 39%: improved claims experience in Group from 2H17 actions

FY17 FY18

■ Operating profit (£m)

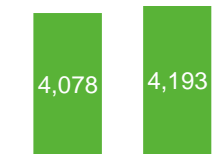
Life Other

Life Legacy

+£90m higher profit contribution mainly driven by continued benefits from positive longevity developments

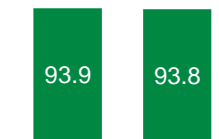
Stable margin of 41bps; Operating profit down 4% to £318m; Maintaining guidance of c10% p.a. run off

## General Insurance



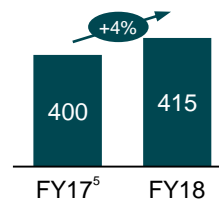
### Net written premiums (£m)

- Growth in our preferred channels and products despite a softer motor market
- +8% Commercial from SME & GCS
- +11% Direct Home



### Combined ratio (%)

- PY releases +2.5pp (FY17: 1.0pp) due to favourable attritional & large injury claims
- Lower benefit from benign weather: 0.7pp favourable to budget vs. 2.0pp in PY
- 97.0% normalised COR (FY17: 96.9%)



### Operating profit (£m)

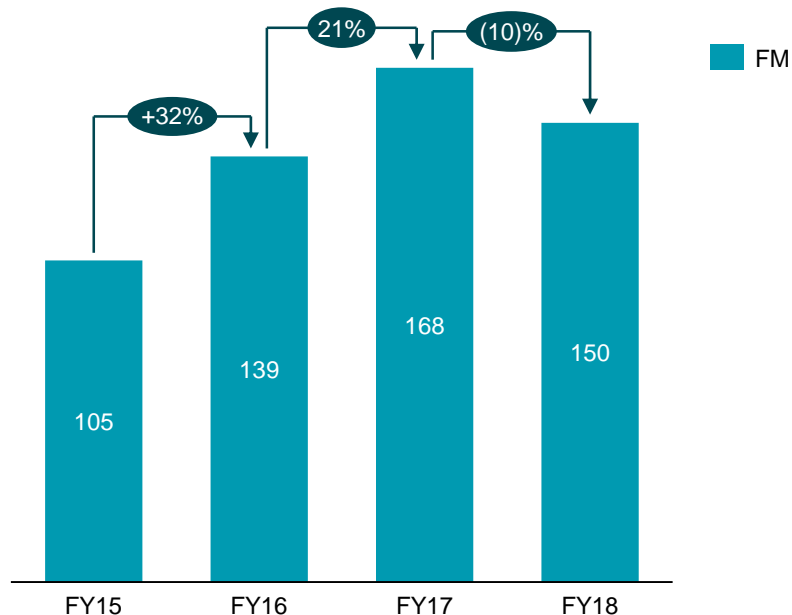
- Underwriting result up 3% as business has grown while maintaining margin
- LTIR<sup>5</sup> up 5% from updated investment mix



# Aviva Investors

## Operating profit<sup>1</sup>

£m



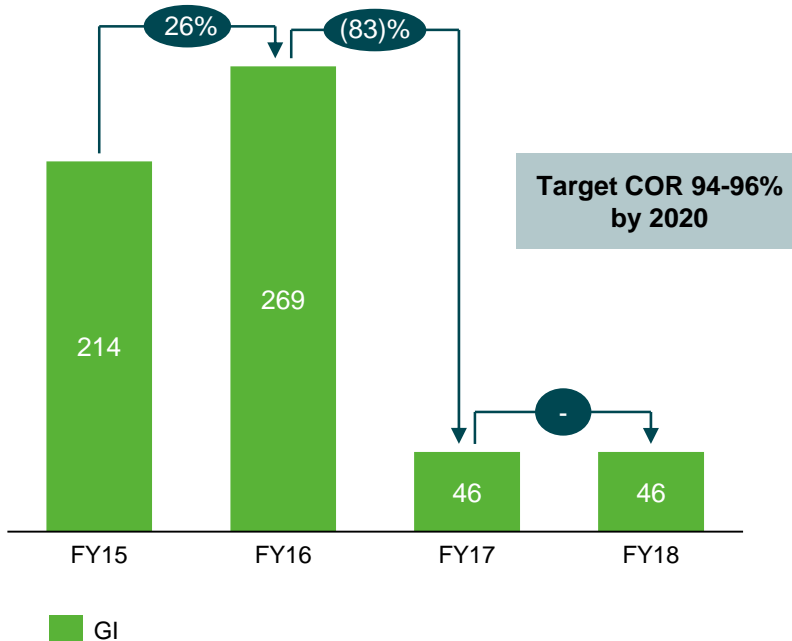
## Performance

- Revenue increased by 4% to £597m (FY17: £577m)
- Operating profit margin of 25% (FY17: 29%) due to investment in expanding our Equity, Real Assets & distribution capabilities, and the absorption of MiFID II costs
- External clients: 19% of AUM and 31% of revenue (FY17: 21% and 34% respectively)
- Inflows in US and Canadian fixed income, institutional real asset mandates and insourcing of £2.3bn of Stewardship funds
- AUM of £331bn (FY17: £351m) due to adverse market and FX movements, disposals and net outflows of £7bn, primarily from internal legacy products. AIMS AUM £10.3bn (FY17: £12.6bn)
- Origination of illiquid assets up 41% to £5.8bn (FY17: £4.1bn)
- Cash remitted to Group increased by £34m to £92m (FY17: £58m)

# Canada

## Operating profit<sup>1</sup>

£m



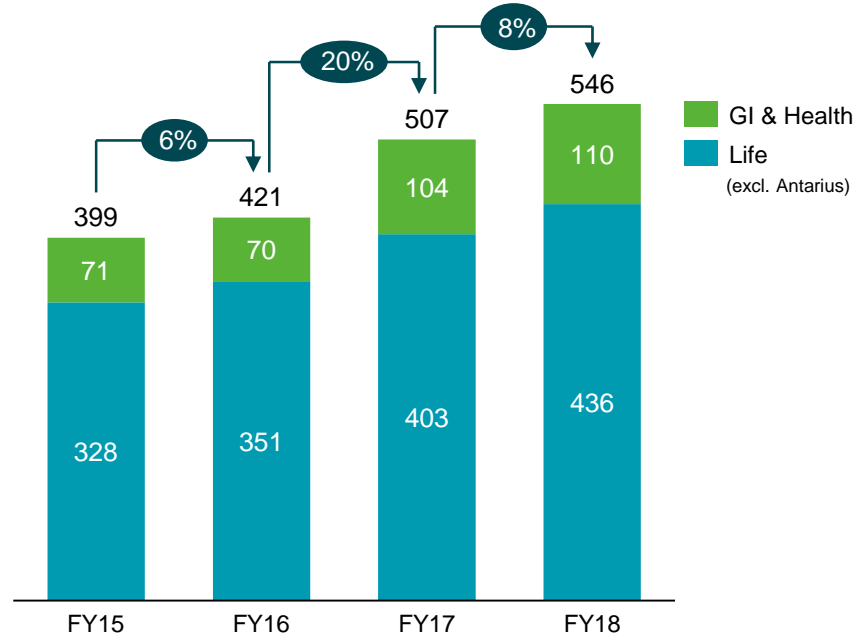
## Performance

- Continued progress from recovery plan: operating profit stable at £46m despite a £13m loss in the first half, challenging market conditions and absorption of RBC GI integration costs within 2018 operating expenses
- COR 102.4% (FY17: 102.2%) with PY releases vs. strengthening in FY17; weather remained broadly stable year on year with a benign 2H18 after significant wind & ice storms in HY18
- Commercial COR 97.8% while Personal COR remained >100%
- Normalised COR 103.4% (FY17: 100.7%); underlying improvements from rates and underwriting discipline were more than offset by elevated attritional claims frequency & severity as well as c£35m higher large losses vs. FY17
- Approval received for rate increases of 8.6% and 16.8% for Aviva and RBC Ontario motor books respectively from Q1 2019
- NWP broadly stable at £2.9bn as price increases offset lower retention
- Remediating actions around pricing, risk selection, distribution & claims continue: on track to return COR to targeted 94-96% range by 2020

# France

## Operating profit<sup>1\*</sup>

£m



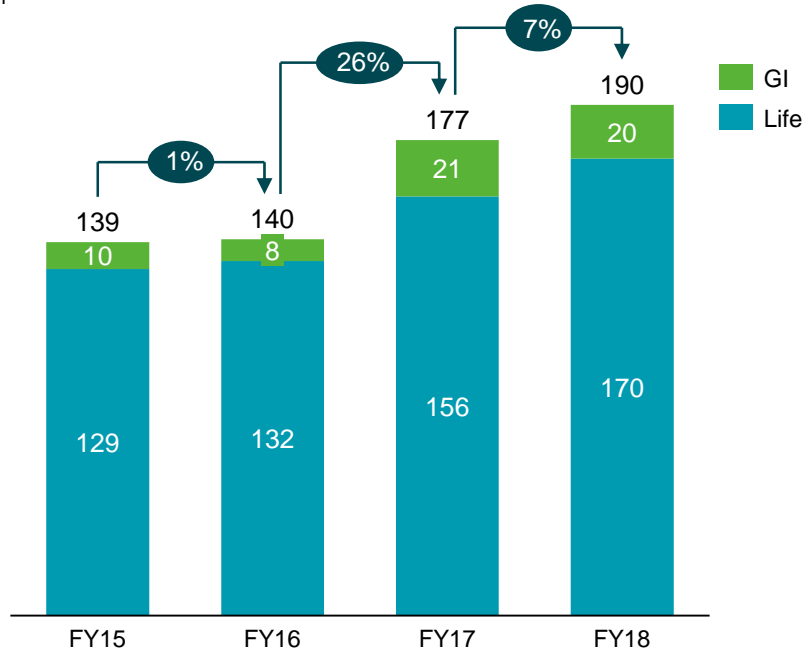
## Performance\*

- Strong distribution footprint, with increased brand recognition providing an opportunity to expand our presence with customers
- Life operating profit +7% (excl. FX) despite market volatility and increased competition in Protection as a result of strong savings sales and sustained cost discipline
- Continued to shift mix towards UL ahead of market: 37% of PVNBP vs. 29% market
- COR stable at 94.5% as underlying improvements & higher PY releases offset adverse large losses & weather-related claims
- NWP +5% (excl. FX) mainly from growth in commercial lines
- Successful FRPS implementation: 1<sup>st</sup> insurer to be granted a licence, further improving capital efficiency and strengthening retirement and pensions offering
- Strategy to align distribution channels under a single brand progressing at pace: direct/digital successfully realigned in 2018

# Poland

## Operating profit<sup>1</sup>

£m



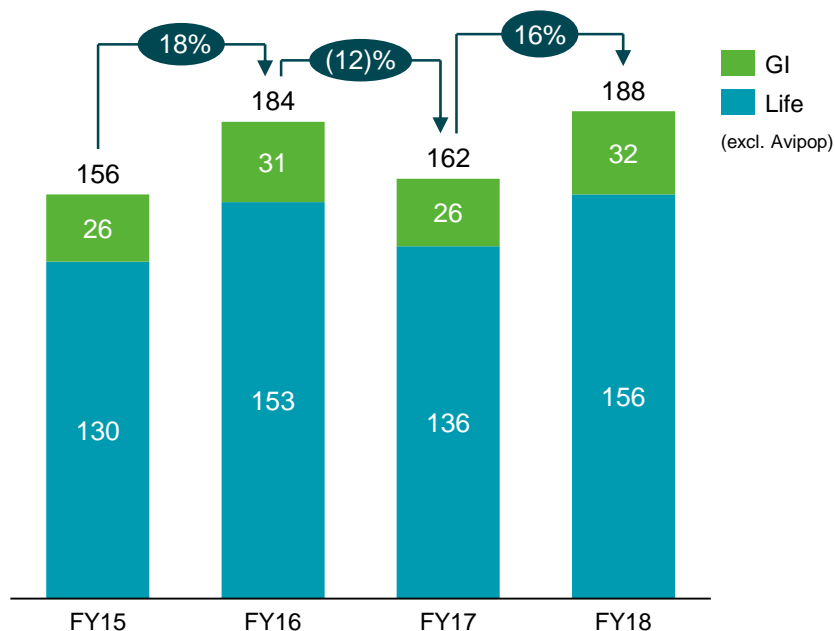
## Performance

- High ROCE multi-line franchise with multi-channel distribution
- Life operating profit +8% (excl. FX) mainly from higher opening assets under management driving increased fee income
- VNB stable at £58m (FY17: £57m); Maintained high quality mix with protection and unit-linked sales >80% of total PVNBP
- COR stable at 87.0% (FY17: 86.7%) with lower NWP from product mix
- Expense discipline: cost base down 1% (excl. FX)
- Growth in our distribution partnerships supported by a targeted product strategy and retention actions

# Italy

## Operating profit<sup>1\*</sup>

£m



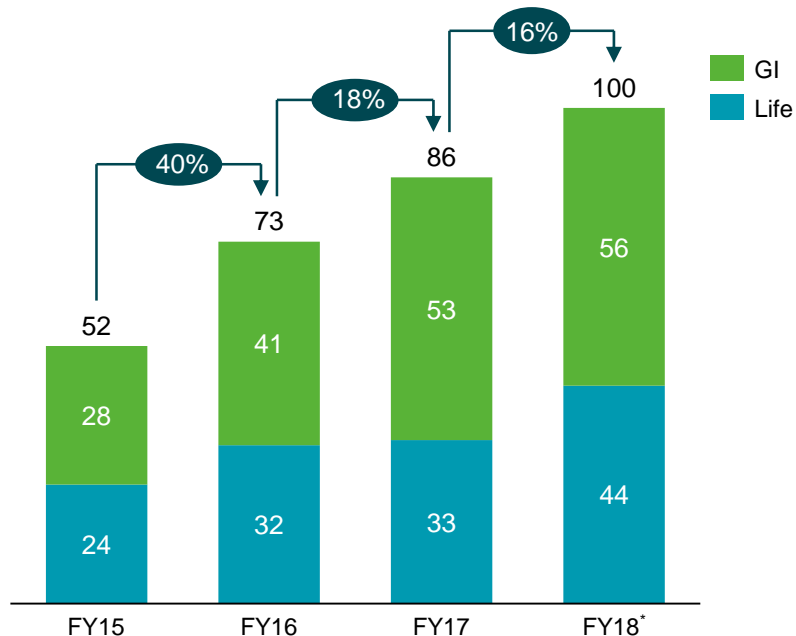
## Performance\*

- Multi-line business with major bancassurance partnerships and growth through FA channel
- Net inflows up 57% to £3.6bn (FY17: 2.3bn) from continued success of capital-light 'hybrid' products which contributed 44% of total life sales (FY17: 23%)
- Life operating profit +14% (excl. FX) mainly driven by strong growth in new business volumes of hybrid product; VNB +36% in local currency to £222m (FY17: £162m)
- COR improved to 95.1% (FY17: 98.1%) from remediating motor book; NWP down 7% (excl. FX)
- Continued focus on expanding and diversifying distribution capability: non banks channels accounted for >40% of life insurance sales in 2018
- Completed sale of Avipop JV to Banco BPM for €265m; retained proceeds locally to fund growth and address local economic volatility

# Ireland

## Operating profit<sup>1\*</sup>

£m



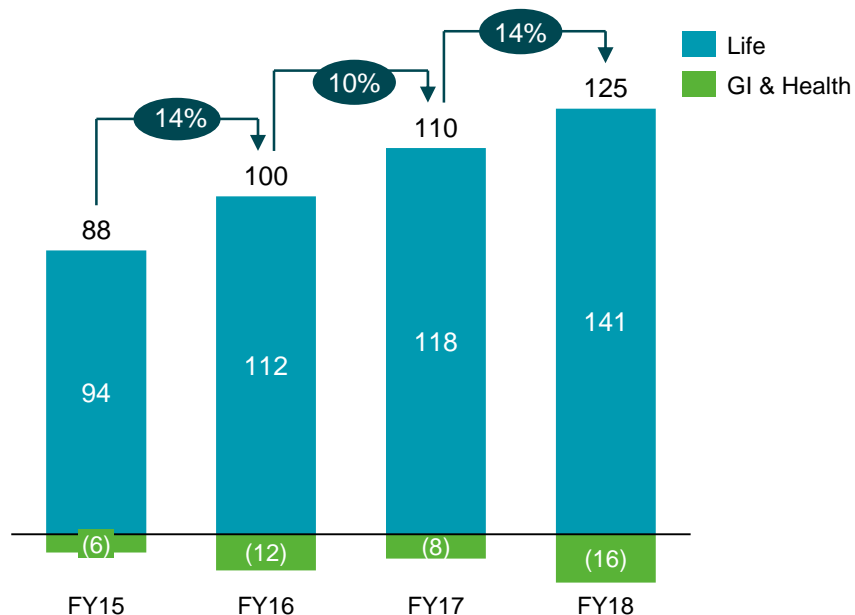
## Performance\*

- Largest multi-line insurer with a leading brand and 15% market share in both Life and GI
- Friends First acquisition completed in June & already accretive to operating profit; integration progressing at pace, on track to deliver targeted benefits over 2019 and beyond
- COR 91.5% (FY17: 91.4%) as improved underlying performance and more benign weather were mainly offset by higher large losses
- NWP £430m (FY17: £436m) with focus remaining on pricing discipline in a softening motor market
- Life operating profit up £11m mainly driven by Friends First contribution, longevity releases and asset mix optimisation on annuity book

# Singapore

## Operating profit<sup>1</sup>

£m



## Performance

- Leading life & health franchise and market leaders in FA space
- Distribution in financial advisory subsidiaries continues to grow with 1,540 advisors (FY17: 1,266) including Aviva Financial Advisors, which is now at 816 (FY17: 673)
- Continued growth with operating profit up 16% (excl. FX) driven by growth in the financial advisory channel in Life
- VNB up 25% (excl. FX) to £152m (FY17: £123m) with strong sales from FA channel and improved mix towards protection
- General Insurance & Health impacted by increased claims frequency where management is implementing remedial actions to improve the business
- Cash dividend resumed with payment of £6m

# Operating profit<sup>1</sup>

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|--|-------------------------------|--------------|--------------|-----------|
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| Contribution from disposals*           |                               | 153          | <b>17</b>    | (89)%     |
| <b>Operating profit</b>                |                               | <b>3,068</b> | <b>3,116</b> | <b>2%</b> |

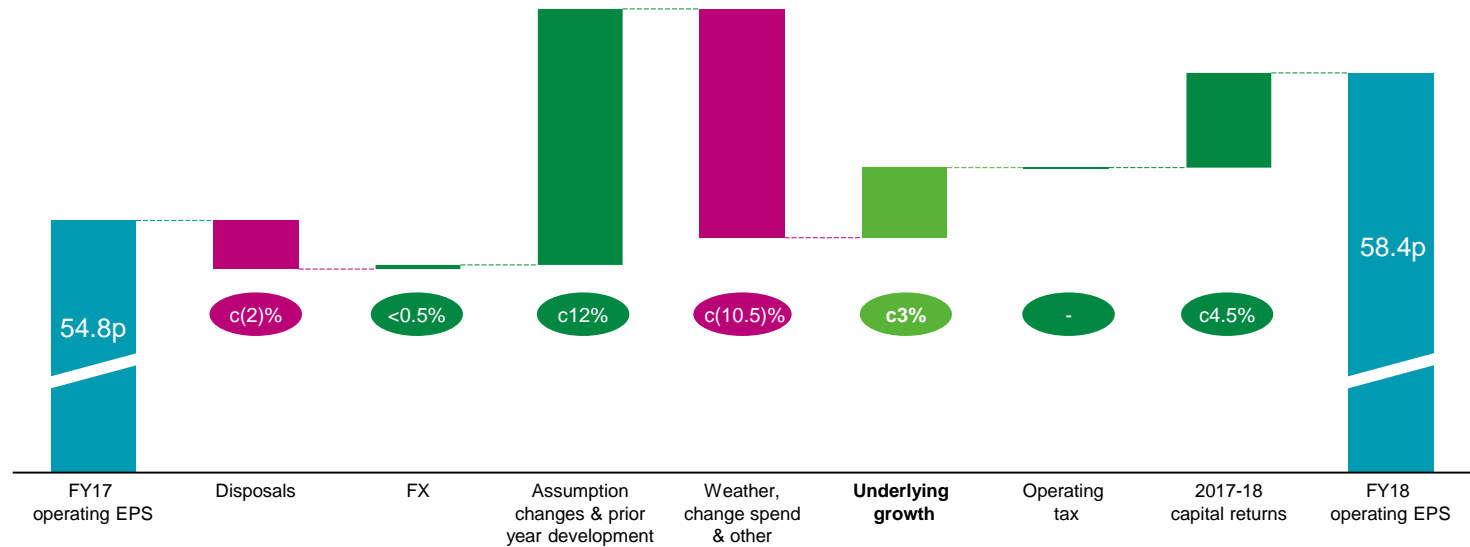
Operating EPS  
**58.4p**  
**+7%**

Operating EPS  
after I&R costs  
**58.4p**  
**+12%**

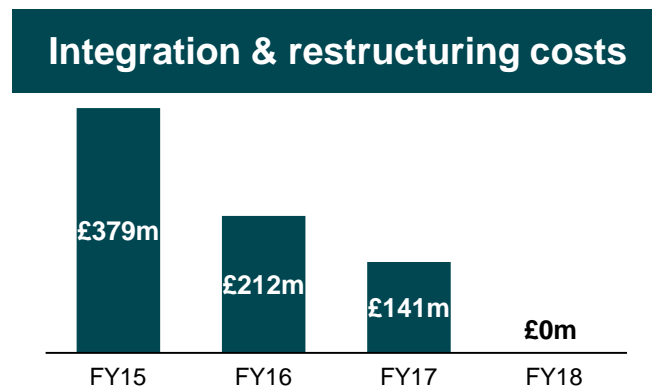
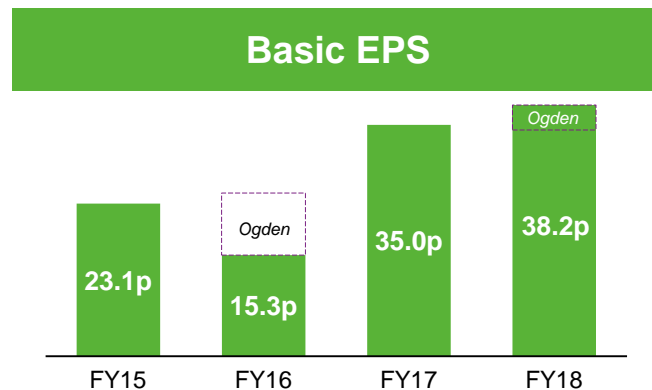
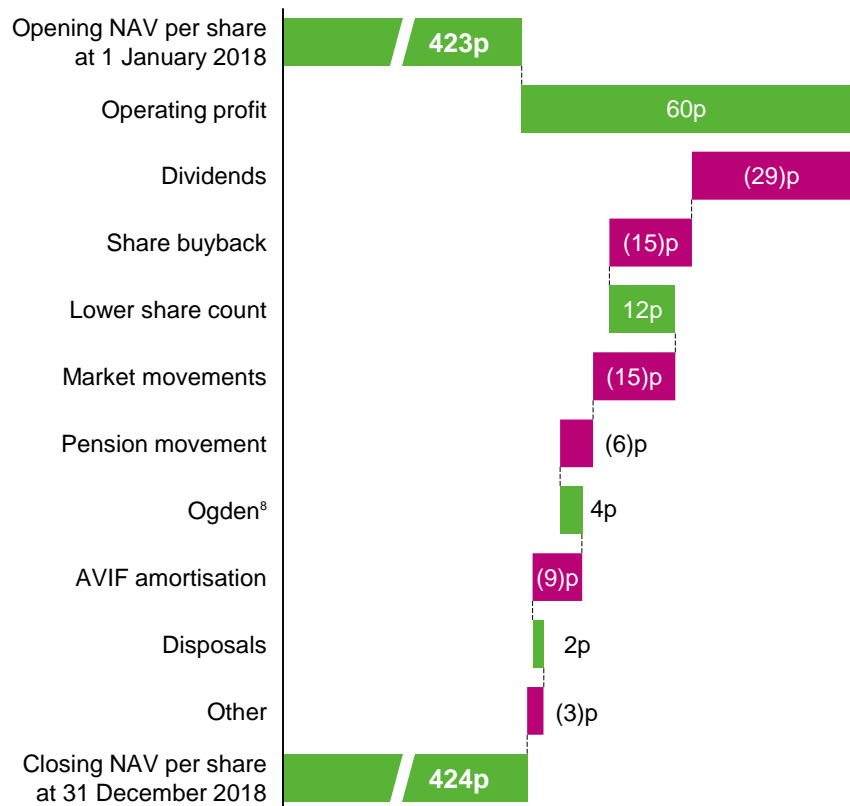


# Operating EPS progression

## 2018 operating EPS growth



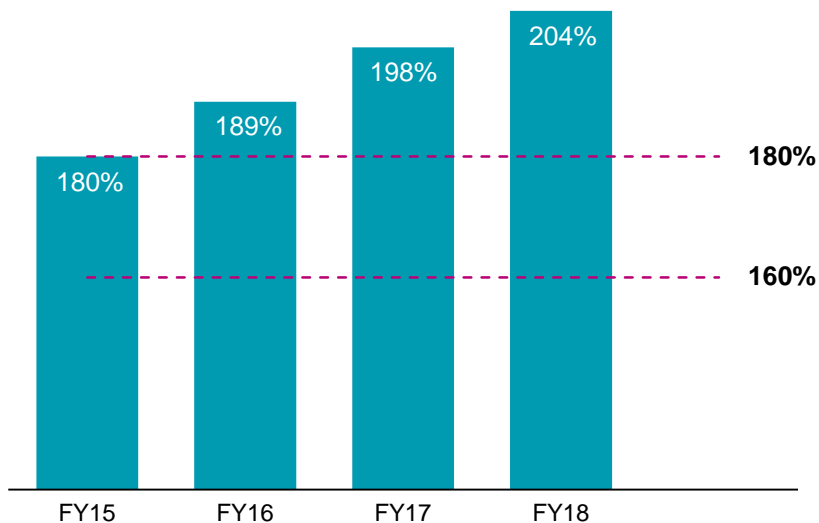
# Net asset value<sup>7</sup>



# Capital

## SII cover ratio<sup>2</sup>

Shareholder basis



## SII working range: 160-180%

Revised from previous 150-180% range set early 2016

Reflects stable risk appetite on stronger capital position

Consistent with AA credit rating

**£0.6bn**

2018 share buy-back

**£0.9bn**

2018 redemptions: 6.875% T2 and 7.875% RT1 notes

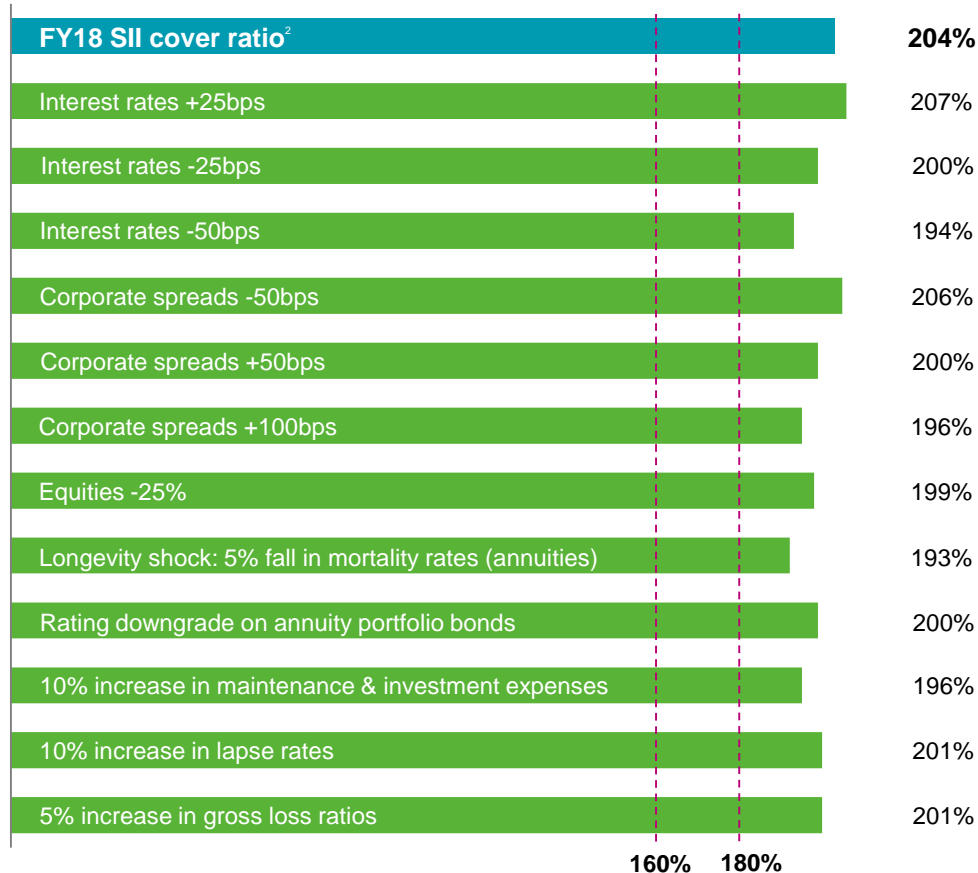
**£0.9bn**

Cumulative 2017-18 share buy-backs

**£1.4bn**

Cumulative 2017-18 net hybrid debt redemptions

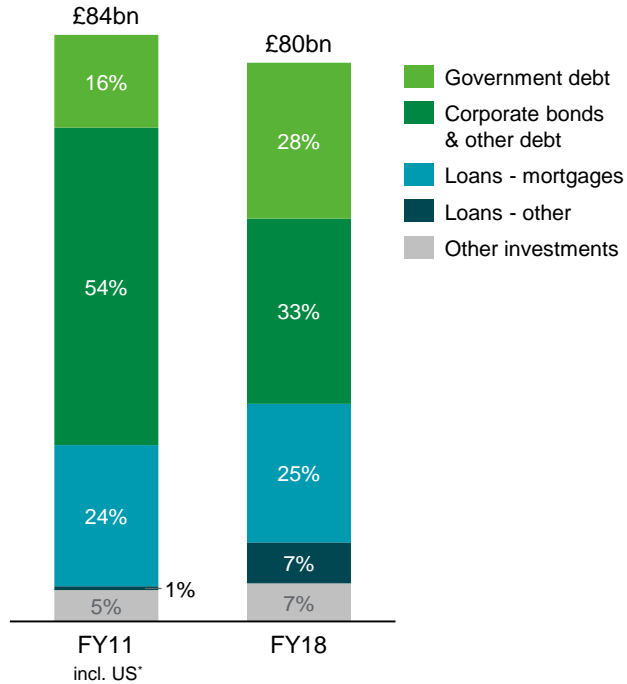
# Capital resilient to stress



- Above top end of 160-180% revised working range across all sensitivities
- Extensive planning and scenario testing for Brexit; remain resilient and have taken some pre-emptive actions including hedging and increasing Brexit reserves by c£100m to c£400m
- Prudent risk management with active reinsurance and hedging strategies: further equity/equity volatility hedges bought in 2018
- Efficient asset allocation that manages risk whilst seeking to boost return on capital

# Investment portfolio quality

## IFRS shareholder assets



## Corporate debt

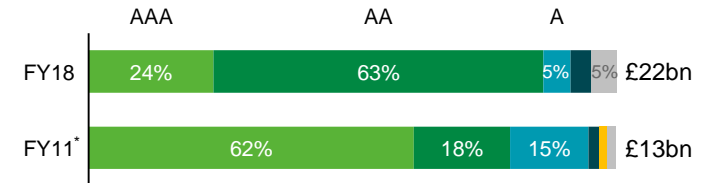
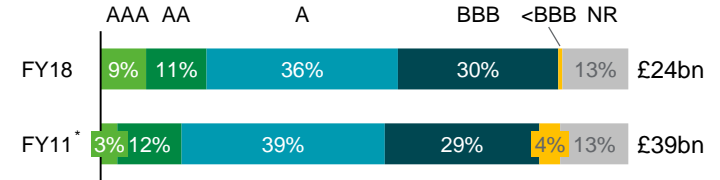
56% rated  $\geq$  A  
86%  $\geq$  BBB

## Government debt

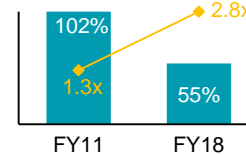
92% rated  $\geq$  A

## Mortgages

Low LTVs, high LICs



UK Commercial: £7bn

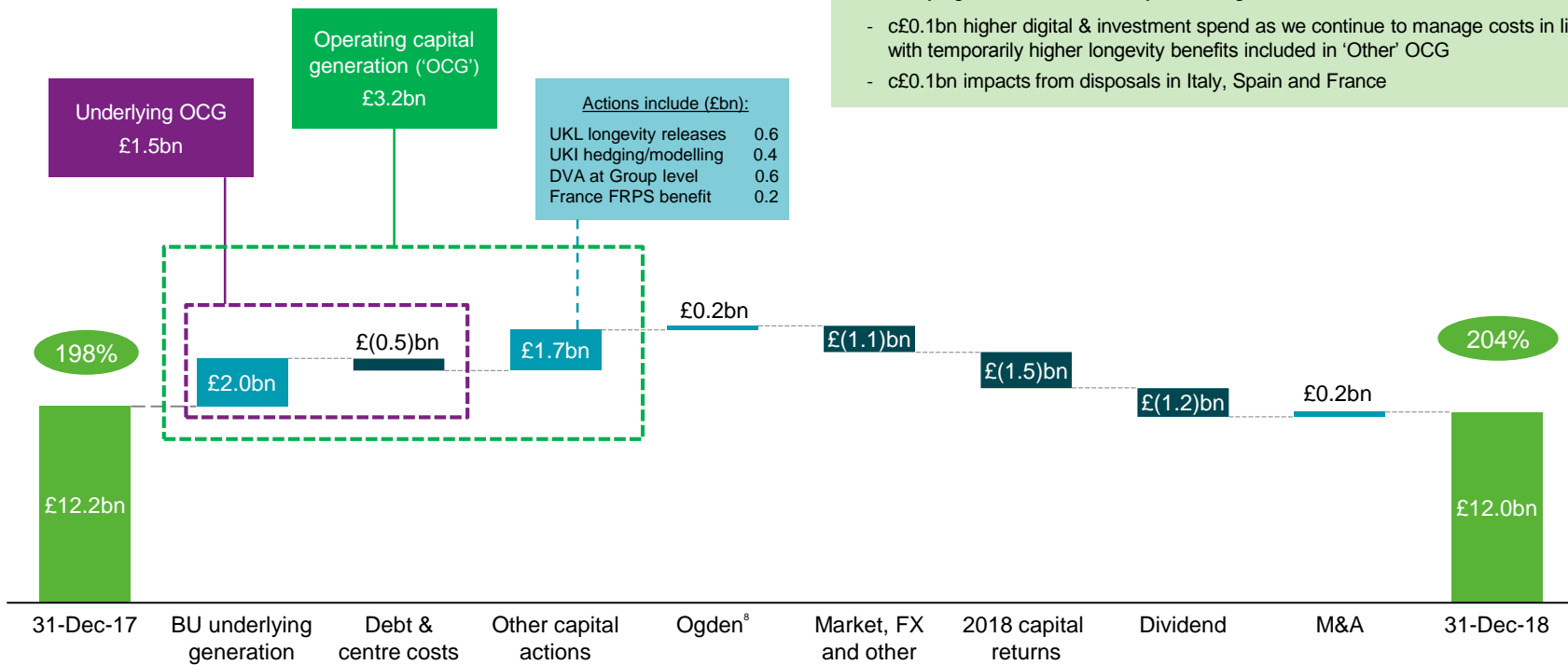


Equity release: £10bn



# Capital generation

- £2.7bn spent on dividend payment, share buyback and debt repayments in 2018
- Underlying OCG – lower mainly reflecting:
  - c£0.1bn higher digital & investment spend as we continue to manage costs in line with temporarily higher longevity benefits included in 'Other' OCG
  - c£0.1bn impacts from disposals in Italy, Spain and France



# Cash

**£3.1bn cash remitted in 2018, +31%**

| £m                          | FY16         | FY17         | FY18         |
|-----------------------------|--------------|--------------|--------------|
| UKI <sup>9</sup>            | 1,187        | 1,800        | <b>2,549</b> |
| <i>UKI underlying</i>       | 937          | 1,300        | <b>1,299</b> |
| <i>Friends Life special</i> | 250          | 500          | <b>500</b>   |
| <i>Other special</i>        |              |              | <b>750</b>   |
| Europe                      | 449          | 485          | <b>447</b>   |
| Canada                      | 130          | 55           | <b>28</b>    |
| Asia                        | -            | -            | <b>6</b>     |
| Aviva Investors & Other     | 39           | 58           | <b>107</b>   |
| <b>Cash remittances</b>     | <b>1,805</b> | <b>2,398</b> | <b>3,137</b> |

**£7.9bn FY16-18 cash remitted to Centre vs. £8bn target**

£7.3bn

FY16-18 cumulative cash remittances, of which £2.0bn of UKI special

+

£0.6bn

Incl. Spanish sale proceeds remitted to Centre

+

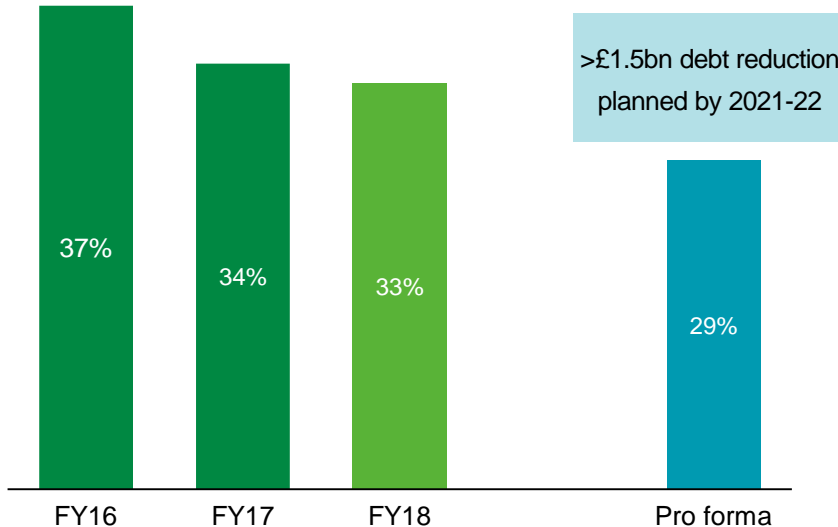
**£7.9bn**

Total remitted, broadly in line with target

Excludes: - Avipop proceeds: £0.2bn retained locally given high market volatility environment  
- FPI: completion for £0.3bn delayed

# Financial leverage

## SII debt leverage\*



- Plan to repay without refinancing at least £1.5bn of debt by 2021-22, primarily from special dividends from subsidiaries
  - Target pro forma c20% reduction in total debt as at YE18
  - Improves debt to capital ratio by c4pp on a SII basis
  - Represents c10pp\*\* movement toward SII working range
  - Would reduce ongoing external interest cash expense by c£90m p.a.
- Cash may be set aside in advance to effectively defease future maturities
- Continuing to manage consistent with AA ratings

\* SII regulatory debt plus senior debt and commercial paper over SII regulatory eligible own funds adjusted for senior debt and commercial paper; FY18 regulatory view is estimated;

\*\* On a shareholder basis

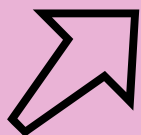


# Current outlook for 2019

- Rate of growth in 2019 likely to be tempered by external uncertainty: cautious outlook given macro trends and weak investment markets coming into 2019
- Potential headwinds for operating EPS include:
  - Higher operating tax rate due to changes in business mix of operating profit
  - Perimeter changes from residual impacts from 2018 disposals and FPI
- Potential tailwinds for operating EPS from:
  - 2018 capital returns
  - Continued recovery in Canada towards 2020 target of <96% COR
- Uncertainty around degree of offset between longevity benefits and change spend

**Moving to a progressive dividend policy**

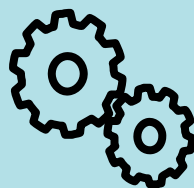
# 2018 key financial metrics



## EPS

Operating EPS  
58.4p, +7%

Operating profit<sup>1</sup>  
£3,116m, +2%



## Capital

Solvency II ratio<sup>2</sup>  
204%

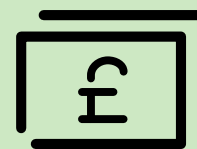
Capital generation  
£3.2bn



## Cash

Cash remittances  
£3.1bn, +31%

Centre liquidity<sup>3</sup>  
£1.6bn



## Dividend

30.0p per share  
+9%

51.4% pay-out ratio  
+1.4pp

# Appendix

# UK profit overview

# UKI profit overview

| £m                                    |                           | Operating profit <sup>1</sup> |              |           | Margin        |               |              | Driver                                       |   |
|---------------------------------------|---------------------------|-------------------------------|--------------|-----------|---------------|---------------|--------------|--|---|
|                                       |                           | 2017<br>£m                    | 2018<br>£m   | Δ         | 2017<br>% bps | 2018<br>% bps | Target range | 2017   | 2018  |
| <b>Long Term Savings</b>              | New                       | (74)                          | <b>(96)</b>  | (30)%     | n/a           | n/a           | (90)-(100)   |  |   |
|                                       | Existing                  | 259                           | <b>294</b>   | 14%       | 25bps         | <b>25bps</b>  | 25-30bps     | 105bn<br><small>(Opening assets)</small>     | <b>118bn</b><br><small>(Opening assets)</small>     |
|                                       | <b>Total</b>              | 185                           | <b>198</b>   | 7%        |               |               |              |  |   |
| <b>Annuities &amp; Equity Release</b> | New                       | 335                           | <b>363</b>   | 8%        | 8%            | <b>8%</b>     | 7.5-8.5%     | 4,287m<br><small>(PVNBP)</small>             | <b>4,784m</b><br><small>(PVNBP)</small>             |
|                                       | Existing                  | 390                           | <b>416</b>   | 7%        | 68bps         | <b>68bps</b>  | 55-70bps     | 57bn<br><small>(Opening assets)</small>      | <b>61bn</b><br><small>(Opening assets)</small>      |
|                                       | <b>Total</b>              | 725                           | <b>779</b>   | 7%        |               |               |              |  |   |
| <b>Protection</b>                     | New                       | 130                           | <b>91</b>    | (30)%     | 52%           | <b>43%</b>    | 40-50%       | 248m<br><small>(APE)</small>                 | <b>212m</b><br><small>(APE)</small>                 |
|                                       | Existing                  | 97                            | <b>135</b>   | 39%       | 6%            | <b>8%</b>     | 7.5-8.5%     | 1.69bn<br><small>(In-force premiums)</small> | <b>1.77bn</b><br><small>(In-force premiums)</small> |
|                                       | <b>Total</b>              | 227                           | <b>226</b>   | -         |               |               |              |  |   |
| <b>Legacy</b>                         |                           | 331                           | <b>318</b>   | (4)%      | 41bps         | <b>41bps</b>  | 35-40bps     | 81bn<br><small>(Opening assets)</small>      | <b>78bn</b><br><small>(Opening assets)</small>      |
| <b>GI</b>                             | Underwriting              | 246                           | <b>253</b>   | 3%        |               |               |              | 4,078m<br><small>(GI NWP)</small>            | <b>4,193m</b><br><small>(GI NWP)</small>            |
|                                       | LTIR & other <sup>5</sup> | 154                           | <b>162</b>   | 5%        |               |               |              | 93.9%<br><small>(GI COR)</small>             | <b>93.8%</b><br><small>(GI COR)</small>             |
|                                       | <b>Total<sup>1</sup></b>  | 400                           | <b>415</b>   | 4%        |               |               |              |  |   |
| <b>Health</b>                         | <b>Total</b>              | 36                            | <b>38</b>    | 6%        |               |               |              |  |   |
| <b>Other<sup>10</sup></b>             |                           | 260                           | <b>350</b>   | 35%       |               |               | £150-200m    |  |   |
| <b>Total</b>                          |                           | <b>2,164</b>                  | <b>2,324</b> | <b>7%</b> |               |               |              |  |   |

# **Earnings per share & net income**

# Operating earnings per share

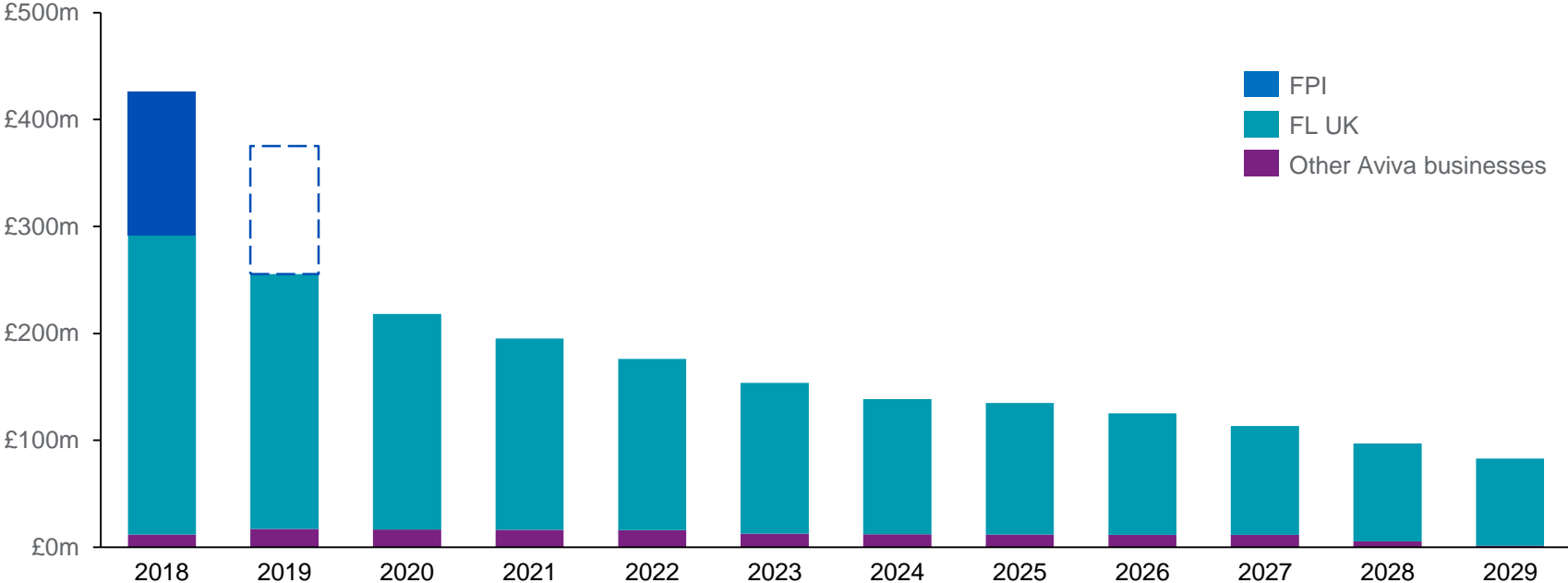
|   | FY17  | FY18         |
|---|-------|--------------|
| Group operating profit <sup>1</sup>   | 3,068 | <b>3,116</b> |
| Less operating tax  | (639) | <b>(647)</b> |
| Minority Interest   | (134) | <b>(100)</b> |
| DCI and fixed rate tier 1 notes   | (65)  | <b>(36)</b>  |
| Preference shares   | (17)  | <b>(17)</b>  |
| <b>Total operating earnings after tax, MI &amp; DCI and preference shares</b> | 2,213 | <b>2,316</b> |
| Weighted average number of shares   | 4,041 | <b>3,963</b> |
| <b>Operating earnings per share</b>   | 54.8p | <b>58.4p</b> |

# Basic earnings per share

|   | FY17         | FY18         |
|---|--------------|--------------|
| Operating profit attributable to shareholders                                     | 2,213        | <b>2,316</b> |
| Investment return variances and economic assumption changes on long-term business | 86           | <b>(198)</b> |
| Short-term fluctuation in return on investments backing non long-term business    | (250)        | <b>(378)</b> |
| Economic assumption changes on GI & Health business                               | (6)          | <b>(1)</b>   |
| Impairment of goodwill, joint ventures and associates and other amounts expensed  | (49)         | <b>(13)</b>  |
| Amortisation and impairment of intangibles  | (151)        | <b>(172)</b> |
| Amortisation and impairment of acquired value of in-force business                | (430)        | <b>(371)</b> |
| Profit/(loss) on disposal and remeasurement of subsidiaries, JVs and associates   | 113          | <b>102</b>   |
| Integration and restructuring costs   | (111)        | -            |
| Other   | -            | <b>230</b>   |
| <b>Profit attributable to ordinary shareholders</b>                               | <b>1,415</b> | <b>1,515</b> |
| Weighted average number of shares   | 4,041        | <b>3,963</b> |
| <b>Basic earnings per share</b>   | <b>35.0p</b> | <b>38.2p</b> |



# Estimated amortisation of acquired value of in-force



This is our latest estimated projection and is subject to a number of factors including the effects of markets. We announced the sale of FPI in July 2017 and we continue to work towards completion subject to regulatory approval

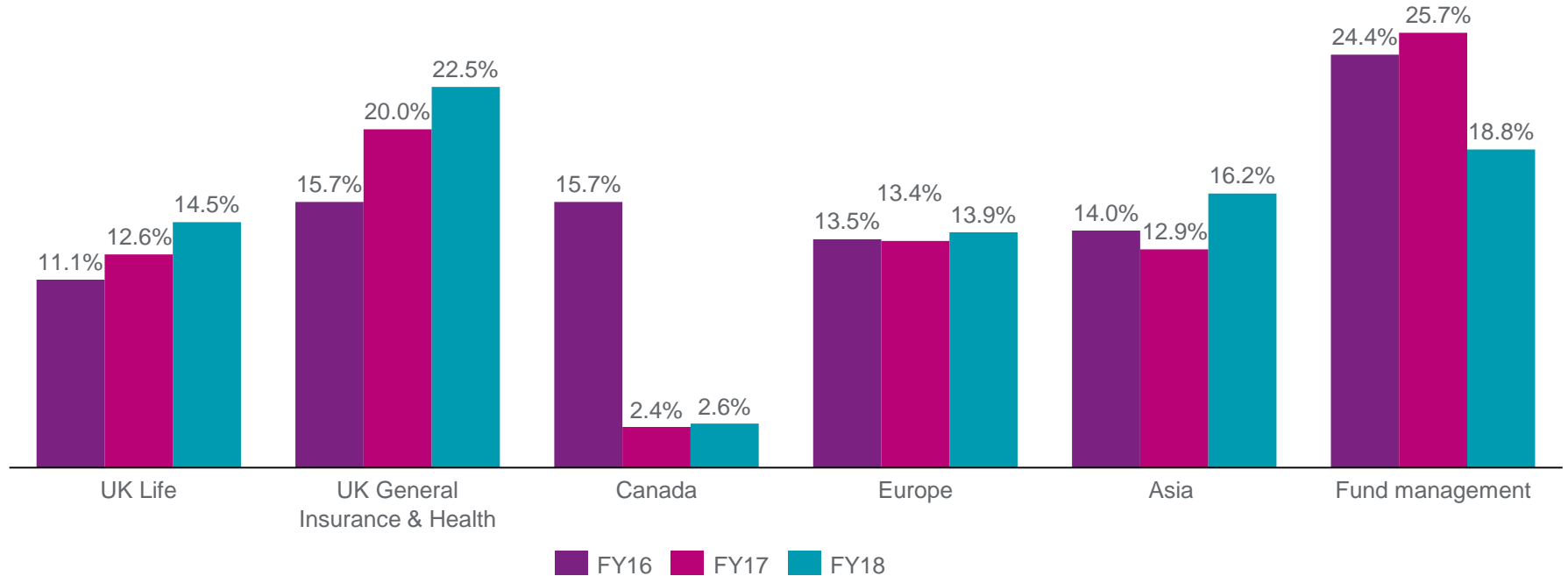
# Disposals

|          | 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               |
|          |               | FY18        |            | -                                       | -                                 | -                 |
| Spain*   | €688m         | FY17        | Sept '17   | 76                                      | 30                                | 0.6               |
|          |               | <b>FY18</b> | Jul '18    | <b>9</b>                                | <b>3</b>                          | <b>0.1</b>        |
| Avipop   | €265m         | FY17        | March '18  | 51                                      | 18                                | 0.4               |
|          |               | <b>FY18</b> |            | <b>8</b>                                | <b>3</b>                          | <b>0.1</b>        |
| FPIL     | £340m         | FY17        | Pending    | 119                                     | 122                               | 3.0               |
|          |               | <b>FY18</b> |            | <b>151</b>                              | <b>151</b>                        | <b>3.8</b>        |

\*Spain now includes consideration in respect of Pelayo Vida which completed in October 2018

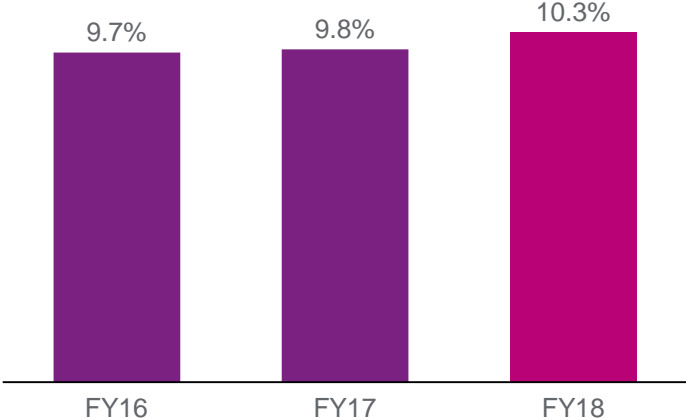
# Returns

# Operating return on total capital employed

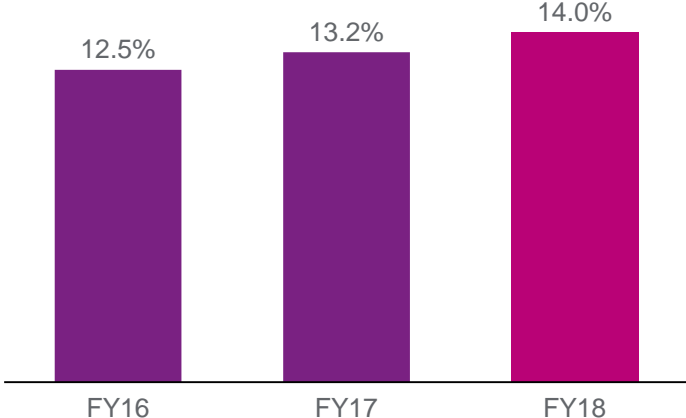


# Operating return on total capital employed & return on equity

Group return on capital employed



Group return on equity

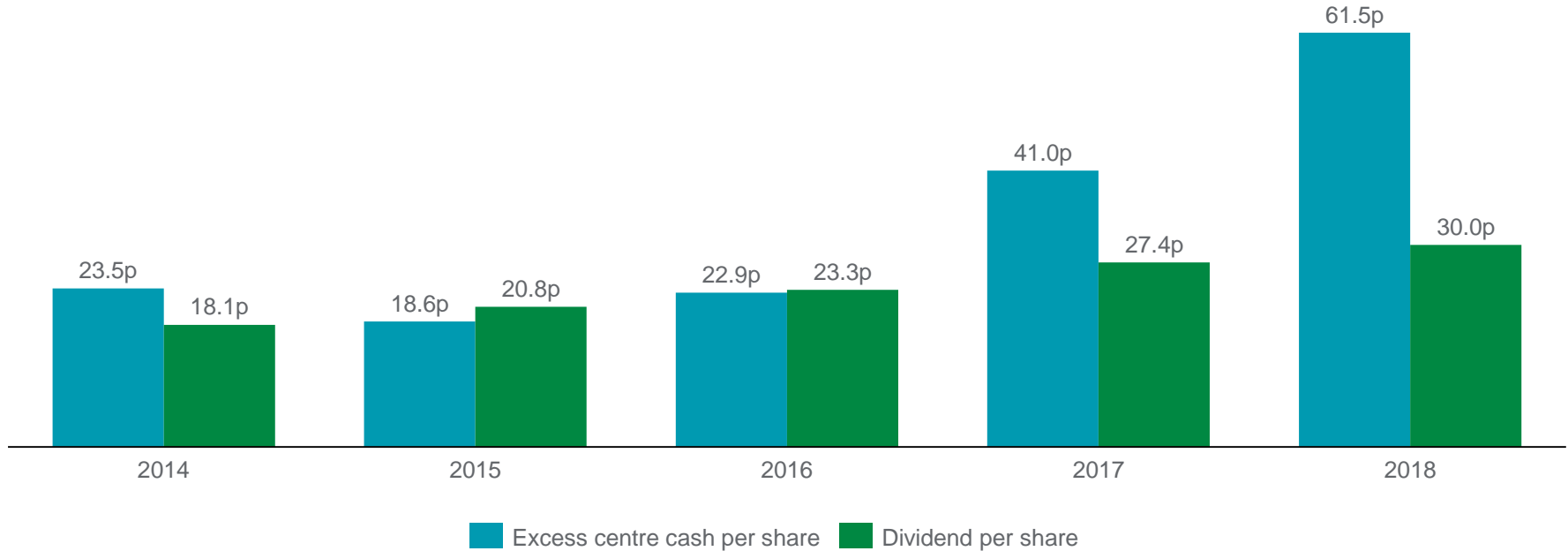


# Analysis of operating return on equity

| £m   | Before tax   | After tax    | Weighted average shareholders' funds including non-controlling interests | Return on Equity % |
|--|--------------|--------------|--|--------------------|
| United Kingdom Life <sup>10</sup>              | 1,871        | 1,532        | 10,576   | 14.5%              |
| United Kingdom General Insurance <sup>10</sup> | 453          | 367          | 1,633  | 22.5%              |
| United Kingdom                                 | 2,324        | 1,899        | 12,209   | 15.6%              |
| Canada   | 46           | 34           | 1,306  | 2.6%               |
| Europe   | 1,051        | 752          | 5,406  | 13.9%              |
| Asia   | 284          | 263          | 1,627  | 16.2%              |
| Fund management                                | 146          | 100          | 533  | 18.8%              |
| Corporate and Other Business <sup>11</sup>     | (367)        | (281)        | 5,656  | n/a                |
| <b>Return on total capital employed</b>        | <b>3,484</b> | <b>2,767</b> | <b>26,737</b>  | <b>10.3%</b>       |
| Subordinated debt                              | (364)        | (295)        | (6,767)  | 4.4%               |
| Senior debt                                    | (4)          | (3)          | (1,403)  | 0.2%               |
| <b>Return on total equity</b>                  | <b>3,116</b> | <b>2,469</b> | <b>18,567</b>  | <b>13.3%</b>       |
| Less: Non-controlling interests                | -            | (100)        | (1,074)  | 9.3%               |
| Direct capital instrument and tier 1 notes     | -            | (36)         | (730)  | 4.9%               |
| Preference capital                             | -            | (17)         | (200)  | 8.5%               |
| <b>Return on equity shareholders' funds</b>    | <b>-</b>     | <b>2,316</b> | <b>16,563</b>  | <b>14.0%</b>       |

# Cash, capital & debt

# Excess centre cash



Excess centre cash represents cash remitted by business units to the group centre less central operating expenses and debt financing costs. See note 2ii of the analyst pack for details.

Excess centre cash per share is calculated using the weighted average number of shares in each period.



# Solvency II own funds by tier

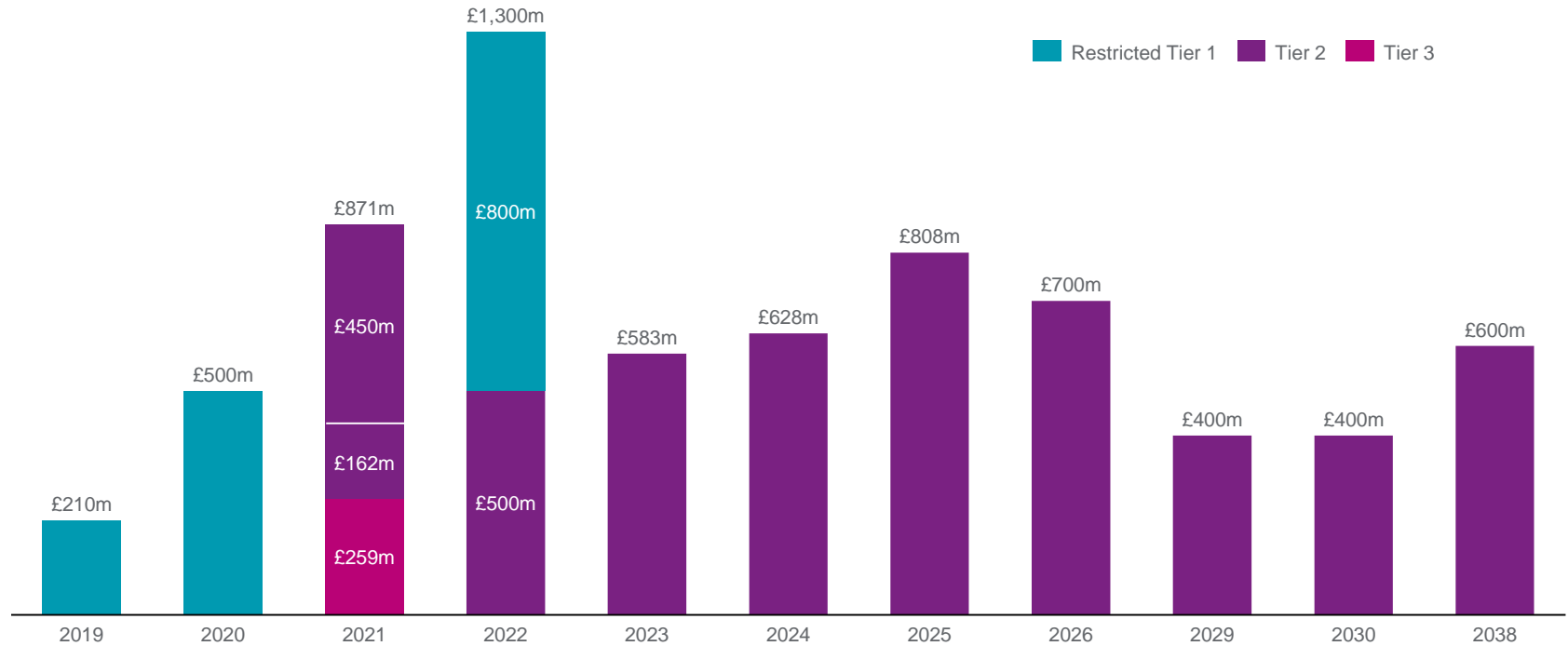
| Regulatory view* |             |             |                |
|------------------|-------------|-------------|----------------|
| FY18             | £bn         | % of SCR    | % of own funds |
| Tier 1           | 21.4        | 140%        | 78%            |
| T1 unrestricted  | 19.3        | 126%        | 70%            |
| T1 restricted    | 2.1         | 14%         | 8%             |
| Tier 2           | 5.9         | 38%         | 21%            |
| Tier 3           | 0.3         | 2%          | 1%             |
|                  | <b>27.6</b> | <b>180%</b> | <b>100%</b>    |

\*Estimated

## Shareholder view

- Regulatory view of own funds adjusted by £4.0bn due to with-profits funds, pension schemes, notional reset of transitionals and other pro-forma adjustments
- Shareholder view coverage ratio of 204%<sup>2</sup>

# Subordinated debt profile

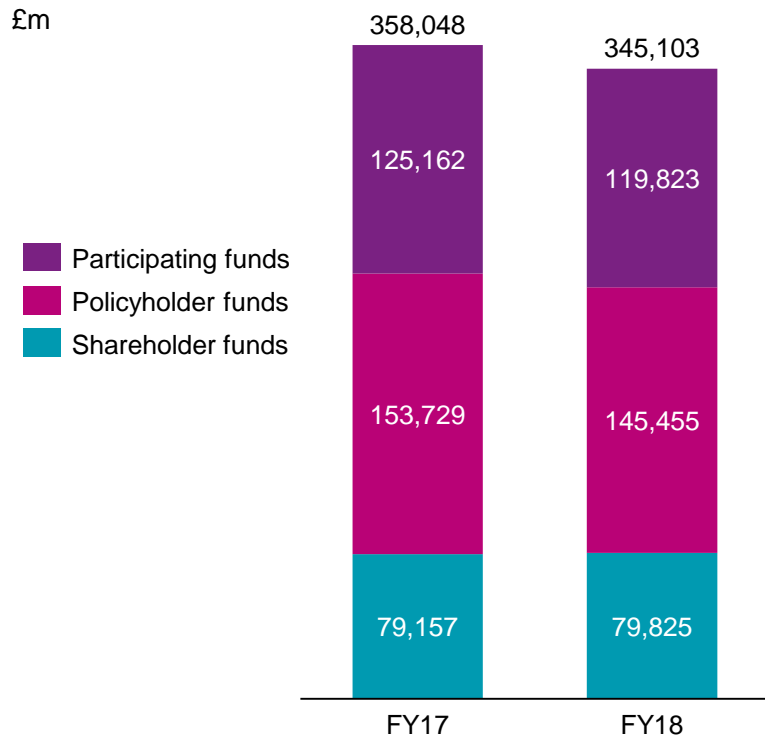


All callable debt instruments have been presented at optional first call dates at nominal values converted to GBP using 31 December 2018 rates.

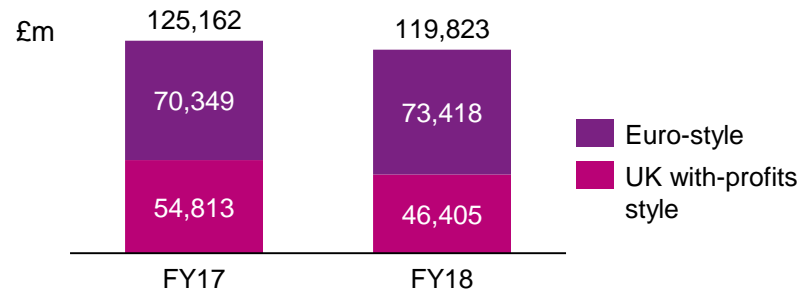
# Balance sheet

# Total managed assets

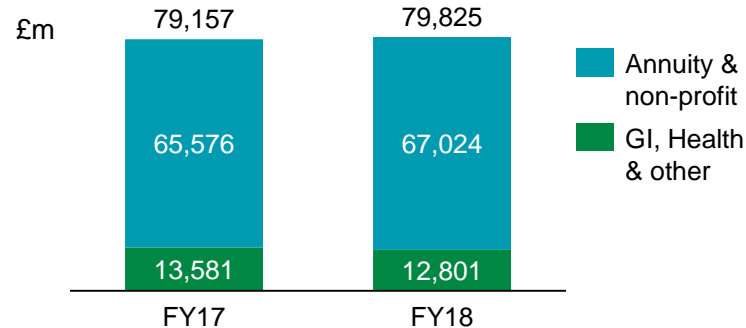
## Assets by liabilities covered



## Participating assets by type

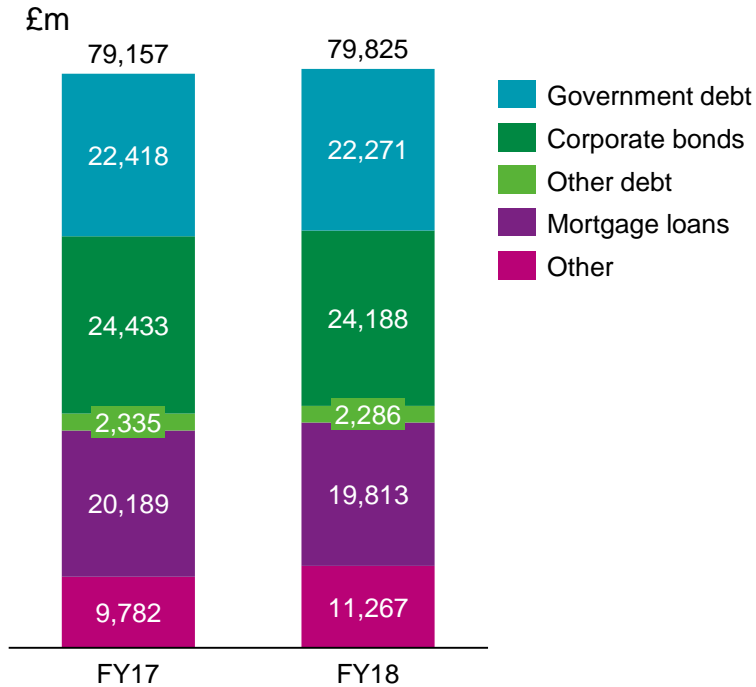


## Shareholder assets by type

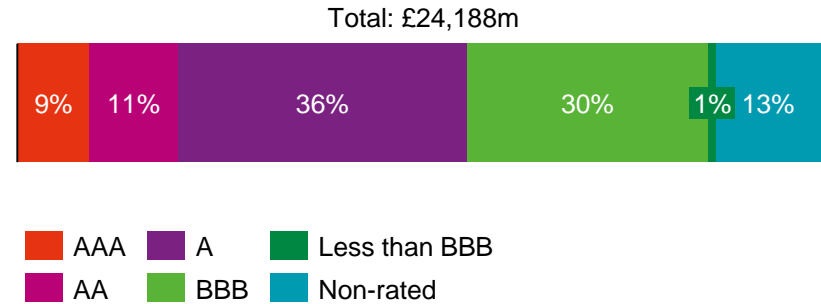


# Shareholder assets

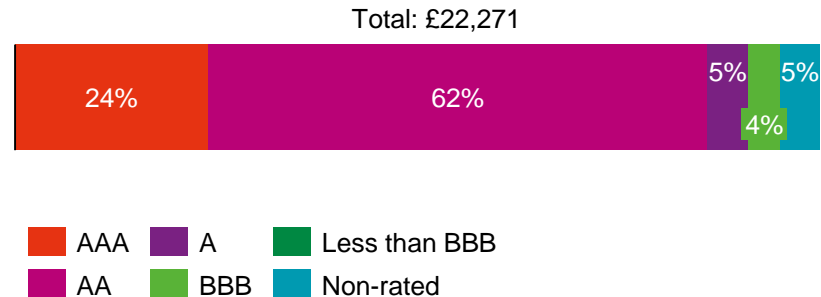
## Shareholder assets by type



## Corporate debt by rating

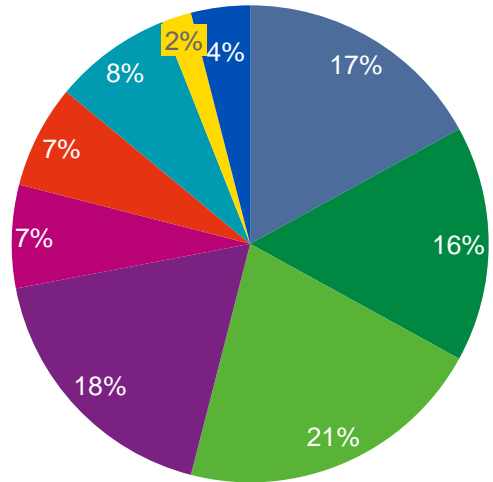


## Government debt by rating



# Shareholder assets

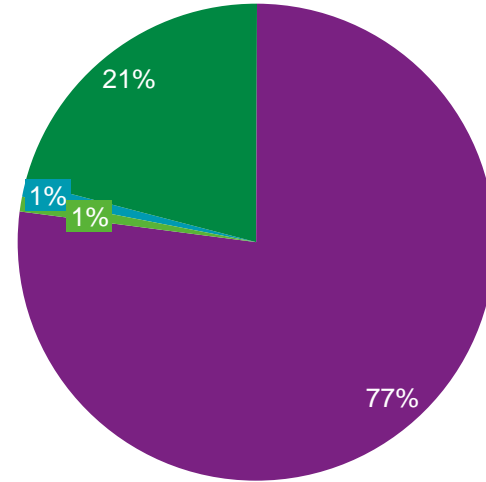
## Corporate bonds by industry



- Financials - Banks
- Financials - Insurance & other
- Utilities
- Consumer services
- Industrial
- Communications
- Real estate
- Oil & gas
- Other

## Loans by type

Total: £25,648bn

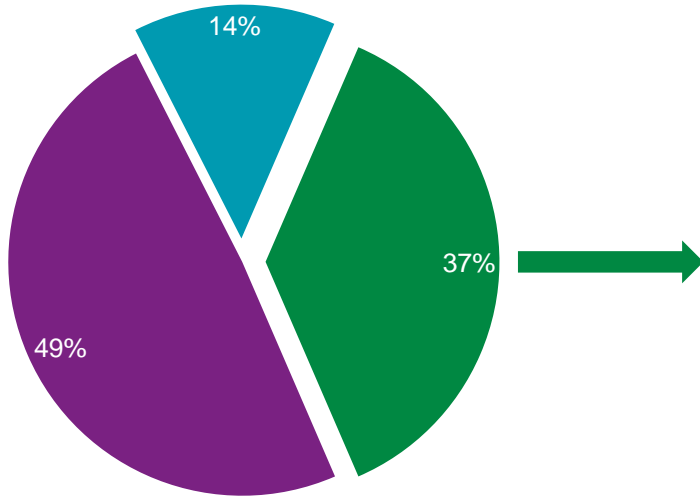


- Loans & advances to banks
- Healthcare, Infrastructure & PFI other loans
- Mortgage loans
- Other

# Shareholder assets – Mortgage loans

## Mortgage loans

Total: £19,813m

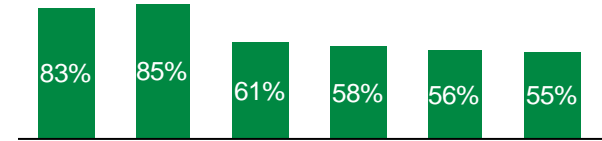


- Healthcare, infrastructure & PFI
- Commercial
- Securitized mortgage loans & equity release

## Commercial real estate portfolio

Commercial: £7,232m

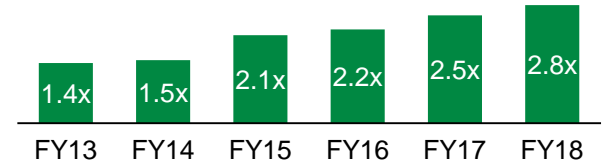
LTV



Loans in arrears



Loan interest cover



# Footnotes

1. Group adjusted operating profit is an Alternative Performance Measure (APM) which is used by the Group to supplement the required disclosures under IFRS. See the Financial Supplement section of the Analyst Pack for more details.
2. The estimated Solvency II shareholder cover ratio represents the shareholder view only. See Section 8i of the Analyst Pack for more details.
3. Centre liquidity is stated as at end February 2019.
4. 2016 and 2015 exclude the impact from an outward quota share reinsurance agreement written in 2015 and completed in 2016 in Aviva Insurance Limited (AIL).
5. 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
6. PVNBP and VNB are presented on an adjusted Solvency II basis.
7. NAV is presented net of tax & non-controlling interests.
8. On 20 March 2018, the Government announced that it will introduce the Civil Liability Bill (the Bill), which includes provisions to amend the Ogden discount rate. In December 2018 the Bill became an Act of Parliament, meaning that a new Ogden discount rate will be set by the Lord Chancellor in 2019. There is certainty that there will be a change in the Ogden rate in 2019, but uncertainty remains around the amount and timing of the final rate. At December 2018, the claim reserves in the UK have been calculated using a discount rate of 0.00% (2017: -0.75%) resulting in a release of £190 million, though the rate to be announced by the Lord Chancellor later this year may result in a different discount rate.
9. Cash remitted to Group is managed at legal entity level. As Ireland constitutes a branch of the United Kingdom business, cash remittances from Ireland were not aligned to the new management structure within Europe, but they were reported within United Kingdom.
10. 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 B6.
11. The Corporate and other business loss before tax of £367 million comprises corporate costs of £216 million, other business operating loss of £239 million, partly offset by interest on internal lending arrangements of £13 million and finance income on the main UK pension scheme of £75 million.