

# Aviva plc

## Interim results 2021

# AVIVA

A man with dark curly hair and a beard, wearing a blue and yellow plaid shirt, is lifting a baby into the air with both hands. The baby is wearing a blue long-sleeved shirt with dark polka dots and yellow shorts. A woman with long brown hair, wearing a green sleeveless top, is looking up at the baby with a smile. The background is a beach with waves and a blue sky with clouds. The word 'AVIVA' is written in large white letters across the middle of the image.

12 August 2021



# Disclaimer and reminders

## Cautionary statements

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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 (including the impact of Covid-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customer's at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to extension of use of the Group's internal model for calculation of regulatory capital under the UK's version of 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 and malicious acts (including cyber attack and theft, loss or misuse of customer data); 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 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 tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation; the inability to protect our intellectual property; the effect of undisclosed liabilities, execution and separation issues and other risks associated with our business disposals; and the timing/regulatory approval impact and other uncertainties, such as diversion of management attention and other resources, relating to announced and future 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, Canada or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see the 'Risk and risk management' section in Aviva's most recent Annual Report

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## As a reminder

Throughout this presentation we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-GAAP measures that are not bound by the requirements of IFRS and Solvency II. A complete list and further guidance in respect of the APMs used by the Group can be found in the 'Other information' section of the Half Year Report 2021. All references to 'Operating profit' represent 'Group adjusted operating profit'.

## **Strategic progress update**

Amanda Blanc

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## **Interim results 2021**

Jason Windsor

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**Q&A**



Significant strategic delivery and  
strong growth in key areas

AVIVA

# Delivering on our commitments



## Focus the portfolio

Substantially complete with **8 businesses sold for £7.5bn**

Completed disposals of **Aviva Vita in Italy and AvivaSA in Turkey** in H1

Remaining completions **expected by end of 2021**

**Retained strategic investments** in China, India and Singapore



## Financial Strength

Interim dividend up **5% to 7.35p**

**Debt reduction of £1.9bn in H1 and c.£1bn additional debt reduction**

**At least £4bn of capital to be returned to shareholders by HY 2022**

(subject to regulatory and shareholder approvals, completion of disposals and market conditions)

Including up to **£750m share buyback** to commence immediately<sup>1</sup>

***Shareholder return of at least £4bn including up to £750m share buyback to commence immediately<sup>1</sup>***



# Focus is on transforming performance

## Our strategic transformation

To be **the UK's leading insurer** by establishing Aviva as the **go-to customer brand** for all insurance, protection, savings and retirement needs for all of our customers

1

Targeted growth

2

Digitisation,  
automation &  
simplification

3

Engaging  
customer  
experience

4

Innovation

#1 trusted UK insurance brand

UK financial services leader on sustainability

## Progress made in H1 2021

- Cash remittances<sup>1</sup> **up significantly to £1.1bn**
- Strong growth in target areas of **General Insurance** and **Savings & Retirement** with **record half year sales<sup>1,2</sup>**, negating subdued BPA markets
- **Controllable costs<sup>3</sup> down 2%** and **on target to deliver £300m cost reduction in 2022**
- Operating profit<sup>1</sup> **up 17% to £725m**
- **Strong and experienced leadership team** now in place
- **On track** to meet our **financial targets and commitments**

# Transform performance: Delivering targeted growth

## Growth priorities

## Fundamental trends

## Delivery

### Individual Savings & Retirement

Ageing population & income in retirement gap



**Individual savings** net flows **up 48%** to **£2.8 billion**

### Workplace Savings

Individual responsibility for retirement and auto enrolment



**#1 workplace platform<sup>1</sup>**: AUM up 10% to **£89 billion**  
**Workplace pension net flows up 8%** to £2.7bn

### Bulk Purchase Annuities

Shift from DB to DC and corporate de-risking



Good performance despite subdued H1 market  
**Confident outlook** with **£3.7bn written July YTD**

### Health & Protection

Heightened focus on health and wellness and protection gap



**Operating profit up 32%**

### General Insurance

Economic recovery and changing GI landscape

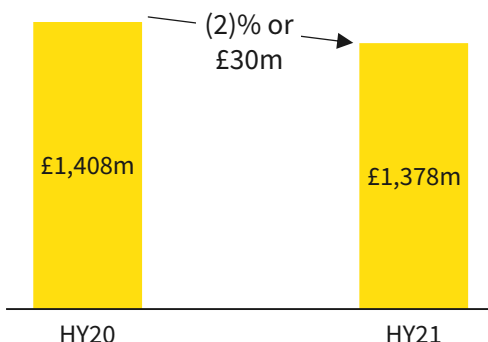


**Highest half year GWP in a decade**  
**UK commercial lines growth of 16%**

# Transform performance: Sharp focus on efficiency

## Controllable costs<sup>1</sup> down 2%

Controllable costs excluding cost reduction implementation and IFRS 17 costs<sup>1</sup>



HY21
10% reduction in UK GI products
49 IT applications reduced (-7%)

- On track to deliver > £225m cost reduction by end of 2021 against our 2018 baseline with full £300m in 2022
- Focus on delivering top quartile efficiency across all businesses, through further cost reductions and top line growth

## UK General Insurance motor claims

- 65% of motor claims<sup>2</sup> processed digitally
- Driving lower costs and indemnity savings vs manual handling
- Further savings as digitally processed claims volumes increase

Claims FTE requirement	Reduction in cost per claim <sup>3</sup>	Aviva repair network usage	Claims TNPS <sup>4</sup>
↓ 13%	↓ £106	↑ 7ppts to 91%	+60pts

## UK property footprint reduction

- Achieved 30% reduction in office space by H1
- Opportunities identified to further reduce space by end 2021

Office space reduction	Expense saving
↓ 491 kft <sup>2</sup>	↓ £20m p.a.



# Transform performance: Delivering for our customers



## No.1 UK insurance brand

- **Extended leadership position in the UK**  
16% ahead of nearest competitor
- **Aviva brand consideration 17% higher** following April relaunch<sup>1</sup>
- **87% of retail GI customers** via PCW give marketing permissions






## Customer Growth and Satisfaction

- **100k (3%) additional Workplace customers to 3.9m**
- **300k (9%) additional Retail<sup>2</sup> GI customers to 3.5m**
- UKGI commercial lines rated as the **#1 standout insurer by brokers**



## Increased Digital Engagement

- MyAviva mobile app log-ins YoY**  **50%**
- MyAviva Business log-ins YoY**  **18%**
- MyPension app usage YoY**  **58%**

*The only UK insurer able to serve all customer needs*

# Transform performance: Delivering for society

## Leading UK Financial Services on ESG



**First insurer globally to commit to Net Zero by 2040**



**Climate-focused partnership** for a Net Zero future



**Women in Finance Climate Action Group** launched by Aviva



**Up 61 places to 16<sup>th</sup> of 291 insurers globally** in Sustainalytics Morningstar ESG risk rating



**ESG fund net flows in H1 2021 £324m** up 295% vs. H1 20

## Infrastructure and real estate investment

- One of the largest UK real asset managers with **£43bn AuM**
- **£10bn investment committed to UK infrastructure and real estate** by 2023
- Strong early progress delivering £1.4bn in first half of 2021, including:



**£276m sustainable loan provided to Bruntwood** to deliver sustainable office spaces



Debt financing for a portfolio of **offshore wind projects across the UK**



**ESG-linked credit swap** provided to Associated British Ports

# Financial strength: Delivering against our capital framework



## Debt reduction to <30%

- **£1.9bn reduction** in external debt in H1, SII debt leverage ratio down to 26%; **c.£1bn additional debt reduction** expected over time
- **£0.7bn** reduction in internal loan following sales of France and Poland



## Shareholder returns

- **At least £4bn** by HY 2022<sup>1</sup>
- Including up to **£750m share buyback** to commence immediately<sup>2</sup>



## Invest for growth

- Maximising our market growth opportunities
- Digitisation, automation and simplification
- Strategic bolt-ons

**Total divestment proceeds £7.5bn – expected returns and debt repayments announced to date >£7.5bn**

# On track to meet our financial targets and commitments

## Financial targets

### Cash remittances<sup>1</sup>

**of >£5bn**

cumulative  
2021-'23

**£1.8bn**

2023

**HY 21: £1.1bn**

### Operating efficiency

**£300m**

On track to deliver net  
savings from continuing  
operations in 2022

**Top quartile**

Pursuing efficiency  
across all  
businesses<sup>1</sup>

**HY 21: controllable costs<sup>2</sup> down 2%**

### SII debt leverage ratio

**<30%**

**HY 21: 26%**

## Driven by diversified portfolio with clear strategic purpose

### General Insurance

Customer acquisition  
and growth  
engine

### Savings & Retirement, Protection & Health

Customer acquisition  
and growth  
engine

### Aviva Investors

Enabler of the Group's  
customer and  
sustainability  
agenda

### Bulk Purchase Annuities

Growing long term cash  
generation

### Heritage

Contributes to  
current dividends





# Interim results 2021

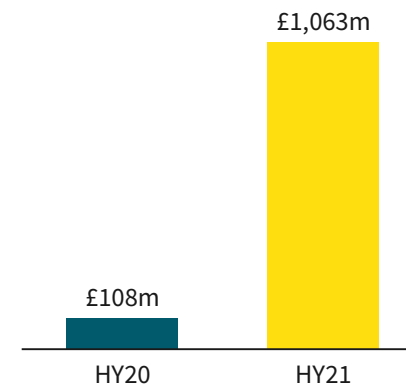


# Growth in cash and profit with strategic delivery

- Cash remittances<sup>1</sup> of £1.1bn (HY20: £0.1bn)
- Strong growth in key areas and operating profit<sup>1</sup> up 17% to £725m
  - Benefiting from a diverse earnings mix
- Strong Solvency II position, and liquidity of £2.8bn
- Decisive progress on focusing the portfolio
  - £1.9bn reduction in debt delivered in H1 with SII debt leverage ratio down to 26%
  - Substantial return of capital to shareholders of at least £4bn by HY22<sup>2</sup>
  - Including up to £750m buyback to commence immediately<sup>3</sup>

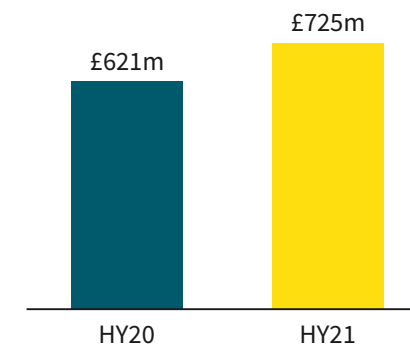
## Cash remittances

From continuing operations

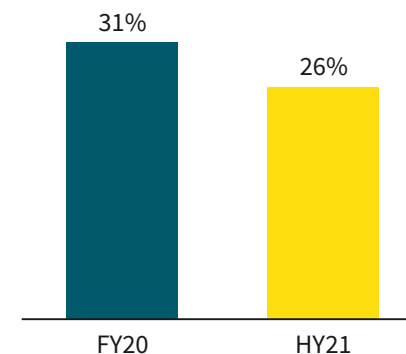


## Operating profit

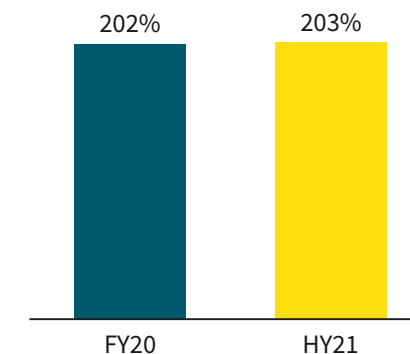
From continuing operations



## SII debt leverage ratio

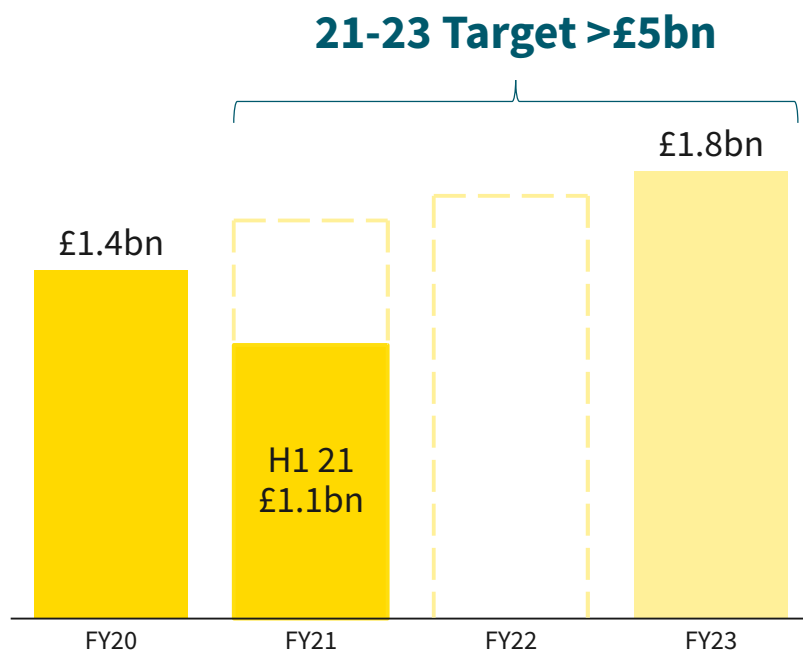


## SII shareholder cover ratio



# Strong cash remittances and growing dividend

## On track to achieve cash remittance target



## Cash remittances and dividend up

- Cash remittances<sup>1</sup> of £1.1bn (H1 20: £150m)
- Growing towards our £1.8bn ambition for 2023
- Interim dividend up 5% to 7.35p in line with our dividend policy of low to mid single digit DPS growth over time

***Ambitious cash target built on better performance supporting dividend growth***

# HY21 financial results highlights

## Group (including discontinued operations)

	HY21 £m	HY20 £m	Change %
Cash remittances	1,296	150	764%
SII operating own funds generation	710	632	12%
Operating profit	1,132	1,225	(8)%
from continuing operations	725	621	17%
from discontinued operations	407	604	(33)%
IFRS (loss)/profit after tax	(198)	874	-

## Continuing operations

	HY21 £m	HY20 £m	Change %
Cash remittances	1,063	108	884%
SII operating own funds generation	393	263	49%
Operating profit	725	621	17%
UK & Ireland Life	545	822	(34)%
UK & Ireland GI	191	(50)	482%
Canada	229	129	78%
Aviva Investors	19	9	111%
Strategic investments	55	17	224%
Debt, centre & other	(314)	(306)	(3)%
Controllable costs	1,447	1,443	- %
Cost reduction implementation and IFRS 17	69	35	97%
Controllable costs excl. implementation / IFRS 17	1,378	1,408	(2)%

***Strong growth in cash and operating own funds generation underpins confident outlook***



# UK & Ireland Life

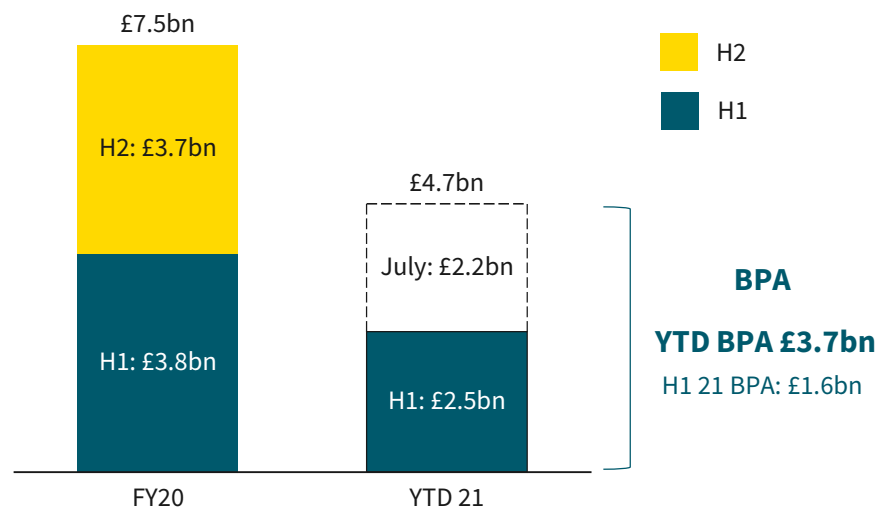
	HY21 £m	HY20 £m	Change %
<b>Operating profit</b>	<b>545</b>	<b>822</b>	<b>(34)%</b>
- Less: management actions & other <sup>1</sup>	(38)	69	-
<b>Excl. management actions &amp; other</b>	<b>583</b>	<b>753</b>	<b>(23)%</b>
- Annuities & Equity Release	265	365	(27)%
- Savings & Retirement	73	73	- %
- Protection & Health	107	81	32%
- Heritage	138	226	(39)%
- Ireland Life	-	8	(100)%
 SII operating own funds generation	 217	 331	 (34)%

- Pleased with **momentum in Protection & Health** and **Savings & Retirement** with strong start to H2 for BPAs
- **Management actions & other<sup>1</sup>** includes impact of increase in the provision for legacy customer remediation
- **Heritage** operating profit of £138m with similar level of profits expected in H2 – profits for the year in line with our c.10% expected long-term run off (comparative weighted toward H1 with total for 2020 of £321m)

***Confidence in long term growth opportunity***

# Annuities & Equity Release stronger in H2

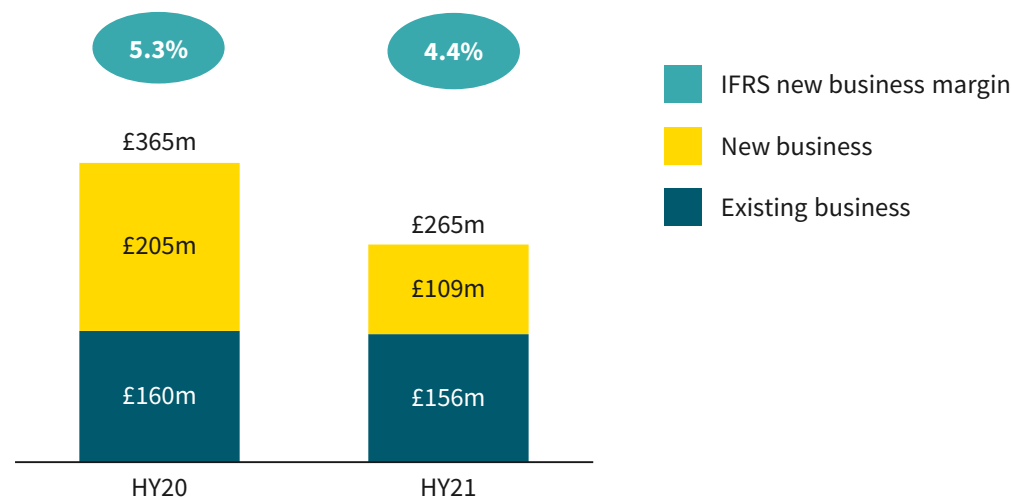
## Annuity & Equity Release sales<sup>1</sup>



Achieved good market share<sup>2</sup> despite lower sales<sup>1</sup>, reflecting **subdued BPA market in H1**. Increased momentum in H2 with £3.7bn of BPA new business written year to date.

**Equity release** sales<sup>1</sup> up **43% to £356m** as we adapted to operate more effectively in a lockdown

## Operating profit

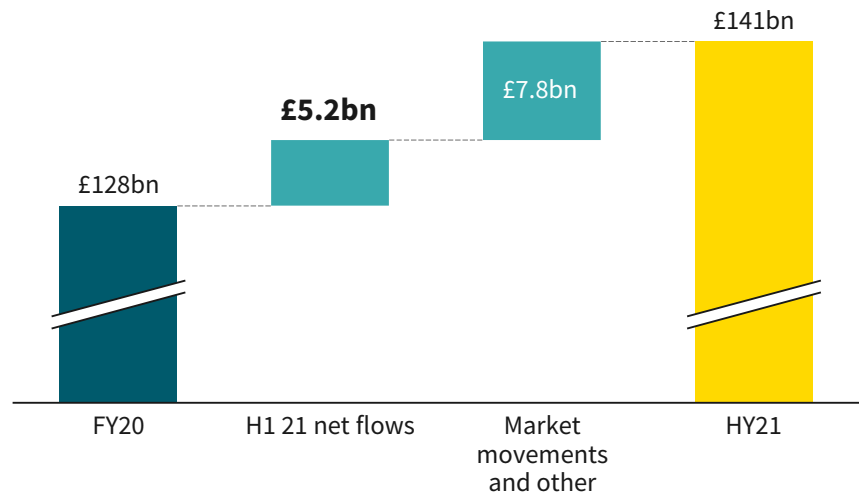


Steady contribution from existing business

HY new business profit impacted by volumes and **low spreads** and weighting of illiquid asset origination toward H2.

# Strong growth in S&R net flows driven by workplace and adviser platform

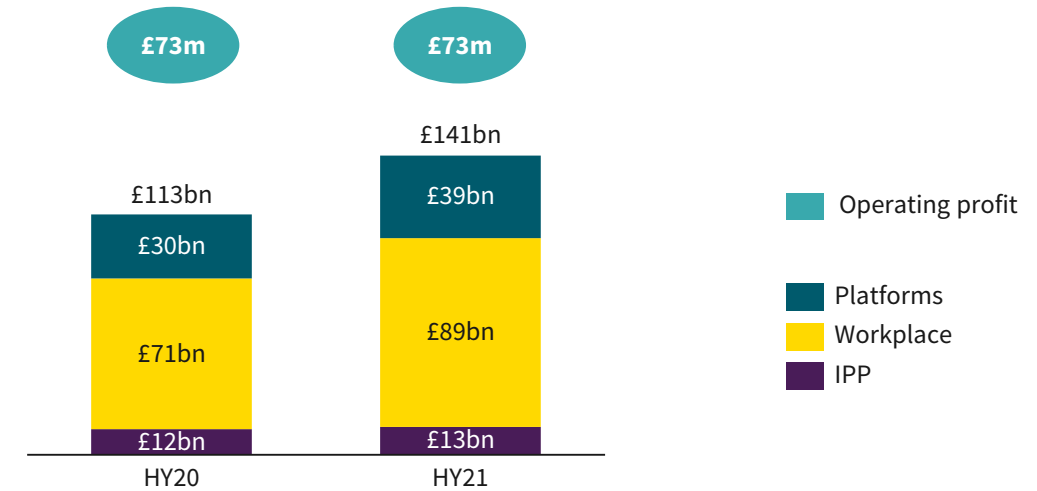
## AUM and flows



Largest **workplace**<sup>1</sup> provider with 3.9m customers, up 100k in H1 21

**Adviser platform** continuing to perform strongly with net flows of £2.7bn or annualised 17% of opening assets. AUM up 29% to £37bn (HY20: £28bn)

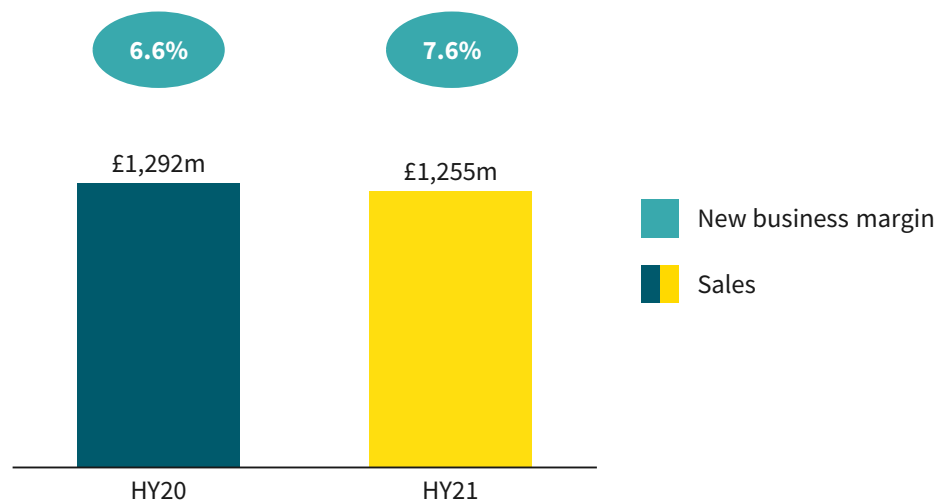
## Savings & Retirement AUM and profit



Operating profit of £73m flat period-on-period. From HY21 operating profit includes revenue on an actual rather than expected basis; on a like for like basis operating profit increased by an estimated 30% relative to H1 20.

# Significantly improved profitability in Protection & Health

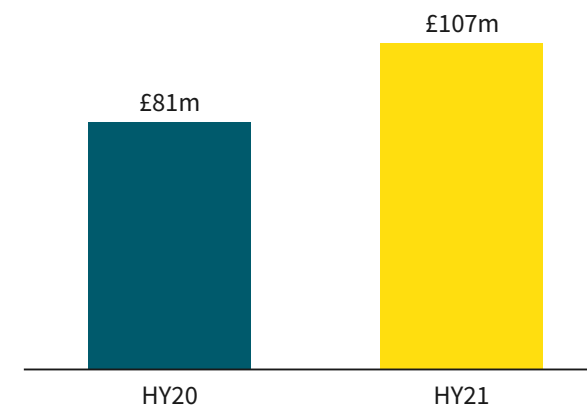
## Sales<sup>1</sup> and new business margin



**VNB** up 12% with margins helped by improved mix in Health (towards retail) and growth in direct Individual Protection with **launch of proposition on PCWs**

Early success in launch of Expert Select proposition supporting **Health customers up 2.5% since FY20**

## Operating profit



**Operating profit** up 32% benefiting from lower costs and positive experience

Renewed **5 year single-tie distribution agreement** with Connells



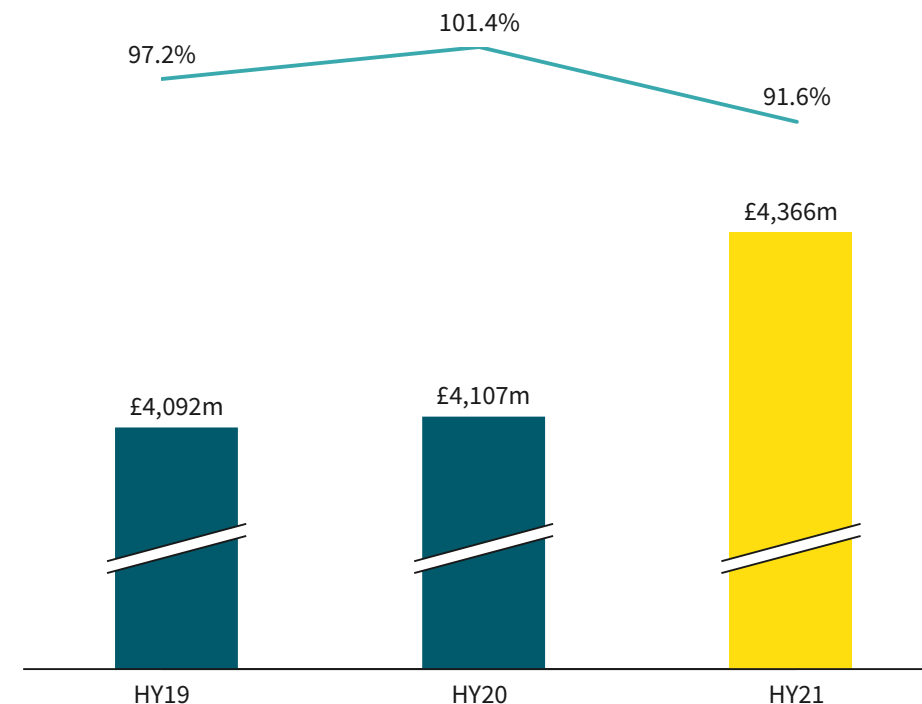
# General Insurance – UK, Ireland and Canada

## Improvement in underlying operating performance

	HY21 £m	HY20 £m	Change %
<b>Operating profit</b>	<b>420</b>	<b>79</b>	<b>432%</b>
Underwriting result	320	(53)	-
LTIR and other	100	132	(24)%
<b>GWP</b>	<b>4,366</b>	<b>4,107</b>	<b>6%</b>
<b>COR (%)</b>	<b>91.6%</b>	<b>101.4%</b>	<b>(9.8)pp</b>
PYD and weather*	(0.5)%	(0.6)%	0.1pp
COR excl. PYD and weather (%)	91.1%	100.8%	(9.7)pp
Controllable costs excl. implementation and IFRS 17	546	572	(5)%

Expect **COR to be below 94% for the full year** as economic activity continues to return to normal and weather losses in July (in UK and Canada) offset the benign weather in H1

## Strong growth in GWP and lower COR



***Growth and strong improvement in underwriting result offsetting lower LTIR***

# UK GI – continued profitable growth in commercial

## UK GI commercial

	HY21	HY20	Change
<b>GWP (£m)</b>	1,280	1,104	16%
<b>Underwriting (£m)</b>	63	(151)	142%
<b>COR</b>	<b>93.6%</b>	<b>116.8%</b>	<b>(23.2)pp</b>
PYD and weather*	(1.7)%	(4.4)%	2.7pp
COR excl. PYD and weather	91.9%	112.4%	(20.5)pp

**GWP growth of 16%** driven by strong new business growth, rate increases and high retention levels

Strong **improvement in COR** driven by ongoing rate hardening, improved underlying performance and offset by significant adverse impacts of COVID-19 in H1 20

## UK GI personal

	HY21	HY20	Change
<b>GWP (£m)</b>	1,213	1,211	- %
<b>Underwriting (£m)</b>	65	19	242%
<b>COR</b>	<b>94.2%</b>	<b>98.2%</b>	<b>(4.0)pp</b>
PYD and weather*	(0.2)%	(0.3)%	0.1pp
COR excl. PYD and weather	94.0%	97.9%	(3.9)pp

**GWP maintained** with successful launch of Aviva brand on PCWs offset by continued disruption of lockdown on intermediated distribution partners and a soft rating environment in motor

**COR improved** owing to frequency benefits in motor and an improved underlying performance

\*(unfavourable)/favourable

# Canada – an excellent H1 performance

## Canada GI personal

	HY21	HY20	Change
<b>GWP (£m)</b>	1,047	1,029	2%
<b>Underwriting (£m)</b>	126	140	(10)%
<b>COR</b>	<b>87.9%</b>	<b>86.4%</b>	<b>1.5pp</b>
PYD and weather*	0.8%	3.9%	(3.1)pp
COR excl. PYD and weather	88.7%	90.3%	(1.6)pp

**GWP growth of 2%** reflects modest increase in policy count with retention over 90%

**COR remained strong** with an underlying improvement to 88.7% but lower positive net contribution from PYD and weather

## Canada GI commercial

	HY21	HY20	Change
<b>GWP (£m)</b>	614	551	11%
<b>Underwriting (£m)</b>	48	(72)	-
<b>COR</b>	<b>90.6%</b>	<b>115.0%</b>	<b>(24.4)pp</b>
PYD and weather*	(3.6)%	(11.7)%	8.1pp
COR excl. PYD and weather	87.0%	103.3%	(16.3)pp

**GWP 11% higher** driven by new business performance, rate increases and policy retention

**COR improvement** reflecting high COVID-19 claims in 2020 and lower catastrophe events

\*(unfavourable)/favourable

# Aviva Investors – improving profitability and flows

Continuing operations (excl. France and Poland)	HY21 £m	HY20 £m	Change %
<b>Operating profit</b>	19	9	111%
<b>Revenue<sup>1</sup></b>	192	180	7%
Controllable costs excl. implementation costs	168	171	(2)%
Cost income ratio	87%	95%	(8)pp
<b>Net flows excluding liquidity funds and cash (£bn)</b>	0.8	(0.6)	-
<i>of which External (£bn)</i>	1.1	1.3	(15)%
AUM (£bn)	260	249	4%

**Operating profit growth** driven by **7% increase in revenue<sup>1</sup>** reflecting higher average AUM and asset origination fees

**Net flows up to £0.8bn** (HY20: net outflows of £0.6bn) with continued growth in real assets and **strong and diverse pipeline**

## Asset manager for Aviva

Supporting growth in **S&R** and **Annuities**  
Enhancing Aviva's **ESG offering and credentials**

## Improving client outcomes

**74%**  
1 year  
(HY20: 47%)

AUM >  
benchmark

**65%**  
3 years  
(HY20: 57%)

## ESG leadership

**Climate Transition** launches in **Global Credit** and **Real Assets**  
**Top 5** for responsible investment **globally**

## Refocusing the business:

- Simpler and more efficient with opportunities for growth
- Key strengths in real assets, sustainable equity, credit and multi-asset solutions underpinned by ESG



# Utilising all of the divestment cash proceeds

## Divestment cash proceeds of £7.5bn

Announced disposals	£bn
Singapore	1.1
France	2.8
Italy	1.1
Poland	2.2
Other	0.3
<b>Total</b>	<b>7.5</b>
<i>Of which received by HY21</i>	1.9

## Capital return and lower leverage

### Internal loan

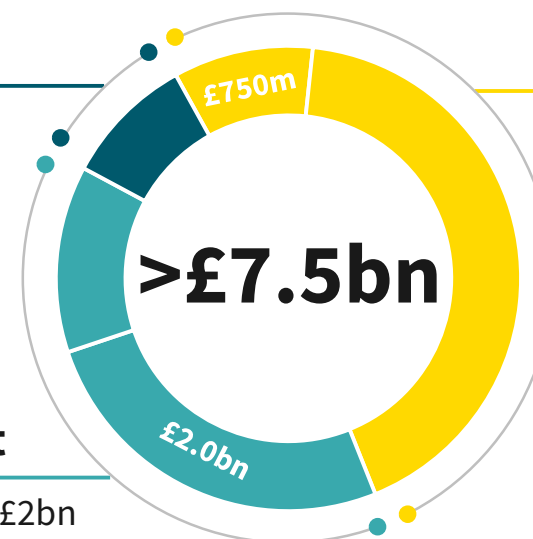
£0.7bn in H2 2021

### Shareholders

At least £4bn by HY 2022<sup>1</sup> including up to £750m share buyback

### External debt

c.£3bn, including £2bn repayment completed in H1 2021



# Completion of disposals enables return of capital and further debt reduction

£bn unless otherwise stated

	31 December 20	30 June 21	Remaining disposals	Illustrative return £4bn equity c.£1bn ext. debt £0.7bn int. debt	Pro forma estimated
<b>Own funds<sup>1</sup></b>	25.8	23.6	(0.5)	(5.0)	18.1
<b>SCR<sup>1</sup></b>	(12.8)	(11.6)	2.3	-	(9.3)
<b>Surplus<sup>1</sup></b>	13.0	12.0	1.8	(5.0)	8.8
<b>SII shareholder cover ratio</b>	202%	203%	46%	(54)%	195%
<b>Centre liquidity<sup>2</sup></b>	£4.1bn	£2.8bn	£5.6bn	£(5.7)bn	£2.7bn
<b>Solvency II debt leverage ratio</b>	31%	26%			28%

***Pro forma Group is financially strong with valuable diversification benefits of c.£2bn***

# Implementing the capital return

## Substantial return of capital to shareholders

- **At least £4bn** capital return **by HY 2022**
  - Including up to **£750m via share buyback** to commence **immediately**<sup>1</sup>
- Further details including method of remaining return to be confirmed at **2021 full year results**
- Preference for **reduction in share count**
- Subject to regulatory and shareholder approvals, completion of disposals and market conditions

## Significantly lower leverage and interest

- £1.9bn debt reduction achieved in H1 2021
- Additional **debt reduction required** to maintain SII debt leverage ratio **below 30%**, expected to be c.£1bn over time
- Annualised **cash interest saving of around £170m** vs 2020
- **Internal loan reduction** of £0.7bn following sales of France and Poland

# Outlook

## Cash

- **Growing annual cash remittances** from £1.4bn in 2020 towards our £1.8bn ambition for 2023
- **On track to achieve cash target of over £5bn 2021-23**

## Efficiency

- Expect reduction **in controllable costs<sup>1</sup> of > £225m in 2021** vs 2018 baseline
- On track to meet **£300m target** in 2022 and continue to focus on **top quartile efficiency** beyond

## Growth

- **Continued strong growth in GI premiums, with full year COR expected to be <94%**
- **Continued growth** in **Savings & Retirement** and **Aviva Investors**
- **Momentum in BPAs with sales of £3.7bn year to date** and margins set to improve

*Performance transformation at the heart of Aviva's strategy*





# Strong progress in transforming performance and clear focus on where Aviva can win

- » **Leading positions** in growing markets across UK, Ireland and Canada
- » **#1 insurance brand in the UK** and the insurer able to serve all customer needs
- » Breadth of offering providing financial, operating and **c.£2bn** diversification benefits
- » Aviva Investors with leading capability in ESG and **only major insurer to commit to net zero by 2040**
- » **Creating value** for shareholders, customers and our people

*Delivering substantial returns to shareholders*

# Q&A session



**Amanda Blanc,  
Chief Executive Officer**

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**Jason Windsor,  
Chief Financial Officer**

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# Investor relations



## Coming up ...

<b>13 August</b>	Post half year results virtual roadshow
<b>31 August - 1 September</b>	Virtual roadshow
<b>21 September</b>	Bank of America CEO Conference
<b>11 November</b>	Q3 Trading Update
<b>12 January</b>	Citi's European Insurance Conference (TBC)
<b>3 March</b>	Full year results 2021



## Contact us

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***Aviva In Focus – next sessions in Q421 including UK GI Commercial and Protection & Health***

# **Appendix**

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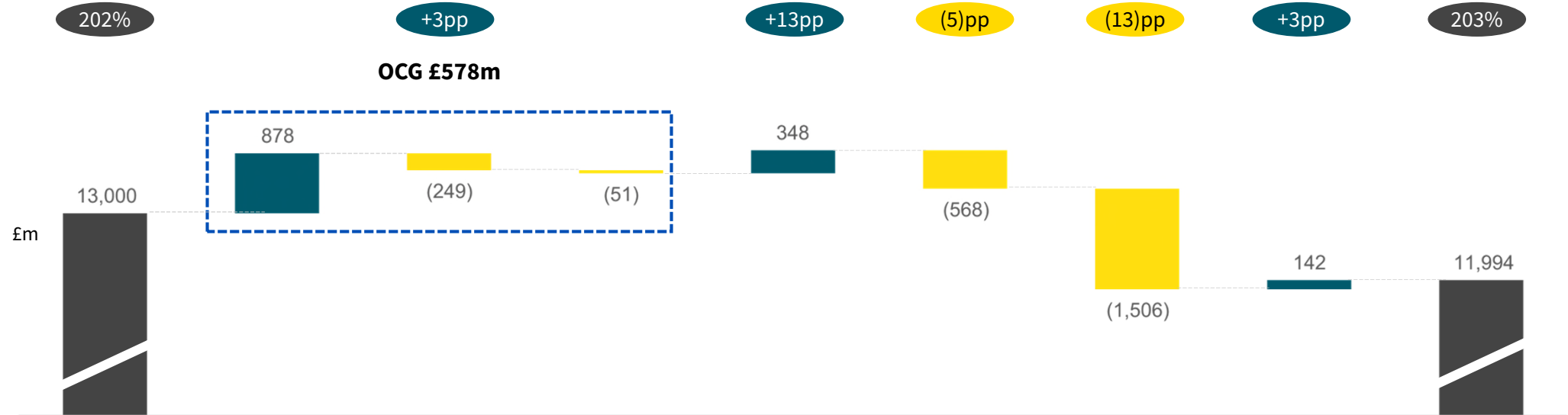
# **Balance sheet**



# Solvency II position

## Cover ratio<sup>1</sup>

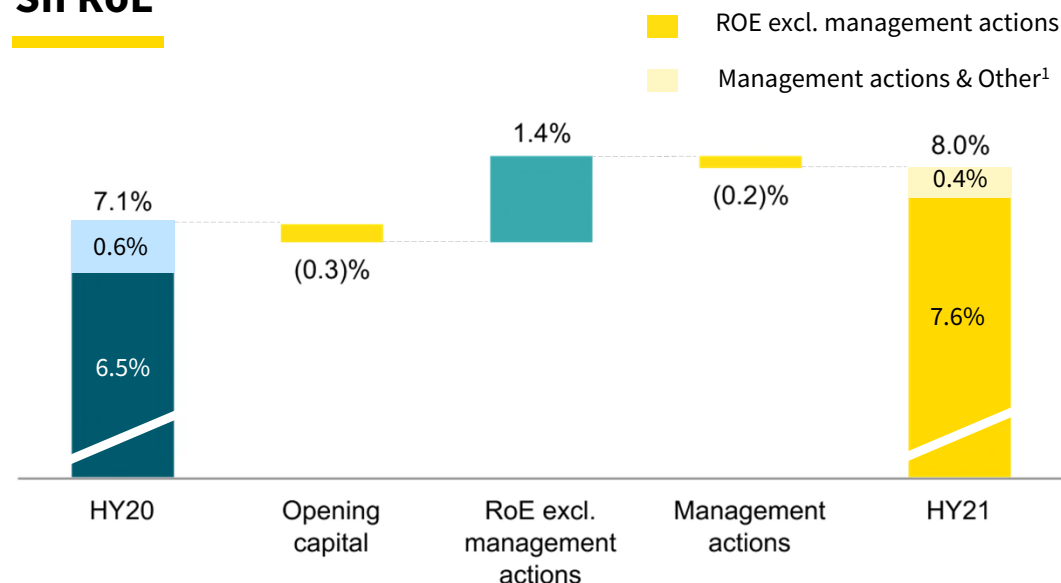
## Surplus<sup>1</sup>



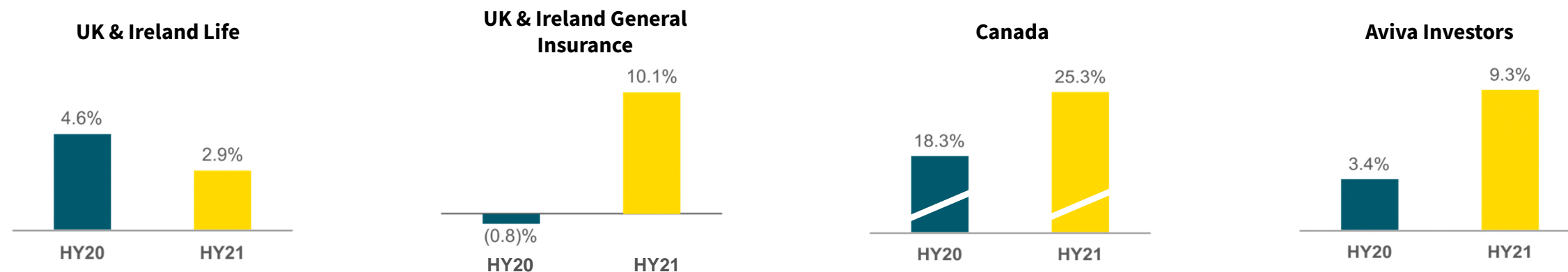
£m	31 December 2020	BU generation	Debt & Centre costs	Other <sup>2</sup>	Non-operating generation	Dividends <sup>3</sup> (ordinary + preference)	Debt issuance / repayment	Disposals	30 Jun 2021
Own funds <sup>1</sup>	25,770	908	(230)	32	(744)	(568)	(1,506)	(67)	23,595
SCR <sup>1</sup>	(12,770)	(30)	(19)	(83)	1,092	—	—	209	(11,601)

# Solvency II return on capital/equity

## SII RoE



## Market SII RoC



	HY21 £m	HY20 £m	Change %
Life new business	262	361	(27) %
Existing business	242	239	1 %
Non-life capital generation	404	217	86 %
Debt & centre costs (incl. pref/DCI costs)	(249)	(284)	(12) %
Management actions & other <sup>1</sup>	32	53	(40) %
<b>Operating own funds generated (UT1)</b>	<b>691</b>	<b>586</b>	<b>18 %</b>
<b>Opening own funds (UT1)</b>	<b>17,358</b>	<b>16,578</b>	<b>5 %</b>
<b>SII RoE (%)</b>	<b>8.0%</b>	<b>7.1%</b>	<b>0.9 pp</b>

# Solvency II sensitivities (Group shareholder view)

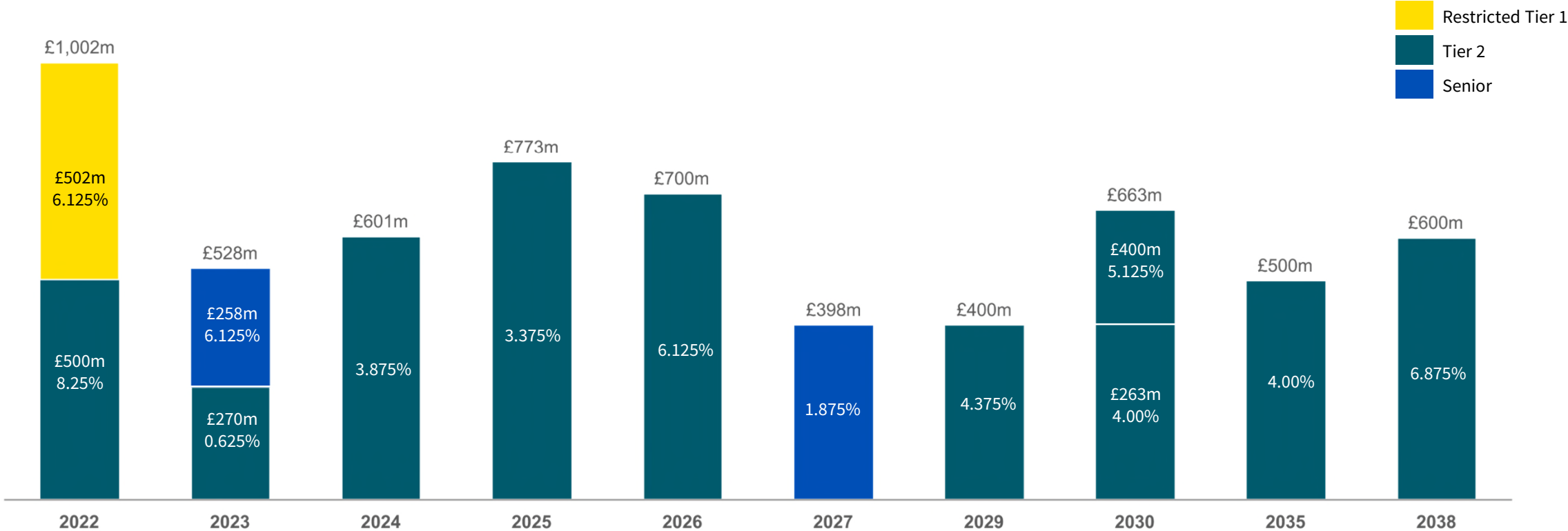
Sensitivity		Impact on surplus HY21 £bn	Impact on cover ratio HY21 pp	Impact on surplus FY20 £bn	Impact on cover ratio FY20 pp
Changes in economic assumptions	25 bps increase in interest rate	0.1	3 pp	0.3	5pp
	50 bps increase in interest rate	0.2	6 pp	0.6	9pp
	100 bps increase in interest rate	0.4	11 pp	0.8	15pp
	25 bps decrease in interest rate	(0.2)	(4)pp	(0.3)	(5)pp
	50 bps decrease in interest rate	(0.4)	(8)pp	(0.8)	(11)pp
	50 bps increase in corporate bond spread <sup>1</sup>	0.0	2 pp	0.0	2pp
	100 bps increase in corporate bond spread <sup>1</sup>	0.0	3 pp	(0.1)	3pp
	50 bps decrease in corporate bond spread <sup>1</sup>	(0.3)	(5)pp	(0.1)	(3)pp
	Credit downgrade on annuity portfolio <sup>2</sup>	(0.5)	(6)pp	(0.5)	(6)pp
	10% increase in market value of equity	0.2	0 pp	0.2	1pp
	25% increase in market value of equity	0.6	2 pp	0.5	3pp
	10% decrease in market value of equity	(0.2)	(1)pp	(0.2)	(1)pp
	25% decrease in market value of equity	(0.7)	(3)pp	(0.6)	(5)pp
	20% increase in value of commercial property	0.7	8 pp	0.8	8pp
	20% decrease in value of commercial property	(1.0)	(11)pp	(1.1)	(11)pp
Changes in non-economic assumptions	20% increase in value of residential property	0.5	5 pp	0.6	6pp
	20% decrease in value of residential property	(0.6)	(7)pp	(0.7)	(7)pp
	10% increase in maintenance and investment expenses	(0.9)	(10)pp	(1.0)	(9)pp
	10% increase in lapse rates	(0.3)	(3)pp	(0.3)	(2)pp
	5% increase in mortality/morbidity rates – life assurance	(0.2)	(1)pp	(0.2)	(2)pp
	5% decrease in mortality rates – annuity business	(1.4)	(16)pp	(1.6)	(16)pp
	5% increase in gross loss ratios	(0.3)	(3)pp	(0.3)	(3)pp

# Solvency II regulatory own funds tiering and debt leverage

Regulatory view	<b>HY 2021 £m</b>	HY 2020 £m	<b>% of own funds HY21</b>	% of own funds HY20	<b>% of SCR HY21</b>	% of SCR HY20
Unrestricted Tier 1	20,556	20,096	76 %	71 %	137 %	125 %
Restricted Tier 1	980	1,335	4 %	5 %	7 %	8 %
Tier 2	5,477	6,569	20 %	23 %	37 %	41 %
Tier 3 <sup>1</sup>	116	376	— %	1 %	1 %	2 %
Est. regulatory own funds	<b>27,129</b>	<b>28,376</b>	<b>100 %</b>	<b>100 %</b>	<b>181 %</b>	<b>177 %</b>

Regulatory view	<b>HY21 £m</b>	FY20 £m
Solvency II regulatory debt <sup>2</sup>	<b>6,457</b>	8,316
Senior notes	<b>665</b>	1,112
Commercial paper	<b>52</b>	108
Total debt	<b>7,174</b>	9,536
Est. regulatory own funds, senior notes and commercial paper	27,846	30,482
Solvency II debt leverage ratio	<b>26%</b>	31%

# Debt profile



All debt instruments have been presented at optional first call dates at nominal values converted to GBP using 30 June 2021 rates.



# **Earnings per share**

# Operating earnings per share

	HY21	HY20
<b>Continuing operations</b>		
Adjusted operating profit before tax attributable to shareholders' profits	725	621
<b>Less</b>		
- Tax attributable to shareholders' profit	(168)	(105)
- Amount attributable to non-controlling interests	(10)	(10)
- Coupon payments in respect of DCI (net of tax)	—	(27)
- Cumulative preference dividends for the year	(9)	(9)
Operating profit attributable to ordinary shareholders from continuing operations	538	470
Operating profit attributable to ordinary shareholders from discontinued operations	287	447
Operating profit attributable to ordinary shareholders	825	917
Weighted average number of shares	3,927	3,923
Operating earnings per share	21.0p	23.4p

# Basic earnings per share

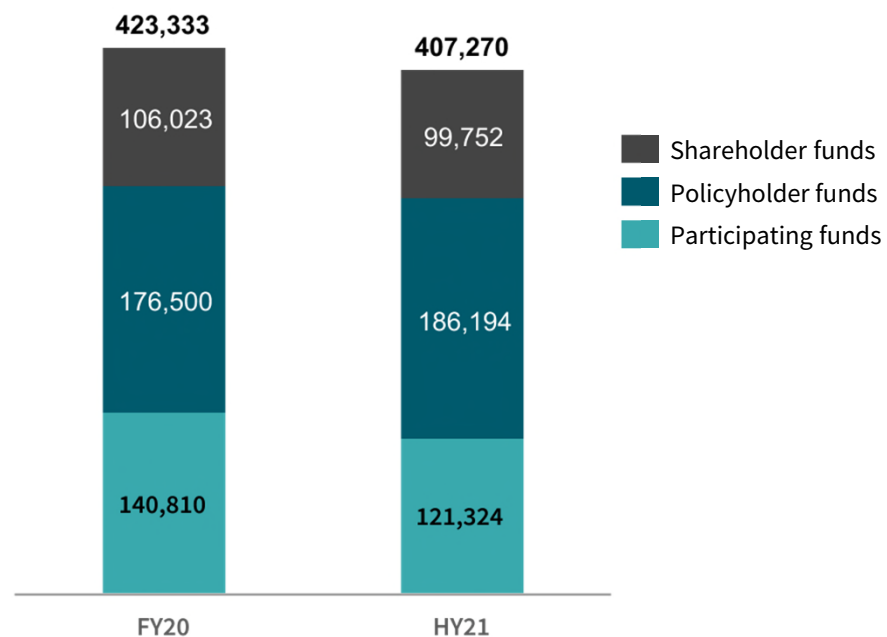
	HY21	HY20
<b>Continuing operations</b>		
Adjusted operating profit attributable to ordinary shareholders	538	470
<b>Adjusting items</b>		
- Reclassification of unallocated interest	25	26
- Investment variances, short term fluctuations and economic assumption changes	(241)	422
- Impairment of goodwill, joint ventures, associates and other amounts expensed	—	(14)
- Amortisation and impairment of intangibles acquired in business combinations	(25)	(26)
- Amortisation and impairment of acquired value of in-force business	(153)	(86)
- Other	(47)	6
Profit attributable to shareholders from continuing operations	97	798
Weighted average number of shares	3,927	3,923
Continuing operations - Basic earnings per share	2.5p	20.3p
<b>Discontinued operations</b>		
Adjusted operating profit attributable to ordinary shareholders	287	447
Adjusting items	(626)	(460)
Profit attributable to ordinary shareholders	(242)	785
Weighted average number of shares	3,927	3,923
Basic earnings per share	(6.2)p	20.0p

# Assets

# Total managed assets

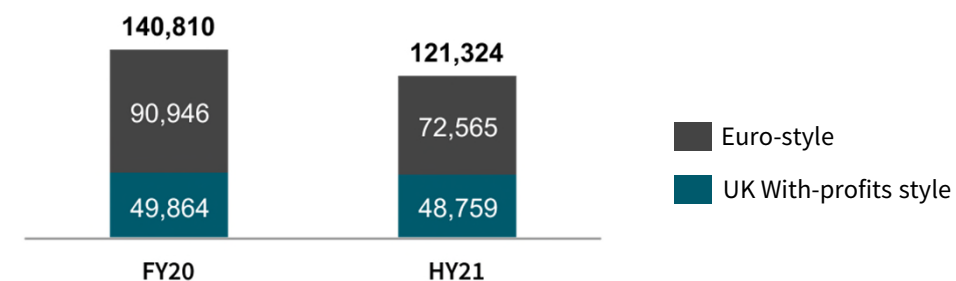
## Assets by type of liabilities covered

£m



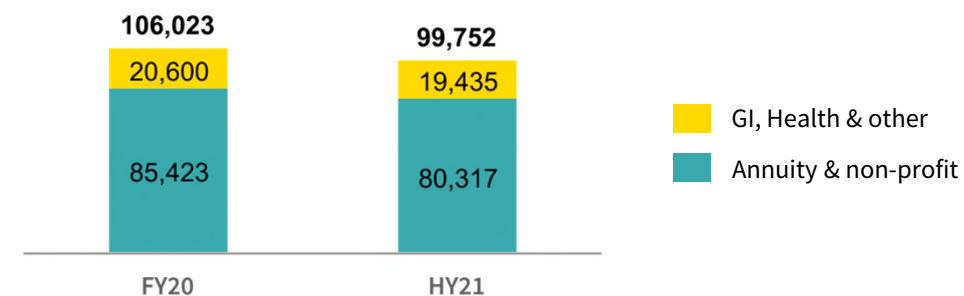
## Participating assets by type

£m



## Shareholder assets by type

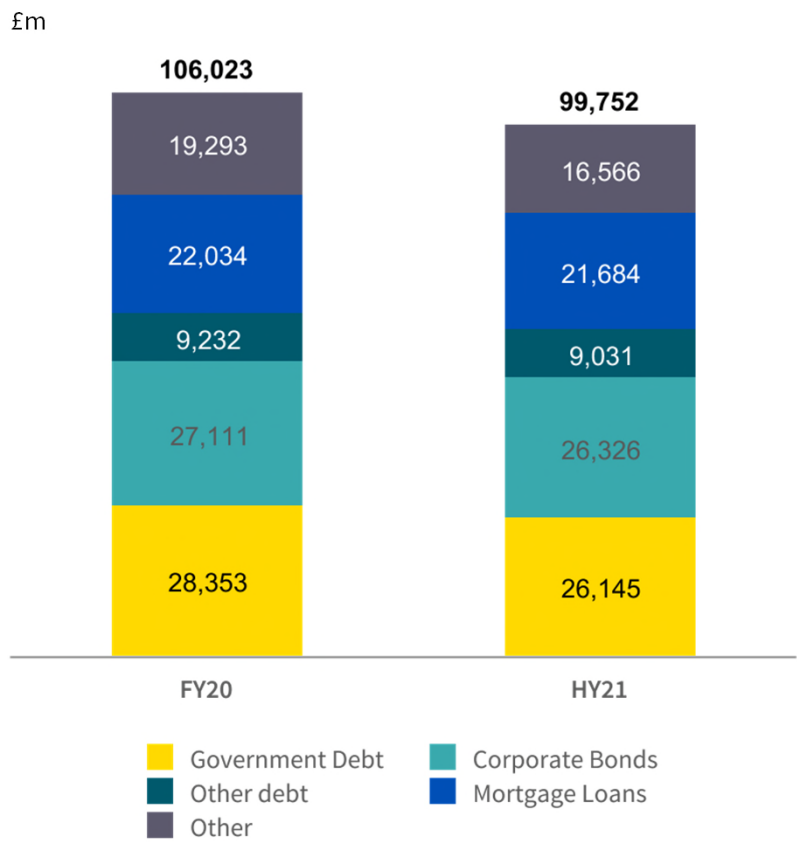
£m



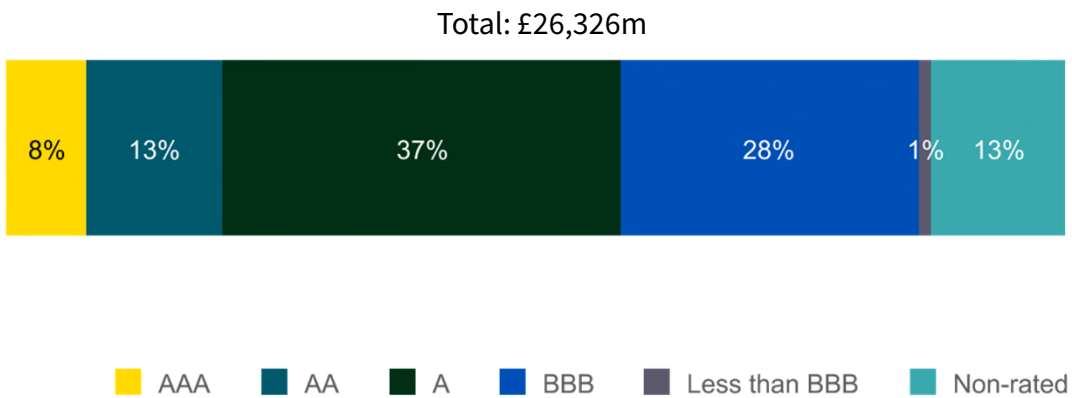


# Shareholder assets

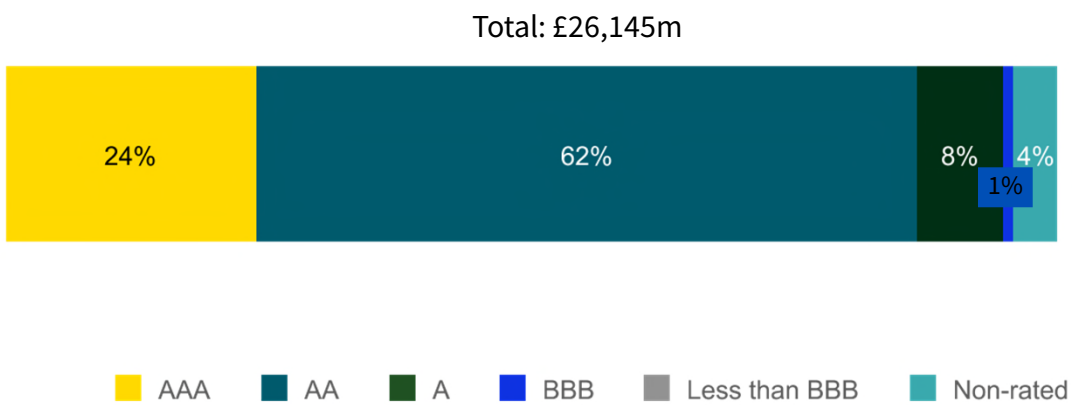
## Shareholder assets by type



## Corporate debt by rating

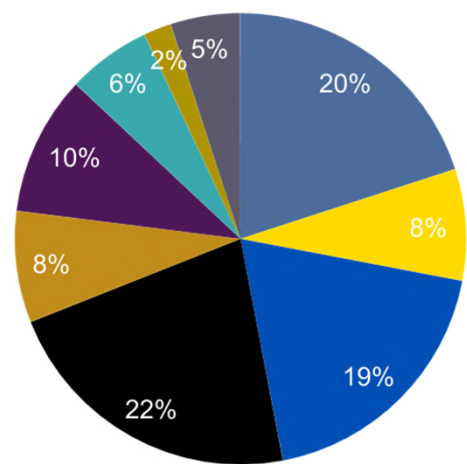


## Government debt by rating



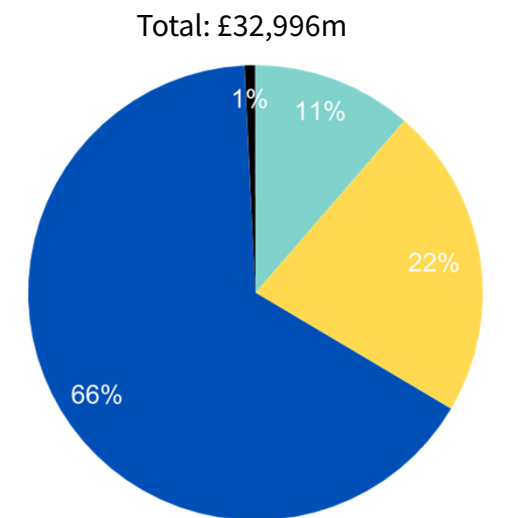
# Shareholder assets – corporate bonds and loans

Corporate bonds by industry



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

Loans by type

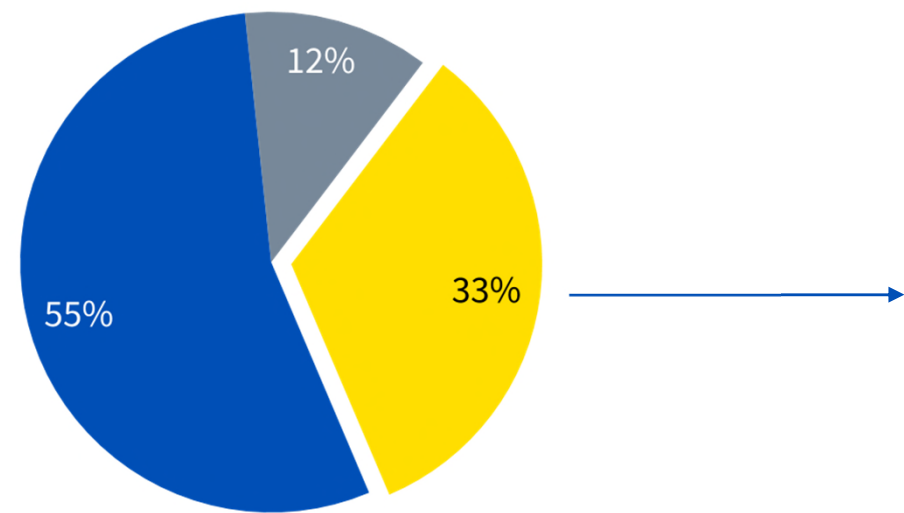


- Loans & advances to banks
- Healthcare, Infrastructure & PFI other loans
- Mortgage loans
- Other

# Shareholder assets – Mortgage loans

## Mortgage loans

HY21 mortgage loans total: £21,684m

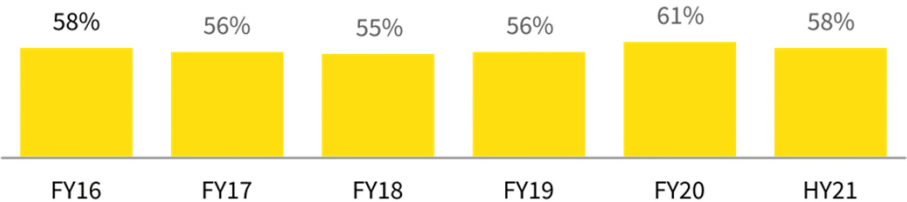


- Healthcare, infrastructure & FPI
- Commercial
- Securitized mortgage loans & equity release

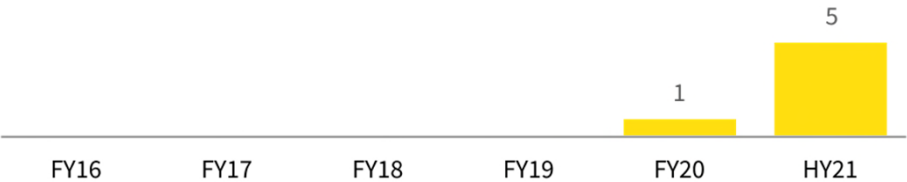
## Commercial real estate portfolio

HY21 commercial mortgage total: £7,251m

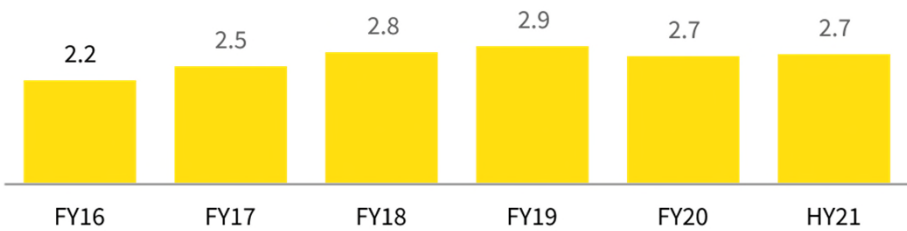
LTV (%)



Balance in arrears (£m)



Loan interest cover (x)



# Footnotes (1)

Slide	Reference	Footnote
5	1.	Commencing 13 August 2021
6	1.	From continuing operations
	2.	References to sales represent present value of new business premiums (PVNBP) for our life business and gross written premiums (GWP) for our general insurance business
	3.	From continuing operations and excluding cost reduction implementation and IFRS 17 costs
7	1.	Largest provider of bundled workplace pensions
8	1.	From continuing operations and excluding cost reduction implementation and IFRS 17 costs
	2.	Personal lines motor claims
	3.	Claim handling and indemnity cost reduction
	4.	Claims personal lines motor end to end, inc. suppliers
9	1.	Brand consideration higher for the audience exposed to our campaign compared to consideration in those who have not
	2.	Direct and price comparison websites
11	1.	Subject to regulatory and shareholder approval, completion of disposals and market conditions
	2.	Commencing 13 August 2021
12	1.	From continuing operations
	2.	From continuing operations and excluding cost reduction implementation and IFRS 17 costs
14	1.	From continuing operations
	2.	Subject to regulatory and shareholder approval, completion of disposals and market conditions
	3.	Commencing 13 August 2021
15	1.	From continuing operations
17	1.	Other includes the impact of capital actions, non-economic assumption changes and other non-operating items
18	1.	References to sales represent present value of new business premiums (PVNBP)
	2.	Aviva analysis including ABI market share data to Q1 2021
19	1.	Largest provider of bundled workplace pensions
20	1.	References to sales represent present value of new business premiums (PVNBP)

# Footnotes (2)

Slide	Reference	Footnote
24	1.	Represents Aviva Investors revenue. Further guidance in respect of the APMs used by the Group can be found in the 'Other information' section of the Half Year Report 2021.
25	1.	Subject to regulatory and shareholder approval, completion of disposals and market conditions
26	1.	The estimated Solvency II position represents the shareholder view only
	2.	Centre liquidity as at end Feb 21, reported at FY20 results, and Jul 21, reported at HY21 results.
27	1.	Commencing 13 August 2021
28	1.	From continuing operations and excluding cost reduction implementation and IFRS 17 costs
35	1.	The estimated Solvency II position represents the shareholder view only
	2.	Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
	3.	Dividends includes £9 million of Aviva plc preference dividends and £10 million of General Accident plc preference dividends, and £549 million for the final dividend in respect of the 2020 financial year
36	1.	Management actions and other represents changes in assumptions and modelling, non-recurring items and non-product specific overheads
37	1.	The corporate bond spread sensitivity is applied such that even though movements vary by rating and duration consistent with the approach in the solvency capital requirement, the weighted average spread movement equals the headline sensitivity. Fundamental spreads remain unchanged
	2.	An immediate full letter downgrade on 20% of the annuity portfolio credit assets (e.g. from AAA to AA, from AA to A)
38	1.	Tier 3 regulatory own funds at 30 June 2021 consist of £116 million net deferred tax assets (HY20: £107 million). There is no subordinated debt included in Tier 3 regulatory own funds (HY20: £269 million)
	2.	Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 regulatory own funds, and Tier 3 subordinated debt