



It takes AVIVA

Aviva plc
Interim results 2023
16 August 2023

Disclaimer & important information

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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 longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance ('ESG') factors; 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 customers 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 the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; 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, including quality financial advisers; 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, separation issues and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, 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 changes to and the implementation of key legislation and regulation (for example, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities. The information in this document is unaudited.

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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 2023 Half Year Report. All references to 'Operating profit' represent 'Group adjusted operating profit'.

Agenda

Group CEO update

Amanda Blanc, Group CEO

Interim results 2023

Charlotte Jones, Group CFO

Summary

Amanda Blanc, Group CEO

Q&A



Building on Aviva's momentum

Strong performance in first half with continued profitable growth and financial strength

Delivering attractive value for shareholders – growing earnings, cash, dividends and returns

Well positioned for the future with a clear strategy and growth momentum in all of our markets

Strong profitable growth in first half

H1 2023 financial progress¹

Aviva is growing...	+12%	GI premiums ²
	+7%	UK&I VNB
	£4.3bn	Wealth net flows
Controlling costs...	£1.3bn	Flat costs ³ , absorbing c.7% inflation
Profitability is strong...	+8%	Operating profit
	+26%	SII operating OFG
	94.8%	Undiscounted GI combined ratio
...with financial strength	202%	SII cover ratio
	£825m	Cash remittances to centre

Growth momentum across businesses

General Insurance	+13%	UK&I GI premiums
	+12%	Canada GI premiums ²
Protection & Health	+23%	Protection & Health APE
Wealth	£3.4bn	Workplace net flows
	£1.2bn	Platform net flows
	+6%	Net flows as % of opening AUM
Retirement	£2.4bn	Bulk purchase annuity premiums
	+22%	Individual annuity sales
	£0.5bn	Real assets origination

Consistently delivering on our promises

Exceeding targets and investing for Aviva's future

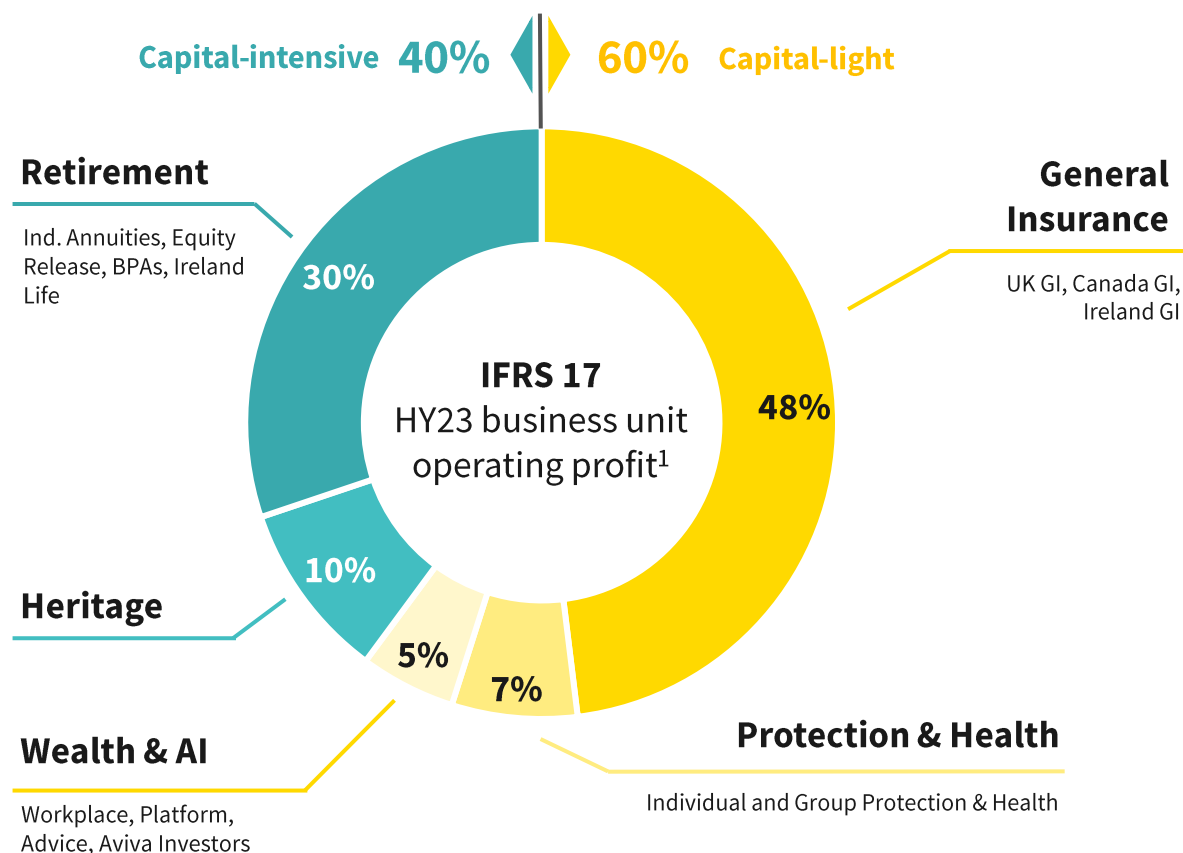
Cash remittances	>£5.4bn 2022-2024	✓	On track to exceed
SII operating OFG	£1.5bn Per annum by 2024	✓	On track to exceed
Cost reduction	£750m 2018-2024 ¹	✓	On track to deliver one year early
Investment in the business	c.£1bn £500m organic £500m bolt-on M&A	✓	For customer, growth & efficiency

Growing dividends and intention for regular and sustainable return of surplus capital

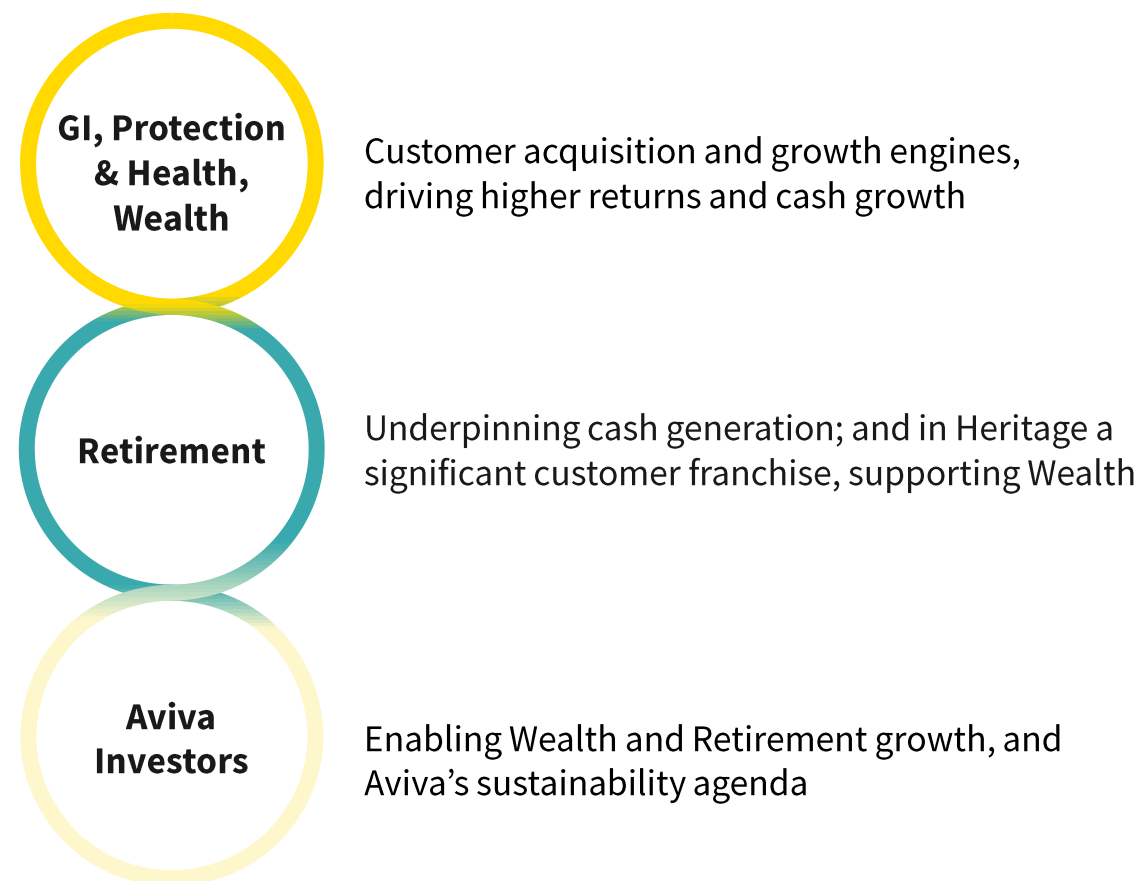
Interim dividend	11.1p per share, up 8%
Dividend growth	Growing cash cost at low-to-mid single digits 2024 onwards ²
Capital return	£300m share buyback completed in 2023
Capital management policy	Surplus capital is available for: <ul style="list-style-type: none">• Further investment in the business• Bolt-on M&A• Additional returns to shareholders

Diversified portfolio, majority capital-light

Majority capital-light mix...



...with synergistic businesses



Strategic emphasis on focusing our growth in capital-light businesses

Accelerating growth across our capital-light businesses

General Insurance¹



+13%

UK&I GI GWP

CL growth, Aviva Zero & QMH Connect



#1 with 10% market share²



+12%

Canada GI GWP³

Growth in CL and RBC partnership



#2 with 8% market share



c.£100m

UK GI bolt-on M&A investment

Leading position in HNW from Azur and AXA XL HNW; Barclays Home book

Wealth¹



+13%

Workplace AUM growth⁴

211 new schemes; powering master trust



#1 with 22% market share



£1.2bn

Platform net flows

Driving strategic partnerships



#2 market position⁵



£385m

Succession Wealth acquisition

230 planners, c.£1bn AUA through 2 acquisitions, £250m+ on Aviva platform

Protection & Health¹



+8%

Protection sales⁶

Strong direct & intermediary growth



#2 with 17% market share



+58%

Health sales⁶

Expanding corporate offering



#3 with 14% market share



+130k

Health lives insured

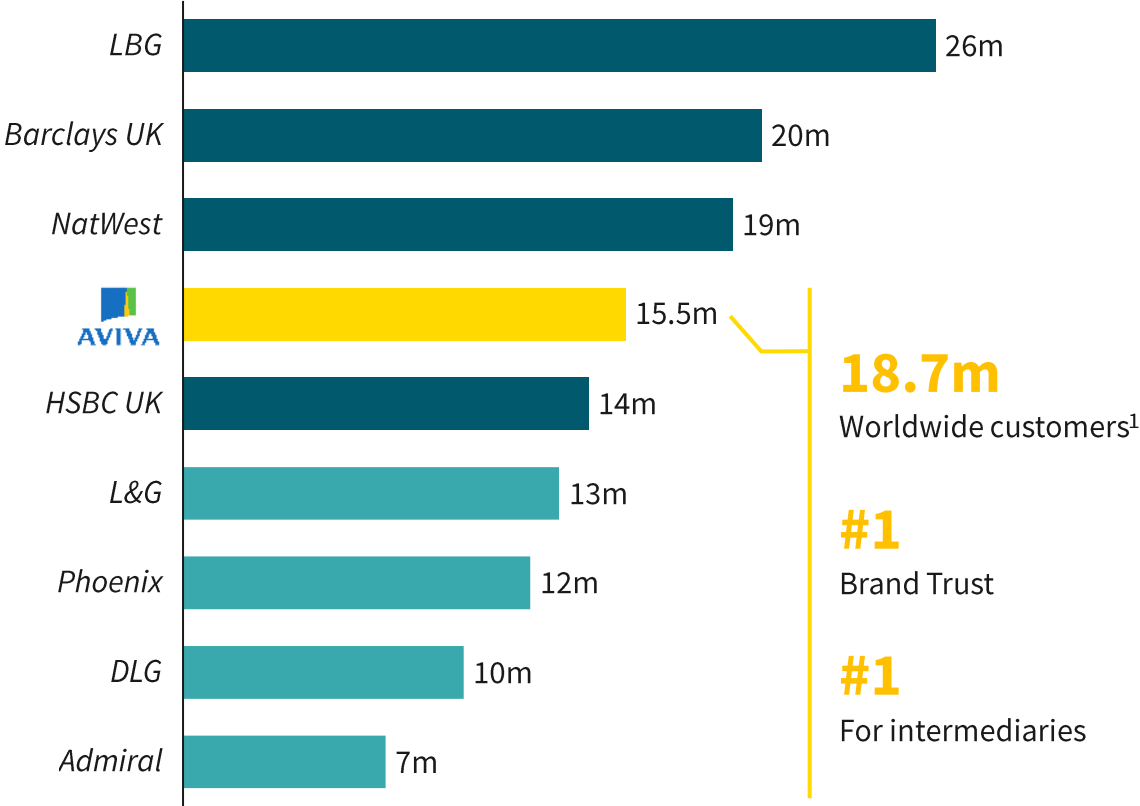
Winning 'Expert Select' proposition and growing in Direct channel

Ambition for above-market growth across our capital-light businesses

Delivering for our customers

#1 UK insurance customer franchise

Number of UK customers, 2022



Supporting our customers

£23bn

Claims paid
in 2022

£128m+

COVID-19 Pledge
payments 2022-2023

£73m+

QMH Essentials
premiums since 2022

Building engaging digital-led customer experience

6m

+33% registered
MyAviva users
vs. 2020

75%

Self-serve capability for
top customer demands²,
with digital help

250k+

Aviva Zero policies
sold in less than
18 months

Deepening our customer relationships

4.4m

Customers with
2+ Aviva policies

40%

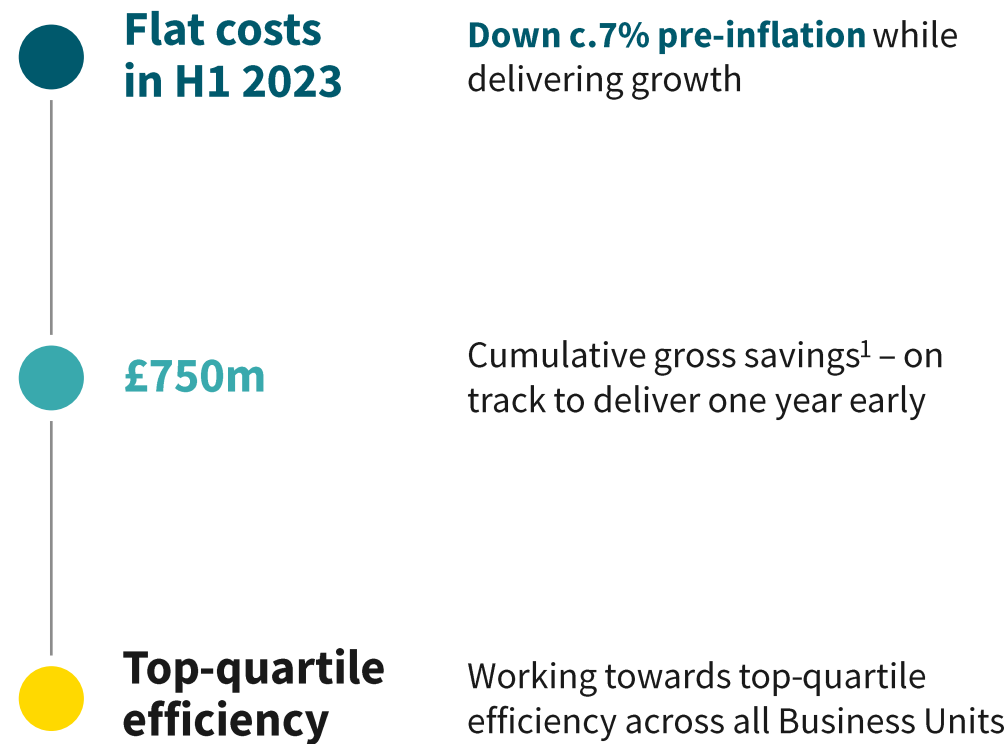
New sales to
existing customers

8m

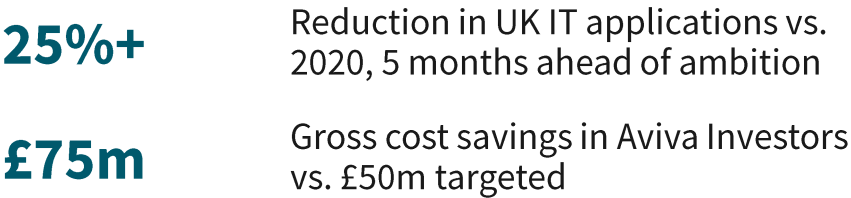
+60% marketable
customers vs. 2020³

Driving efficiency gains and operating leverage

Delivering on our cost commitments



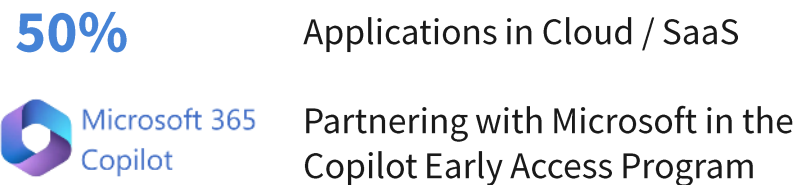
Simplifying, digitising & automating



Extracting cost synergies from our model



Putting technology at the core



Disciplined cost control with opportunities to continue the transformation of our operations

Clear strategy and growth momentum for the future

The UK's go-to brand across insurance, wealth and retirement with leading franchises in Canada & Ireland...
delivering for our customers, colleagues and shareholders

	Strong foundations to build on...	...growth momentum for the future
Growth	Market-leading positions & growth momentum	Accelerating growth across capital-light businesses
Customer	Unrivalled customer franchise & #1 brand	Serving more of our customers' needs
Efficiency	Simplification, automation & cost control	Top-quartile efficiency driven by scale & technology
Sustainability	ESG commitments	Leading on climate & social action

Agenda

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Strong results and growth momentum

Operating profit

£715m

+8%

Solvency II OFG

£648m

+26%

Undiscounted COR

94.8%

+1.0pp

Discounted: **91.3%** (-1.5pp)

SII shareholder cover ratio

202%

FY22: 212%

Operating EPS

19.9p

+10%

Solvency II OCG

£580m

+9%

Costs¹

£1,340m

Flat

Interim dividend

11.1p

+8%

Growth in operating profit and operating value added

	Operating profit			Operating change in CSM			Operating value added	
	HY 2023 (£m)	Change (%)		HY 2023 (£m)	Change (%)		HY 2023 (£m)	Change (%)
UK&I General Insurance	230	41%						
Canada General Insurance	240	20% ¹						
UK&I Insurance, Wealth & Retirement	436	(13)%		204 ³	n/a		640	32%
- o/w Wealth	46	(21)% ²						
- o/w Protection & Health	67	20%		8	(27)%		75	12%
- o/w Retirement	287	8%		248	359%		535	68%
- o/w Heritage	95	(19)%		(54)	(35)%		41	21%
Aviva Investors	5	(64)%						
International Investments	46	(4)% ¹						
Total business units	957	3%						
Centre & debt costs and other operations	(242)	(9)%						
Group	715	8%						

+

=

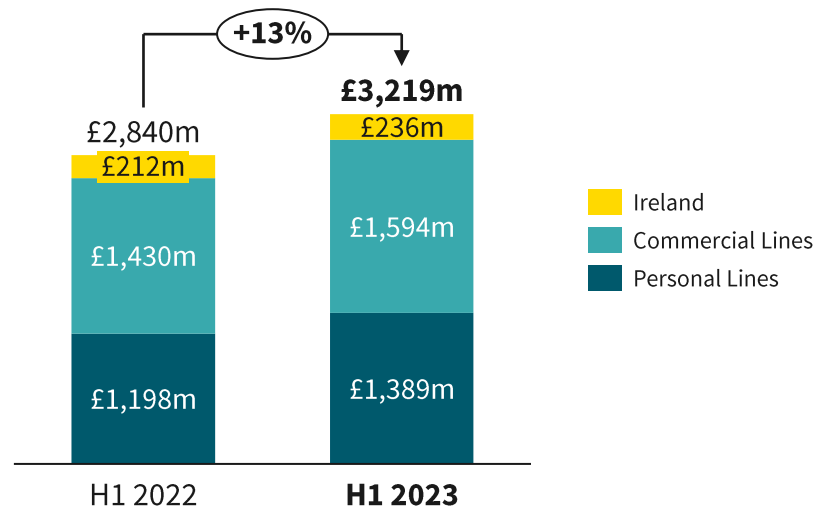
Reminder

- The **CSM spreads profits over time**, with unearned profit recorded as a liability that unwinds to the P&L over the life of the policy
- Operating value added better reflects the performance** for Protection, Retirement & Heritage than operating profit, as it recognises items at the time value is generated
- Future value of **capital-light businesses are not included in operating value added**

Double-digit growth in UK & Ireland General Insurance

Growth

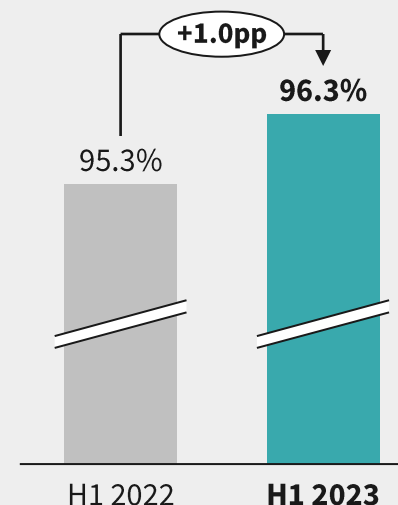
GWP



- **UK Commercial Lines** up 11% driven by strong new business and retention in a continued favourable rate environment
- **UK Personal Lines** up 16% due to rating actions and growth from new propositions, partly offset by volume reductions in retail
- **Ireland** up 11% driven by strong growth in Commercial Lines

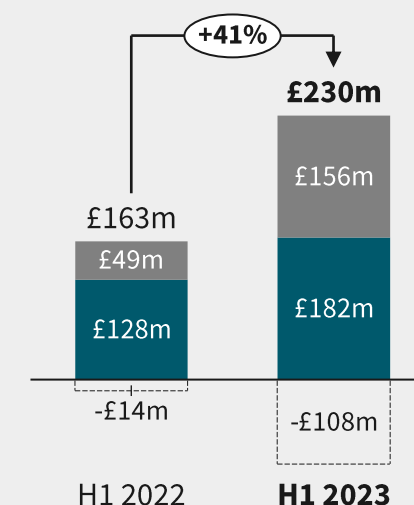
Profitability

Undiscounted COR



- **Undiscounted COR** strong at 96.3%, but up 1.0pp as claims frequency trends return to normal levels, higher reinsurance costs and inflationary pressures
- **Operating profit** up 41% due to a higher investment result as yields improved, with the return on average assets increasing from 1.4% to 4.6%
- **Solvency II OFG** was up 1% as improved operating profit was broadly offset, primarily by the timing of reinsurance changes in the current and prior periods

Operating profit

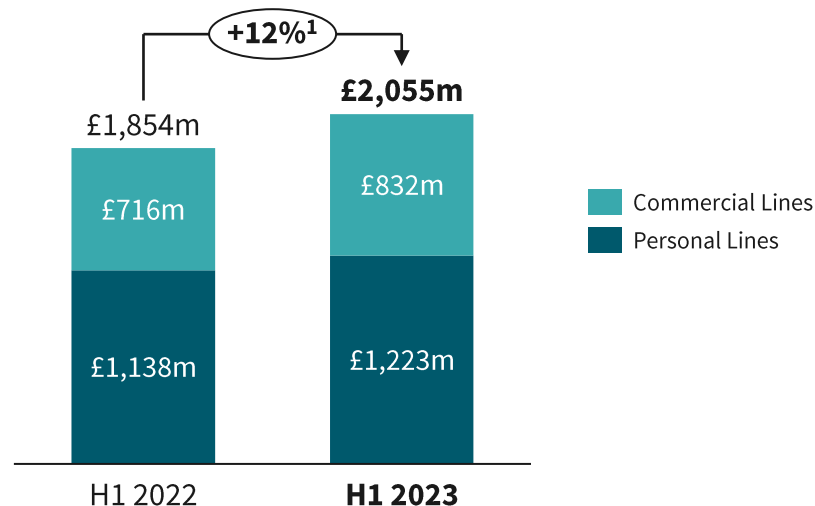


Investment result
Underwriting result¹
Discounting unwind

Profitable growth and excellent Canadian COR

Growth

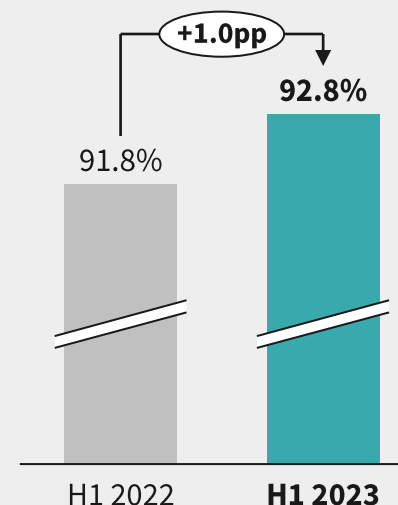
GWP



- **Commercial Lines** up 17% in constant currency driven by a favourable rate environment and strong new business in large corporate and mid-market
- **Personal Lines** up 8% in constant currency due to strong new business in RBC and direct and inflationary rating actions across the portfolio

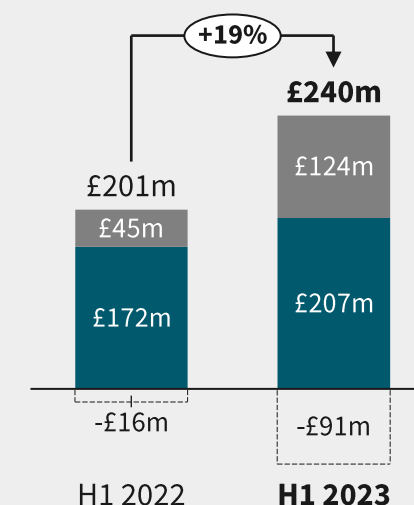
Profitability

Undiscounted COR



- **Undiscounted COR** up 1.0pp as claims frequency trends return to normal levels, partly offset by favourable weather and prior year releases.
- **Operating profit** up 20% in constant currency due to a higher investment result, with return on average assets increasing from 1.4% to 4.1%
- **Solvency II OFG** increased by 13%, broadly in line with the operating profit increase

Operating profit

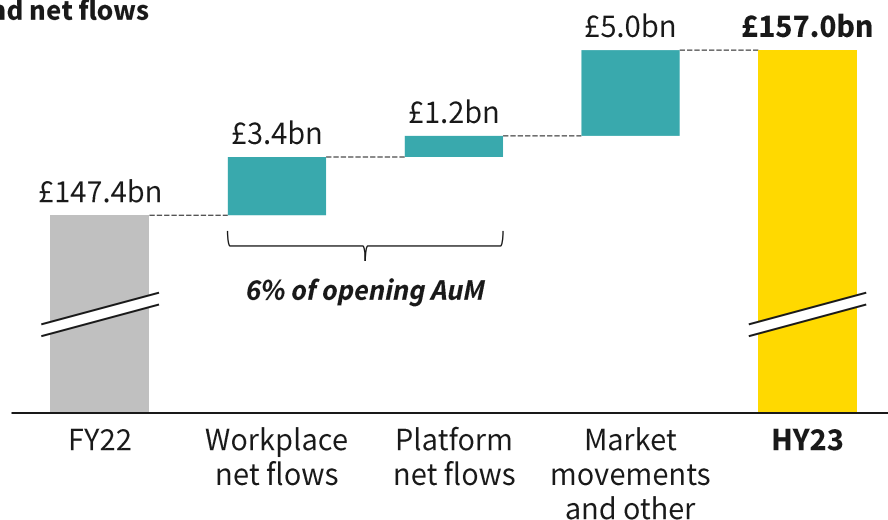


Investment result
Underwriting result²
Discounting unwind

Wealth net flows remain resilient at 6% of opening AuM

Growth

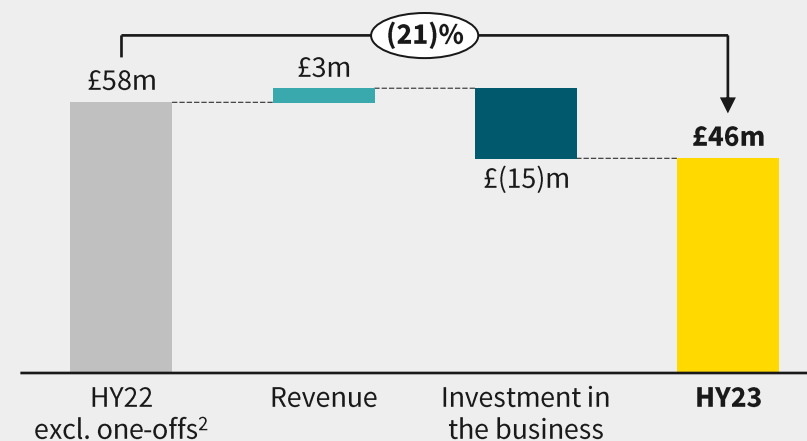
AUM and net flows



- **Wealth** net flows of £4.3bn¹ remained resilient at 6% of opening assets under management
- **Workplace** net flows of £3.4bn up 25%, benefitting from strong retention and the impact of wage inflation on contributions
- **Platform** net flows of £1.2bn remain positive despite a challenging year with market volatility impacting investment activity

Profitability

Operating profit



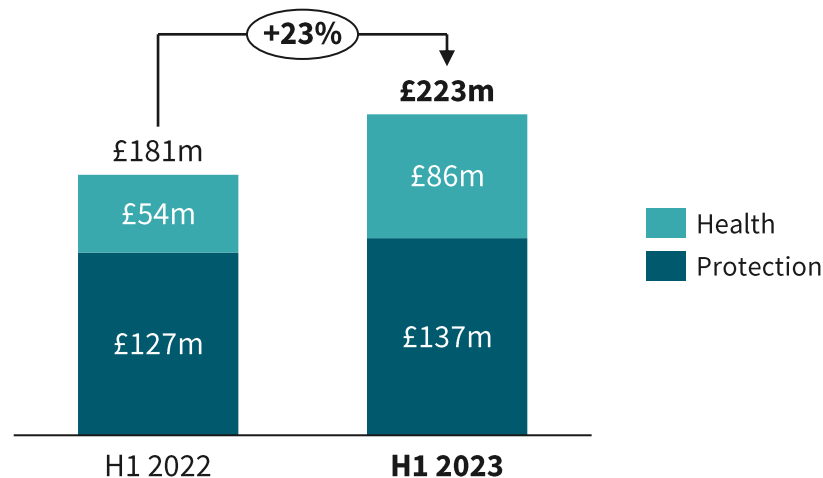
2. HY22 reported operating profit of £68m included £10m of one-off positives

- **Operating profit** 21% lower like-for-like². This reflects revenue growth which was more than offset by the investments we are making to capture the significant growth opportunity in the UK Wealth market.
- **Solvency II OFG** 12% lower as the operating profit drivers described above are partly offset by a higher new business contribution from strong Workplace sales (OFG allows for future value).

Strong growth in Protection & Health sales and profitability

Growth

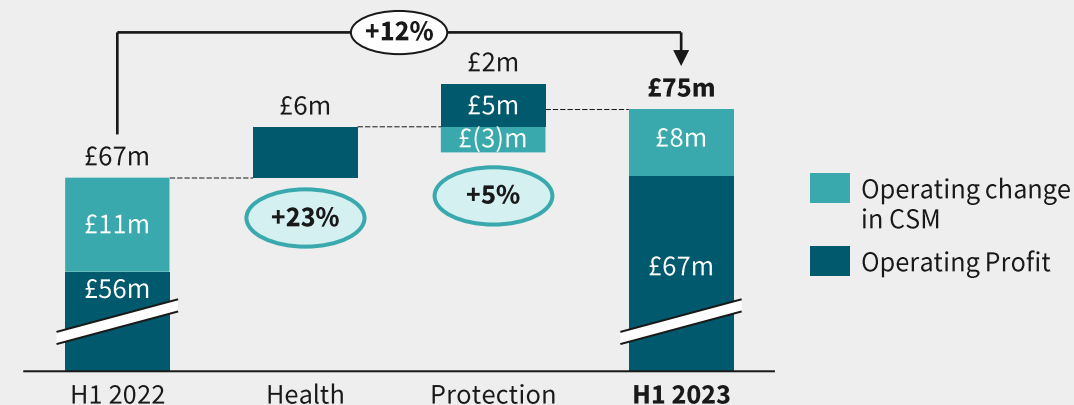
Sales (APE)¹



- **Protection** sales¹ up 8% as improved sales in the IFA and direct channels in Individual Protection more than offset lower Group Protection sales
- **Health** sales¹ up 58% with strong growth across all channels
- **VNB** up 18% with improved volumes partly offset by interest rate rises

Profitability

Operating value added development



- **Operating profit** was up 20% due to higher Health profits, driven by portfolio growth, and less adverse experience variances in Group Protection
- **Operating CSM change** of £(3)m due to adverse experience variances in Individual Protection
- **Operating value added** of £75m up 12%
- **Solvency II OFG** was £9m lower as new business growth was more than offset by adverse mortality experience

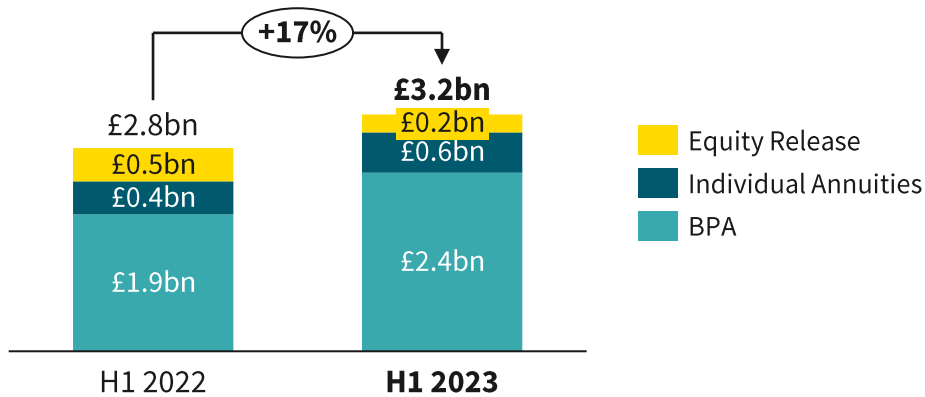
Continued momentum in Retirement

Growth

New Business Margin

2.6% 2.3%

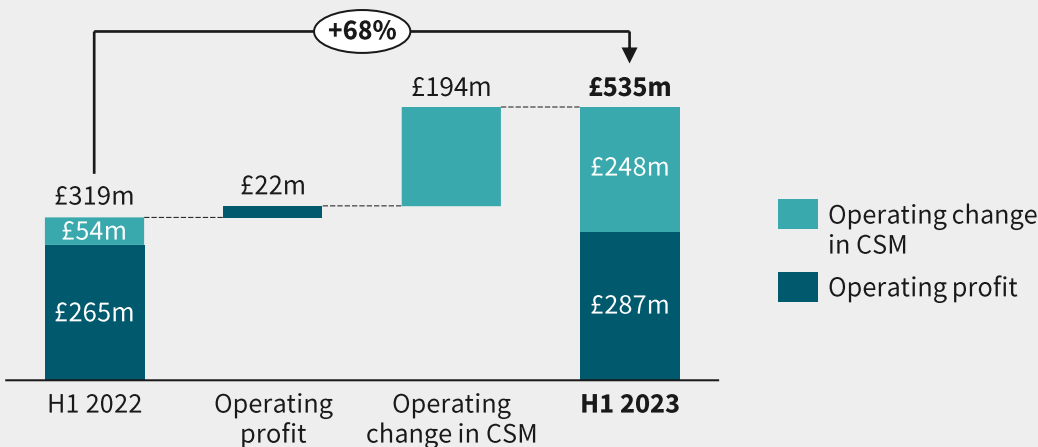
Sales¹



- **BPA** sales were up 30% to £2.4bn, including the £0.9bn Thomas Cook and £0.9bn Arcadia Group pension scheme buy-ins
- **Individual Annuity & Equity Release** sales were 12% lower as a slowdown Equity Release volumes in the higher interest rate environment more than offset improved demand for Individual Annuities
- **VNB** of £74m was up 2% as higher volumes were partly offset by lower margins on Individual Annuities

Profitability

Operating value added development

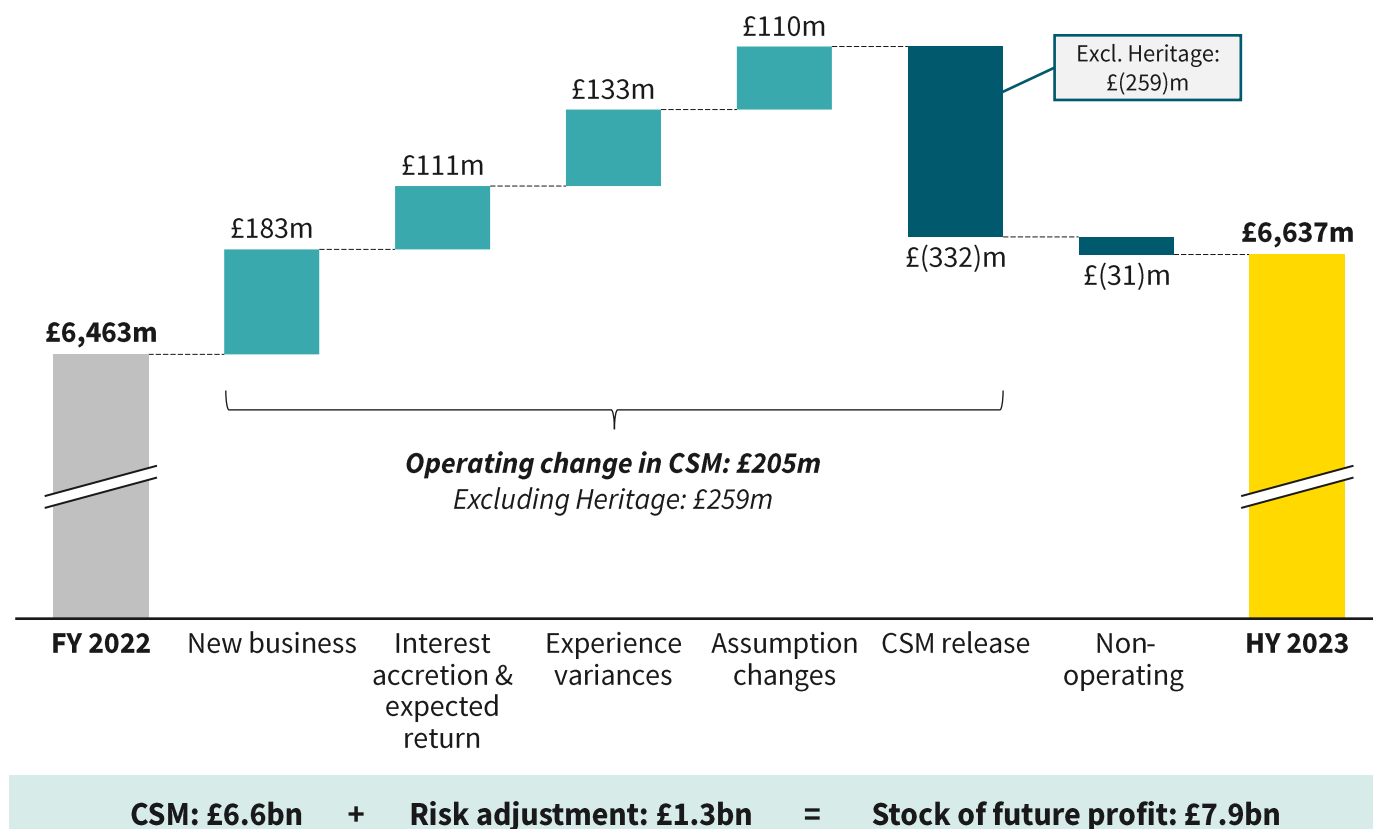


- **Operating profit** up 8% driven by higher expected return on assets backing the annuity business following rate rises during 2022
- **Operating CSM change** up £194m due to positive assumption changes and longevity experience
- **Solvency II OFG** up 56% in line with the drivers of operating value added

A growing stock of future profit

Contractual service margin (CSM)

Analysis of change



Operating growth in the CSM of £205m

For Annuities and Protection, **new business and interest accretion exceed the CSM release**

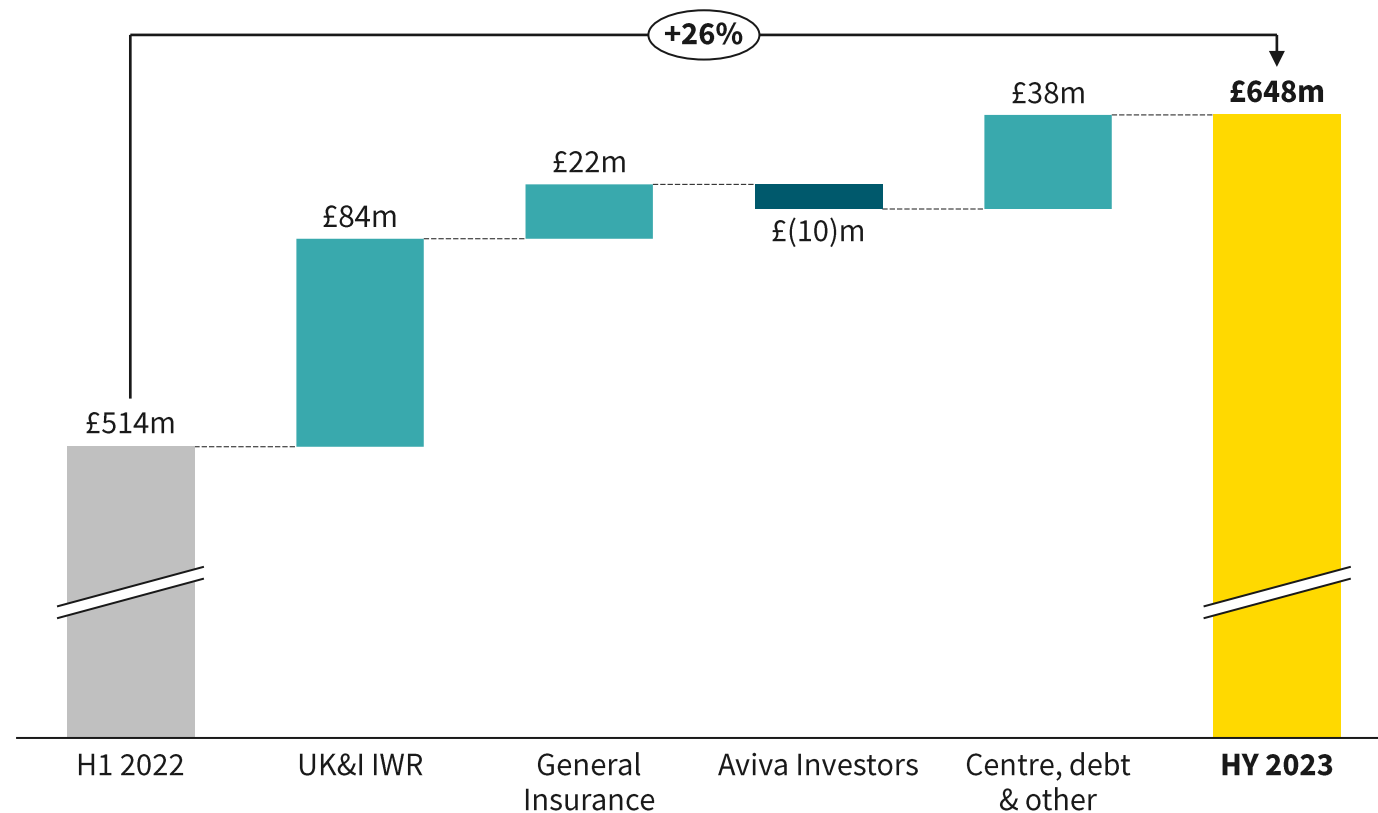
Improving interest accretion as we are writing business at higher rates than the portfolio average

Annualised **CSM release is 9.5%** of the pre-release closing CSM

The stock of future profit, which includes the risk adjustment and CSM, **grew by £108m to £7,897m**

On track to exceed own funds generation target

Solvency II OFG development



Solvency II OFG up 26% to £648m

Strong improvements in UK&I IWR (26%) and General Insurance (6%) driven by increased investment returns

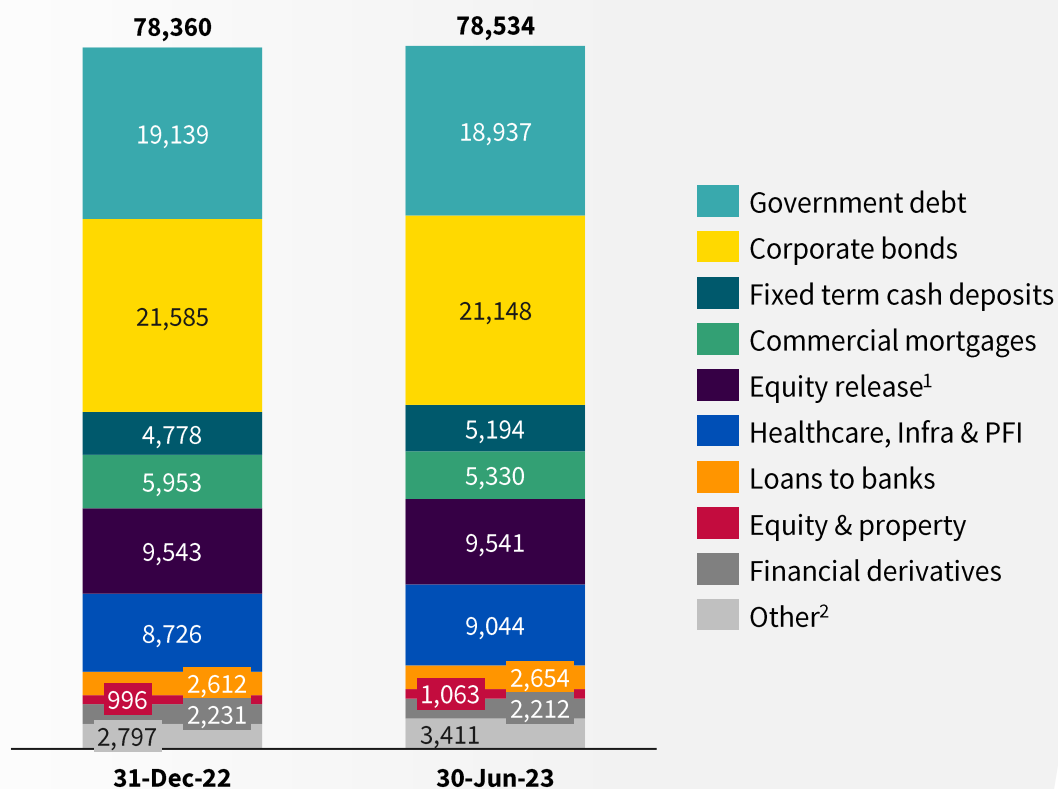
15% reduction in centre and debt costs due to our **cost efficiency programme and debt deleveraging**

Continued progress towards our target of £1.5bn of SII OFG p.a. by 2024, **which we expect to exceed**

Shareholder asset portfolio remains well positioned

Shareholder assets by type

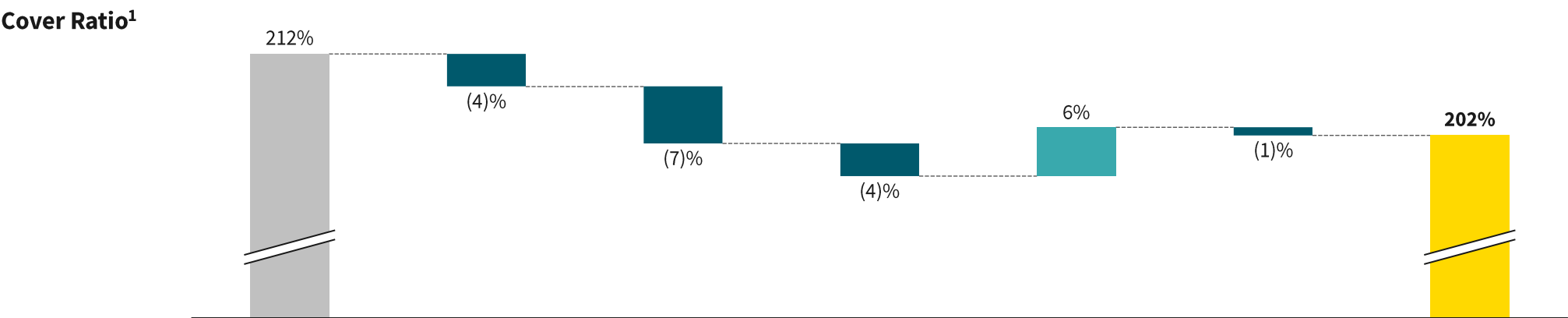
£m



- **High-quality portfolio of £78.5bn** continues to perform well and is **defensively positioned** to withstand periods of volatility
- ~£100m of corporate bonds downgraded to a lower rating letter, which was **more than offset by c.£360m upgraded to a higher rating letter** during H1 23
- **No corporate bonds downgraded below investment grade**
- Commercial mortgage portfolio of £5.3bn comprises largely **long-duration fixed rate contracts with low average LTVs** of 46% using the loans fair value, or 53% using the nominal value
- Our securitised mortgage loans and equity release portfolio of £9.5bn is mostly internally securitised with **low average LTVs of 26%**

Capital position remains robust

Solvency II shareholder position



£bn	31 Dec 2022	Share buyback	Dividends	Debt reduction	OCG	Non-OCG	30 Jun 2023
Own funds	16,468	(300)	(595)	(259)	648	(571)	15,391
SCR	(7,774)	-	-	-	(68)	234	(7,608)
Surplus	8,694	(300)	(595)	(259)	580	(337)	7,783

Pro-forma SII debt leverage ratio: 30%

Centre liquidity: £1.6bn (Jul 2023)

Confident full year outlook

Dividend guidance¹

11.1p

2023 Interim DPS

~33.4p

Total DPS for 2023

~£915m

2023 dividend cost

2023 operating profit guidance²

5-7% growth from £1,350m in 2022

Full year 2023 business unit outlook

- We anticipate **continued growth in UK&I IWR** in H2
- Continued **positive demand for Protection & Health** products
- Workplace will continue to see **strong growth opportunities**
- In Retirement, **we anticipate higher volumes of BPA** as schemes look to de-risk
- In General Insurance we expect the **rating environment to remain favourable** as we stay focused on pricing in the inflationary environment

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Delivering Aviva's promise

Delivering on our promises,
and investing for the future



Aviva is growing,
with further progress towards capital-light



Clear and consistent strategy,
with focus on execution



Disciplined on cost control,
working towards top-quartile efficiency



Achieving great customer outcomes,
and meeting more needs



Growing dividend,
underpinned by attractive cash
generation and financial strength



... substantial positive progress with potential for so much more

Q&A

Amanda Blanc

Group CEO

Charlotte Jones

Group CFO



Appendices

Benefitting from a diversified model in market volatility

Highly volatile macro environment



Geopolitical tensions



Slow growth in G7 economies



Financial system shocks



Sticky inflation and rising rates

Tailwinds & headwinds in diversified portfolio

Tailwinds

- + **GI:** Positive rate in CL across UK&I and Canada
- + **Workplace:** Resilient with salaries rising with inflation
- + **Health:** Pressures on NHS raising demand for PMI
- + **BPA:** Improved funding position of DB schemes
- + **Regulation:** Solvency II reform & Mansion House Agreement

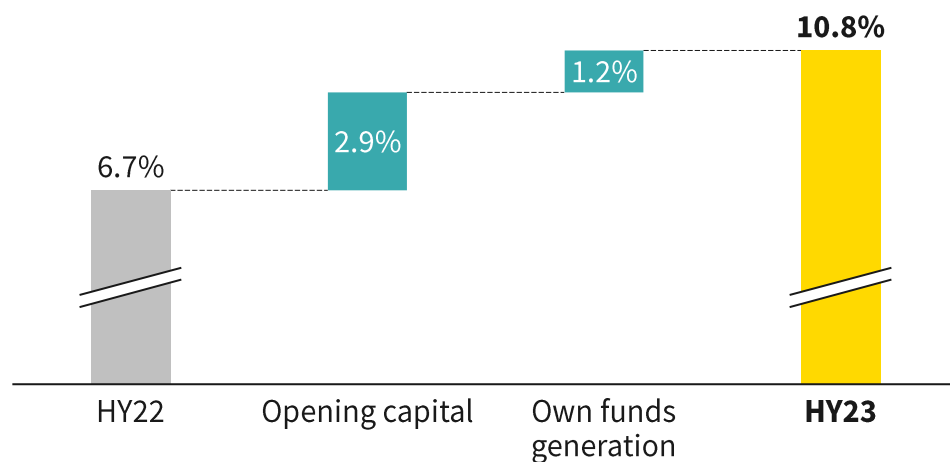
Headwinds

- **Wealth:** Cost of living crisis reducing savings
- **Asset Management:** Market volatility impact asset values
- **Equity Release:** Rising rates reducing demand

Solvency II

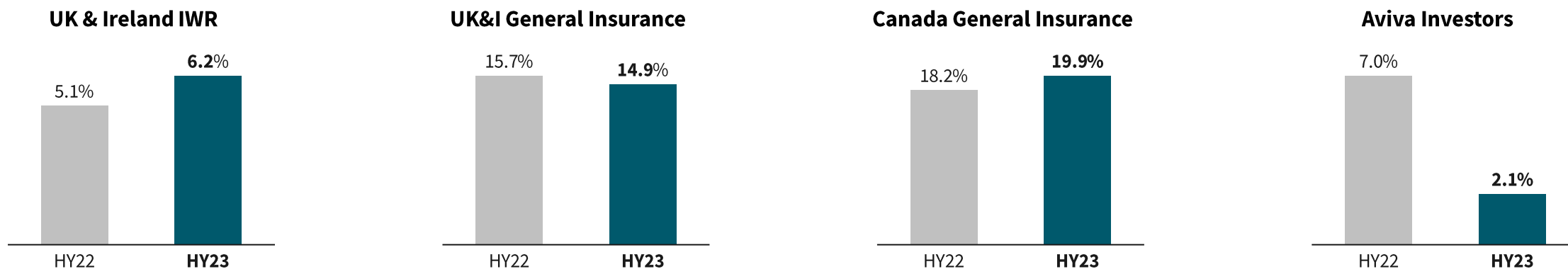
Solvency II return on capital/equity

SII RoE



	HY23 £m	HY22 £m	Change %
Life new business	120	195	(38)%
Existing business	304	216	41%
Non-life capital generation	369	357	3%
Debt & centre costs (incl. pref/DCI costs)	(245)	(265)	8%
Management actions & other ¹	43	20	115%
SII OFG (UT1) post TMTP adjustment	591	523	13%
Opening own funds (UT1)	10,962	15,697	(30)%
SII RoE (%)	10.8%	6.7%	4.1pp

Market SII RoC



Solvency II return on capital/equity (HY23)

	Solvency II operating own funds generation					Solvency II OFG (post TMTP adjustment) £m	Opening own funds ³ £m	Solvency II Return on capital/equity %
	Impact of new business (life)	Earnings from existing business (life)	Management actions & other ¹	Non-life capital generation	Total			
	£m	£m	£m	£m	£m			
UK & Ireland IWR	85	267	60	—	412	391	12,564	6.2%
UK & Ireland General Insurance	—	—	—	186	186	186	2,491	14.9%
Canada General Insurance	—	—	—	179	179	179	1,800	19.9%
Aviva Investors	—	—	—	4	4	4	387	2.1%
International investments	35	58	(17)	—	76	76	1,187	12.8%
Business unit Solvency II return on capital	120	325	43	369	857	836	18,429	9.1%
Corporate centre costs and other operations	—	—	—	(118)	(118)	(118)		
Group external debt costs and other interest	—	—	—	(91)	(91)	(91)		
Solvency II operating own funds generation at 30 June	120	325	43	160	648	627		
Less preference shares and RT1 notes ²						(36)		
Solvency II return on equity at 30 June						591	10,962	10.8%
Solvency II return on equity at 30 June (adjusted for excess capital)						562	8,488	13.2%

Solvency II return on capital/equity (HY22)

Solvency II operating own funds generation								
	Impact of new business (life) £m	Earnings from existing business (life) £m	Management actions & other ¹ £m	Non-life capital generation £m	Total £m	Solvency II OFG (post TMTP adjustment) £m	Opening own funds ³ £m	Solvency II Return on capital/equity %
UK & Ireland IWR	159	148	21	—	328	356	13,830	5.1%
UK & Ireland General Insurance	—	—	—	184	184	184	2,339	15.7%
Canada General Insurance	—	—	—	159	159	159	1,746	18.2%
Aviva Investors	—	—	—	14	14	14	400	7.0%
International investments	36	40	(1)	—	75	75	982	15.3%
Business unit Solvency II return on capital	195	188	20	357	760	788	19,297	8.2%
Corporate centre costs and other operations	—	—	—	(135)	(135)	(135)		
Group external debt costs and other interest	—	—	—	(111)	(111)	(111)		
Solvency II operating own funds generation at 30 June	195	188	20	111	514	542		
Less preference shares and RT1 notes ²						(19)		
Solvency II return on equity at 30 June						523	15,697	6.7%
Solvency II return on equity at 30 June (adjusted for excess capital)						515	9,884	10.4%

Solvency II sensitivities (Group shareholder view)

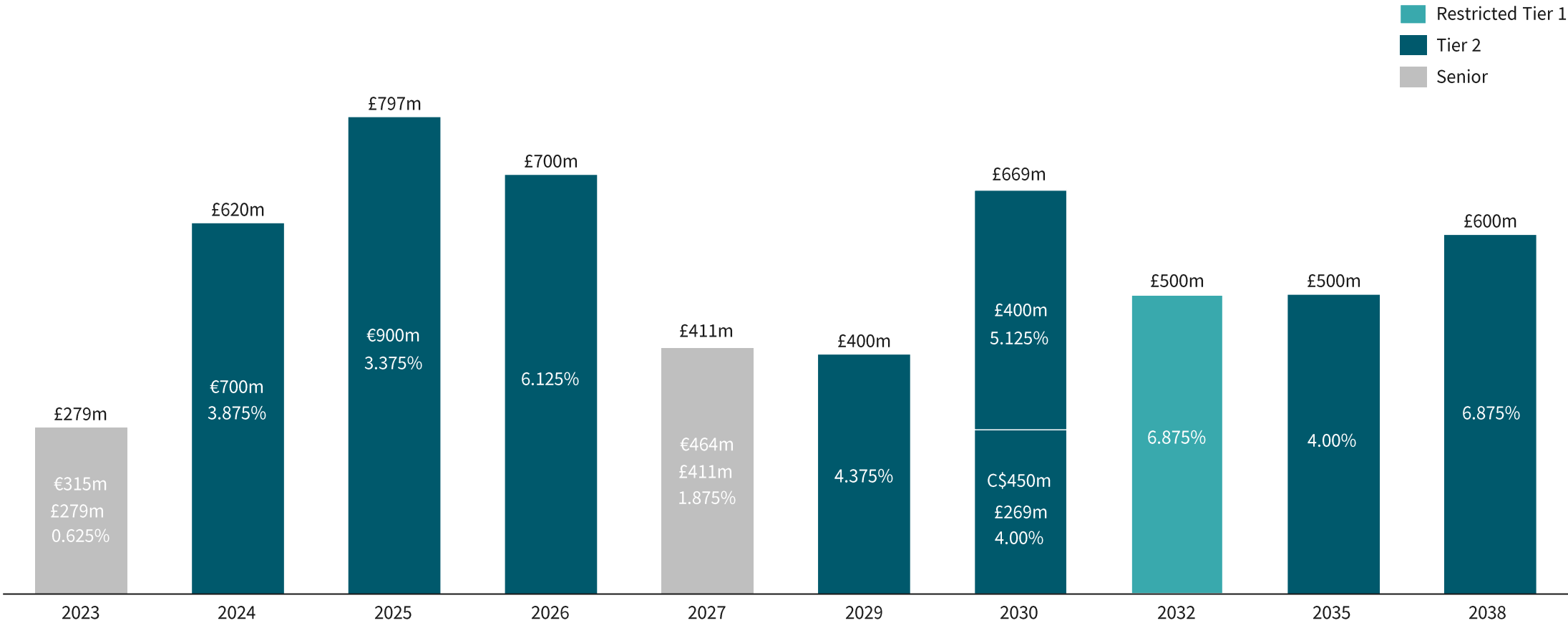
Sensitivity		HY23		FY22	
		Impact on surplus £bn	Impact on cover ratio pp	Impact on surplus £bn	Impact on cover ratio pp
Changes in economic assumptions	50 bps increase in interest rate	0.1	4pp	–	4pp
	100 bps increase in interest rate	0.1	8pp	0.1	7pp
	50 bps decrease in interest rate	(0.1)	(5)pp	(0.1)	(5)pp
	100 bps decrease in interest rate	(0.3)	(11)pp	(0.1)	(10)pp
	50 bps increase in corporate bond spread ¹	0.1	4pp	–	4pp
	100 bps increase in corporate bond spread ¹	0.1	8pp	–	6pp
	50 bps decrease in corporate bond spread ¹	(0.3)	(7)pp	(0.1)	(5)pp
	Credit downgrade on annuity portfolio ²	(0.3)	(6)pp	(0.4)	(7)pp
	10% increase in market value of equity	0.1	(1)pp	0.1	–pp
	25% increase in market value of equity	0.2	(1)pp	0.2	(2)pp
	10% decrease in market value of equity	(0.1)	(1)pp	(0.1)	–pp
	25% decrease in market value of equity	(0.3)	(1)pp	(0.3)	(1)pp
	20% increase in value of commercial property	0.3	7pp	0.4	7pp
	20% decrease in value of commercial property	(0.5)	(8)pp	(0.5)	(9)pp
	20% increase in value of residential property	0.3	5pp	0.3	5pp
	20% decrease in value of residential property	(0.5)	(8)pp	(0.5)	(9)pp
Changes in non-economic assumptions	10% increase in maintenance and investment expenses	(0.6)	(10)pp	(0.7)	(10)pp
	10% increase in lapse rates	(0.2)	(4)pp	(0.3)	(4)pp
	2% increase in mortality/morbidity rates – life assurance	0.0	(1)pp	(0.1)	(1)pp
	2% decrease in mortality rates – annuity business	(0.3)	(5)pp	(0.3)	(5)pp
	5% increase in gross loss ratios	(0.3)	(3)pp	(0.3)	(4)pp

Solvency II regulatory own funds tiering and debt leverage

Regulatory view	£m HY23	£m FY22	% of own funds HY23	% of own funds FY22	% of SCR HY23	% of SCR FY22
Unrestricted Tier 1	12,017	13,162	70%	70%	129%	140%
Restricted Tier 1	946	946	5%	5%	10%	10%
Tier 2	3,870	4,264	23%	23%	41%	45%
Tier 3 ¹	309	296	2%	2%	3%	3%
Est. regulatory own funds	17,142	18,668	100%	100%	183%	198%

Regulatory view	£m HY23	£m FY22
Solvency II regulatory debt ²	4,816	5,210
Senior notes ³	930	687
Commercial paper	133	252
Total debt	5,879	6,149
Est. regulatory own funds, senior notes and commercial paper	18,205	19,607
Solvency II debt leverage ratio	32%	31%
Pro forma Solvency II debt leverage ratio	30%	30%

Subordinated and senior debt profile¹



All debt instruments have been presented at optional first call dates at nominal values converted to GBP using June 2023 rates.

IFRS 17

Protection & Health operating value added drivers

£m	6 months 2023			6 months 2022			12 months 2022		
	Operating profit	Operating change in CSM	Operating value added	Operating profit	Operating change in CSM	Operating value added	Operating profit	Operating change in CSM	Operating value added
New business	–	73	73	–	65	65	–	132	132
Releases from stock of future profit	67	(64)	3	73	(68)	5	159	(146)	13
Operating assumption changes	–	–	–	–	–	–	20	84	104
Experience variances, expenses and other	(26)	(7)	(33)	(40)	8	(32)	(72)	(10)	(82)
Insurance result	41	2	43	33	5	38	107	60	167
Investment result	(6)	6	–	(3)	6	3	(12)	12	–
Health	32	–	32	26	–	26	79	–	79
Protection & Health	67	8	75	56	11	67	174	72	246

Retirement operating value added drivers

£m	6 months 2023			6 months 2022			12 months 2022		
	Operating profit	Operating change in CSM	Operating value added	Operating profit	Operating change in CSM	Operating value added	Operating profit	Operating change in CSM	Operating value added
New business	–	104	104	–	109	109	49	253	302
Releases from stock of future profit	230	(186)	44	234	(184)	50	460	(365)	95
Operating assumption changes	(11)	110	99	–	–	–	222	261	483
Experience variances, expenses and other	(36)	136	100	(30)	57	27	(68)	202	134
Insurance result	183	164	347	204	(18)	186	663	351	1,014
Investment result	62	84	146	18	72	90	57	143	200
Equity Release	42	–	42	43	–	43	78	–	78
Annuities & Equity Release	287	248	535	265	54	319	798	494	1,292

Heritage operating value added drivers

£m	6 months 2023			6 months 2022			12 months 2022		
	Operating profit	Operating change in CSM	Operating value added	Operating profit	Operating change in CSM	Operating value added	Operating profit	Operating change in CSM	Operating value added
Releases from stock of future profit	75	(73)	2	90	(85)	5	181	(166)	15
Operating assumption changes	-	-	-	-	-	-	13	(15)	(2)
Experience variances, expenses and other	18	(4)	14	19	(30)	(11)	45	(42)	3
Insurance result	93	(77)	16	109	(115)	6	239	(223)	16
Investment result	2	23	25	8	32	40	12	68	80
Heritage	95	(54)	41	117	(83)	34	251	(155)	96

Contractual service margin analysis of change

£m	FY22 CSM	New business	Interest accretion	Experience variance	Assumption changes	CSM release	Non operating	HY23 CSM
Protection	738	73	6	(7)	-	(64)	2	748
Annuities	4,194	104	84	136	110	(186)	-	4,442
Heritage	1,405	-	23 ²	(4)	-	(73)	(28)	1,323
Ireland	278	6	1	7	-	(12)	(5)	275
Other ¹	(152)	-	(3)	1	-	3	-	(151)
Total	6,463	183	111	133	110	(332)	(31)	6,637
<i>Total (excl. Heritage)</i>	<i>5,058</i>	<i>183</i>	<i>88</i>	<i>137</i>	<i>110</i>	<i>(259)</i>	<i>(3)</i>	<i>5,314</i>

Operating earnings per share

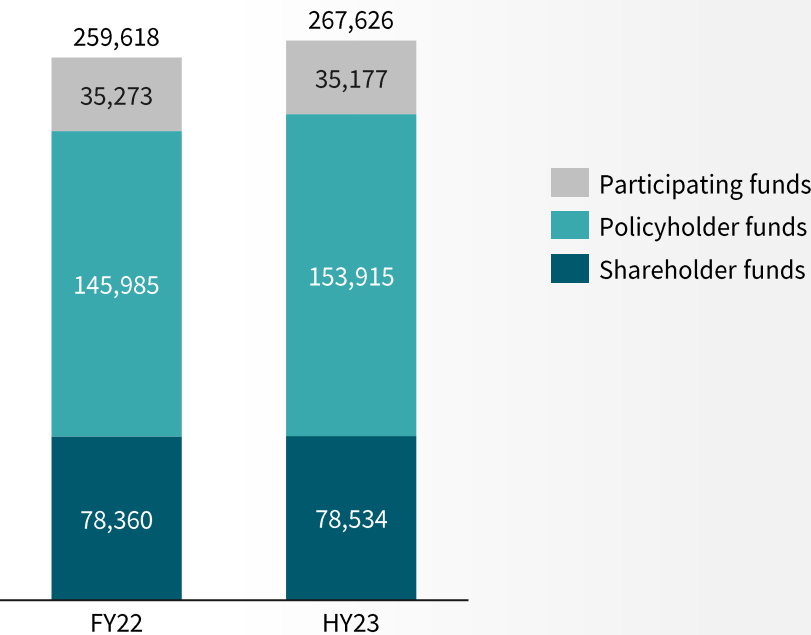
	HY23 £m	HY22 £m	Change %
Group adjusted operating profit	715	661	8%
Operating tax	(126)	(132)	5%
Amounts attributable to non-controlling interests	(11)	(11)	–
Coupon payments in respect of tier 1 notes	(17)	–	–
Preference shares	(9)	(9)	–
Profit attributable to ordinary shareholders	552	509	8%
Weighted average number of shares ¹	2,768	2,814	(2)%
Operating earnings per share¹	19.9	18.1	10%

Assets

Total managed assets

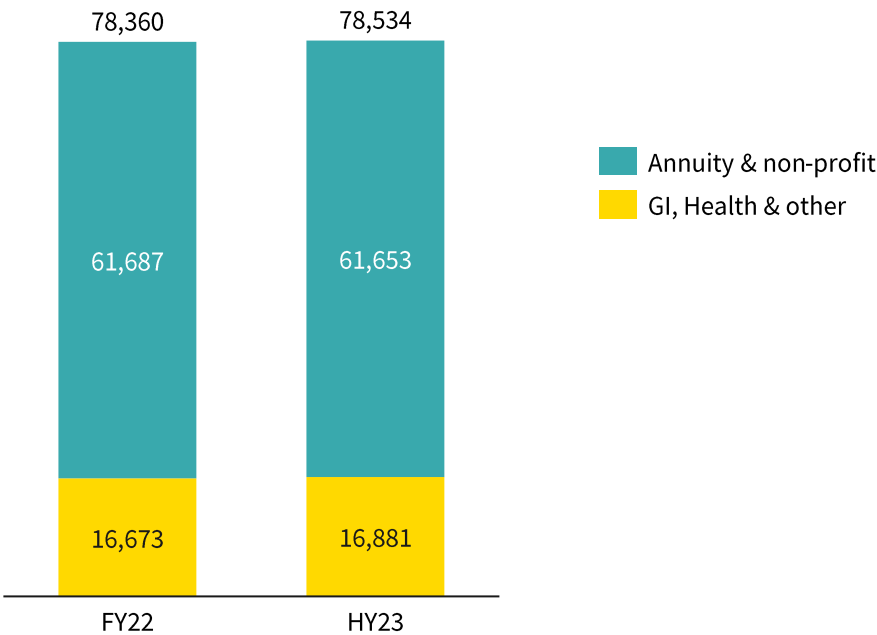
Assets by type of liabilities covered

£m



Shareholder assets by type

£m

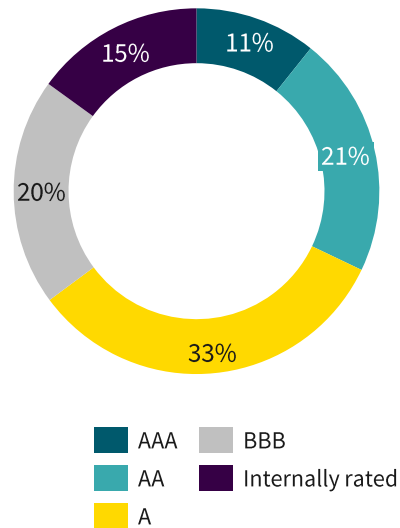


Corporate bonds and Government debt

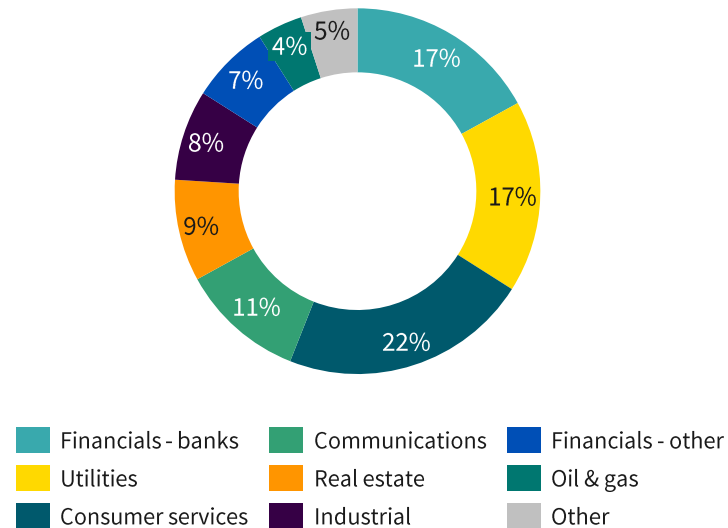


Government debt
Corporate bonds

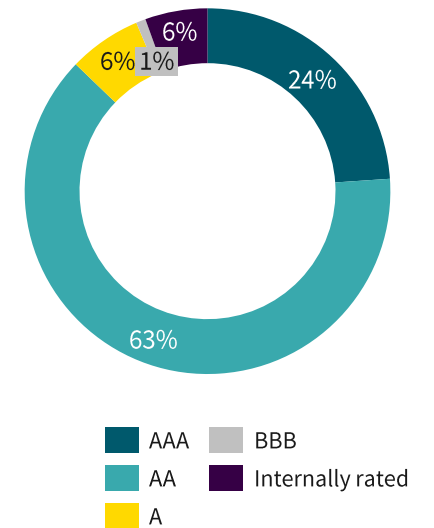
Corporate bonds by rating



Corporate bonds by industry



Government debt by rating



Corporate bond portfolio continues to perform well

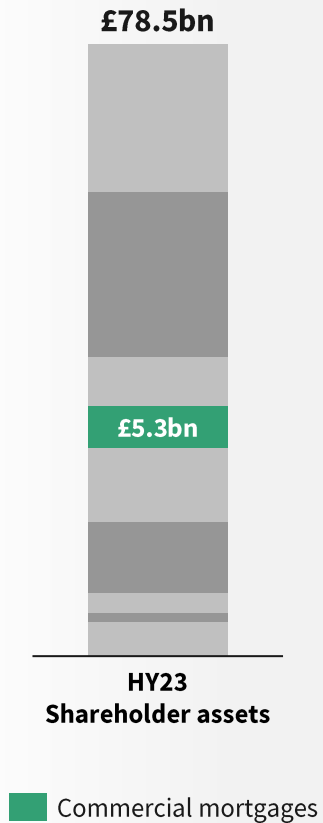


~£360m upgraded to a higher ratings letter and only ~£100m of portfolio downgraded to a lower ratings letter

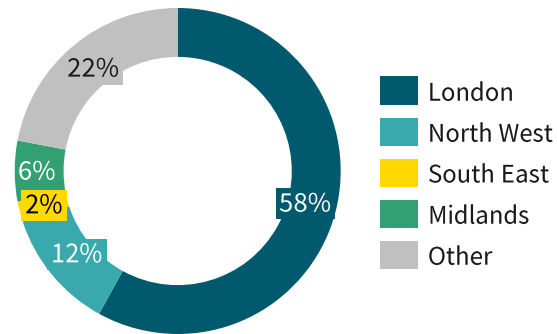


No corporate bonds downgraded below investment grade

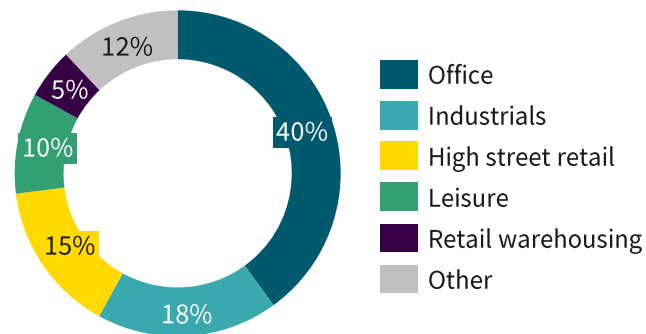
Commercial mortgages



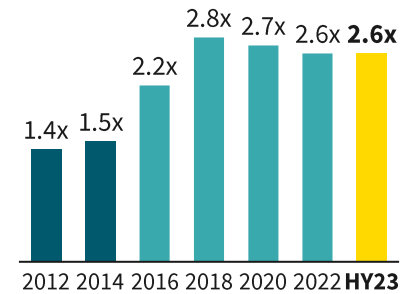
Commercial mortgages by geography



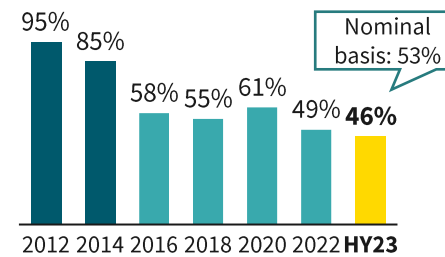
Commercial mortgages by industry



Loan interest cover



Loan-to-value ratio¹



- **Low average LTV** of 46% on a fair value basis and 53% on a nominal basis
- **Strong loan interest cover** leaving borrowers significant headroom to absorb lower rents or rental voids
- **Financial covenants in place on most contracts**, including all new lending to restrict maximum LTVs and minimum LICs with swift action taken to bring loans back in tolerance in the event of a breach
- **Loans are fixed rate** so interest volatility doesn't directly impact the interest cost for the borrower
- **Limited refinancing risk** over the short-term as only few maturities are upcoming
- Prioritise lending to **counterparties who have wider portfolios of properties** that can be used as security to minimise the risk of losses on default

Equity release mortgages



- Securitised mortgage loan and equity release portfolio of £9.5bn is mostly internally securitised with **low average LTVs of 26%**
- ~90% of equity release loans have an **LTV <50%**
- **~£5m of losses** arising from ‘no negative equity guarantees’ since 2015
- Equity release **new business LTVs are actively managed**
- We remain a **conservative lender within the overall marketplace**
- **House price growth over recent years has reduced LTVs**, providing a headroom against short-term property price volatility

Footnotes

Footnotes (1/2)

Slide	Reference	Footnote
5	1	Where applicable financial highlights relate to period-on-period comparisons
	2	Gross written premiums at constant currency
	3	Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline
6	1	Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline
	2	The Board has not approved or made any decision to pay any dividend in respect of any future period
7	1	Excludes IWR Other and International Investments
8	1	Market positions and shares based on FY22 data, except Health position and share (FY20) and UK&I GI position (FY21); Adviser Platform position is based on Fundscape platform market advised channel net flows
	2	Position and share relates to UK GI only (ex. Ireland)
	3	Gross written premiums at constant currency
	4	HY2022 to HY2023
	5	Adviser platform
	6	Sales for Insurance (Protection & Health) refers to Annual Premium Equivalent (APE). Sales for Retirement (Annuities and Equity Release) refers to Present Value of New Business Premiums (PVNBP). Sales or premiums for General insurance refer to gross written premiums
9	1	Individual customers
	2	Based on 15 key journeys across Life, GI and Shared (core platforms)
	3	5m FY20, excluding 'temporary sourced contact details' and adjustment for QMH / GA brands
10/13	1	Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline
14	1	Change at constant currency
	2	Underlying adjusted for prior year one-offs
	3	Excludes the impact of intra-group reinsurance of Period Payment Orders (PPOs)
15	1	Includes the result of non-insurance operations and pension scheme net finance costs
16	1	Gross written premiums at constant currency
	2	Includes the result of non-insurance operations and pension scheme net finance costs
17	1	Wealth net flows of £4.3bn comprise Workplace £3.4bn, Platform £1.2bn, and Individual Pensions £(0.3)bn
	2	HY22 reported operating profit of £68m included £10m of one-off positives

Footnotes (2/2)

Slide	Reference	Footnote
18/19	1	Sales for Insurance (Protection & Health) refers to Annual Premium Equivalent (APE). Sales for Retirement (Annuities and Equity Release) refers to Present Value of New Business Premiums (PVNBP). Sales or premiums for General insurance refer to gross written premiums
22	1	Equity release and securitised mortgage loans
	2	Structured fixed maturity securities, other loans, and other investments (excluding derivative financial instruments). See note C3 of the 2023 half year results announcement for more information
23	1	Solvency II shareholder cover ratio
24	1	The Board has not approved or made any decision to pay any dividend in respect of any future period
	2	We have exceptionally provided Group operating profit guidance for FY2023 given the transition to IFRS 17
31	1	Management actions & other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
32/33	1	Management actions & other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
	2	Preference shares includes £10 million of dividends and £250 million of capital in respect of General Accident plc.
	3	Opening own funds for Group Solvency II return on equity reflects opening unrestricted tier 1 shareholder Solvency II own funds adjusted to exclude excess capital above our target Solvency II shareholder cover ratio.
34	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)
35	1	Tier 3 regulatory own funds at 30 June 2023 consist of £309 million net deferred tax assets (FY22: £296 million). There is no subordinated debt included in Tier 3 regulatory own funds (FY22 £nil)
	2	Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 regulatory own funds and Tier 3 subordinated debt
	3	Includes the Group's 6.125% €301 million Dated Tier 2 notes which were redeemed in full at their optional first call date on 5 July 2023. This was the remaining part of the Group's 6.125% €650 million notes that were partially redeemed on 12 March 2021. Under the Solvency II rules the notes ceased to qualify as Solvency II regulatory debt from 16 May 2023, the date at which notice was served to bondholders that the Group intended to redeem the notes at their first call date
36	1	Excludes the €301m 6.125% Tier 2 notes redeemed on 5 July 2023
41	1	Other includes intra-group reinsurance of Periodic Payment Orders (PPOs)
	2	Interest accretion for Heritage includes the expected investment return that is deferred in the CSM
42	1	Operating earnings per share in 2022 was impacted by the share consolidation completed on 16 May 2022. The operating earnings per share numbers is shown using weighted average number of shares as if the share consolidation had taken place on 1 January
46	1	Fair value LTV
47	1	Equity release and securitised mortgage loans