AVIVA

2016 Solvency and Financial Condition Report ('SFCR')

AVIVA

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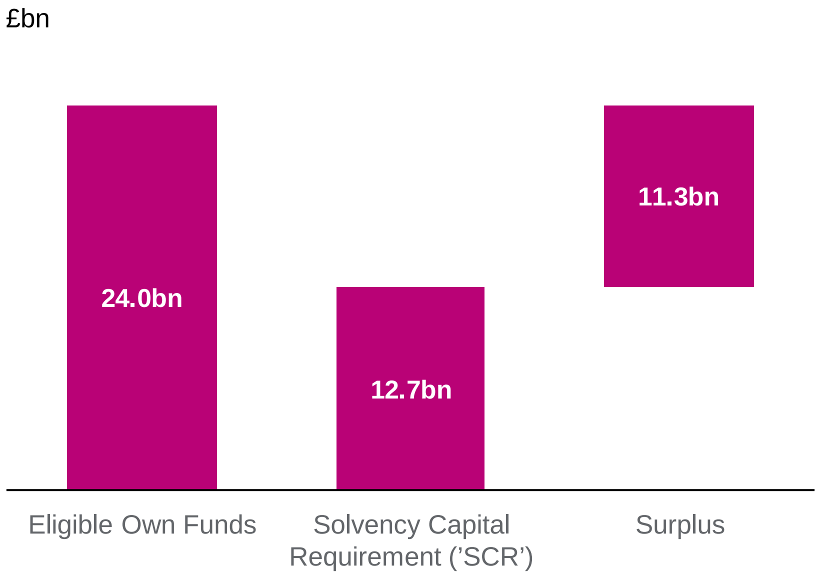
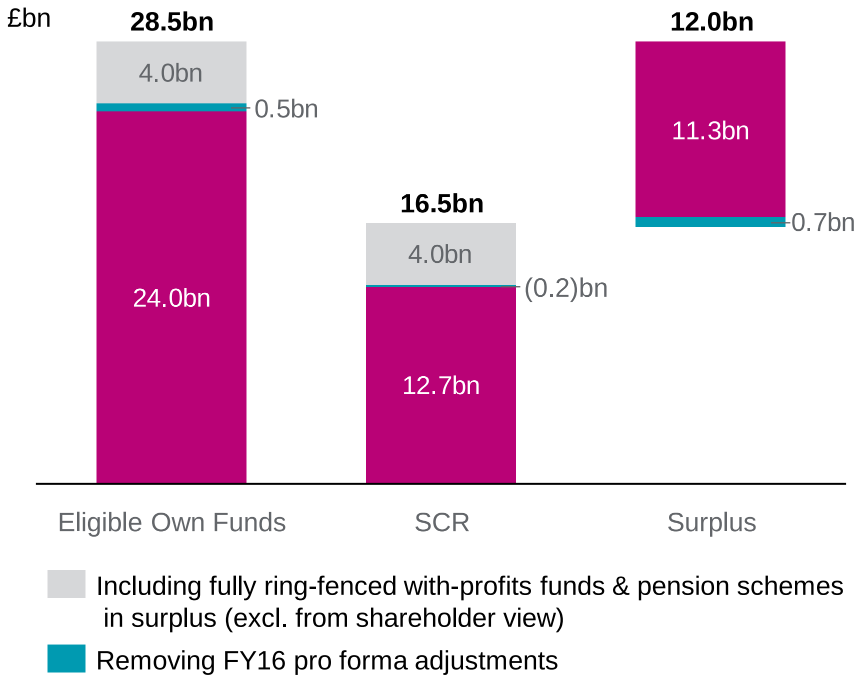
For a more detailed description of these risks, uncertainties and other factors, please see ‘Other information – Shareholder Information – Risks relating to our business’ in Aviva’s most recent Annual Report. Aviva undertakes no obligation to update the forward looking statements in this presentation 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.

FY16 Solvency II capital position

Shareholder view: 189%



Regulatory position: 172%



Solvency II eligible own funds by tier

Regulatory view			
FY16	**£bn**	**% of SCR**	**% of own funds**
Tier 1	21.8	131%	77%
T1 unrestricted	18.8	113%	66%
T1 restricted	3.0	18%	11%
Tier 2	6.3	38%	22%
Tier 3	0.4	3%	1%
	28.5	**172%**	100%

- **Group diversified SCR fully supported by T1 unrestricted capital (113% coverage)**

- **Headroom across all tiers**
  - RT1 = 14% of T1 Own Funds vs. 20% threshold
  - T2+T3 = 41% of SCR vs. 50% threshold
  - T3 = 3% of SCR vs. 15% threshold

Reconciliation of IFRS total equity to SII own funds

* Unallocated divisible surplus **Includes expected profits in future premiums (‘EPIFP’) of £3.6bn at Group level

Group Solvency II as at 31/12/16 – scope and snapshot of measures used

RISK APPETITE & SCOPE

- **Capital risk appetite based on shareholder cover ratio as considered to be more representative of shareholders' risk exposure**
  - Shareholder cover ratio of 189% (196% excl. pro forma impacts), above current target working range of 150-180%
  - Regulatory cover ratio of 172%
- **Scope of Partial Internal Model ('PIM'):**
  - PIM entities: UK&I Life, France Life, UK&I GI, Canada GI, Aviva International Insurance ('AII')
  - Internal model only entity: Aviva Group Centre
  - Standard formula only entities: mainly Italy Life, Spain, France GI, Poland Life, Asia, Aviva Investors & others
- **Fungibility and main restrictions:**
  - Minority interests in excess of coverage of local SCR considered unavailable
  - Restriction of surplus over notional SCR held within ring-fenced funds, together with pension schemes in surplus

TRANSITIONALS

- **Requires regulatory approval and only applies to business written prior to SII implementation (01/01/16)**
- **Use of 'grandfathering' of subordinated debt**
  - Up to 10 years and subject to tiering limits
  - All existing RT1 & c.75% of T2 capital grandfathered
- **Use of transitional measure on technical provisions**
  - Run off over 16 years (from 01/01/16)
  - Regulatory approvals in 9 solo entities (mainly UKL & AII)
- **No use of transitional measures on risk-free interest rates or other regulatory equivalence**

PERMANENT MEASURES

- **Negligible benefit from Ultimate Forward Rate ('UFR')**
- **Use of long-term guarantee measures, reflecting the illiquid nature of certain portfolio of liabilities**
  - Matching adjustment ('MA'), approved in 6 solo entities
  - Volatility adjustment ('VA'), approved in 5 solo entities
  - No benefit from a dynamic volatility adjuster ('DVA')

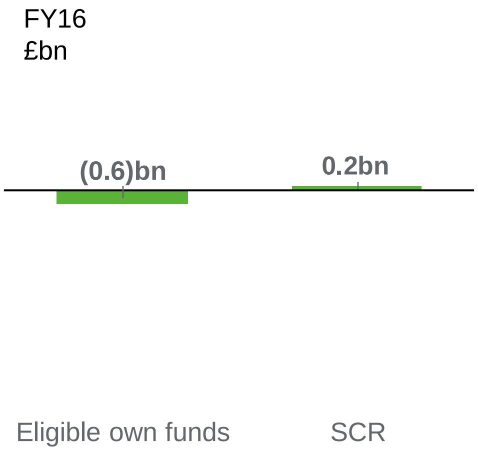
Impacts from transitional measure on technical provisions

SII cover ratio: 33pp benefit from transitional

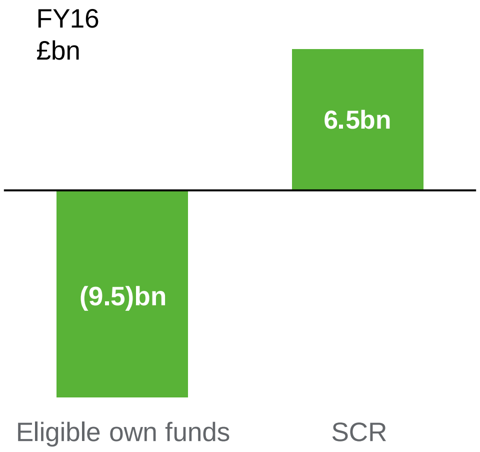
- **Good capital approved by regulators**
- **Only applies to existing business written prior to SII implementation**
  - All new business post 01/01/16 written without transitional offset
- **£5.3bn impact on surplus as at 31/12/16**
  - Mainly offset the risk margin (£8.9bn gross of transitional; £4.5bn net)
  - c30% of risk margin for entities with transitional measure left at the end of the 16-year transitional period

Impacts from permanent measures

Volatility adjustment*



Matching adjustment*



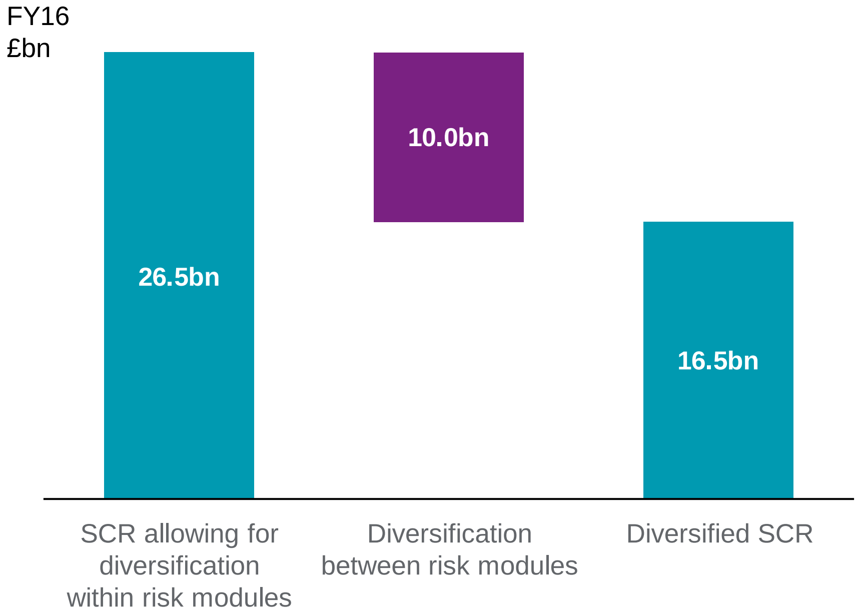
- **Permanent, non-amortising capital: reflects illiquid nature of certain portfolios of liabilities**
- Applies to **in-force and new business**
- Matching adjustment impact is broadly in line with ICA liquidity premium

* Represents the impacts from setting the VA and MA to zero at a group level. The VA impact is quantified after the removal of transitionals while the MA impact is after the simultaneous removal of both transitionals & VA. These impacts do not reflect any offset from management actions.

Group SCR benefits from a well-balanced portfolio

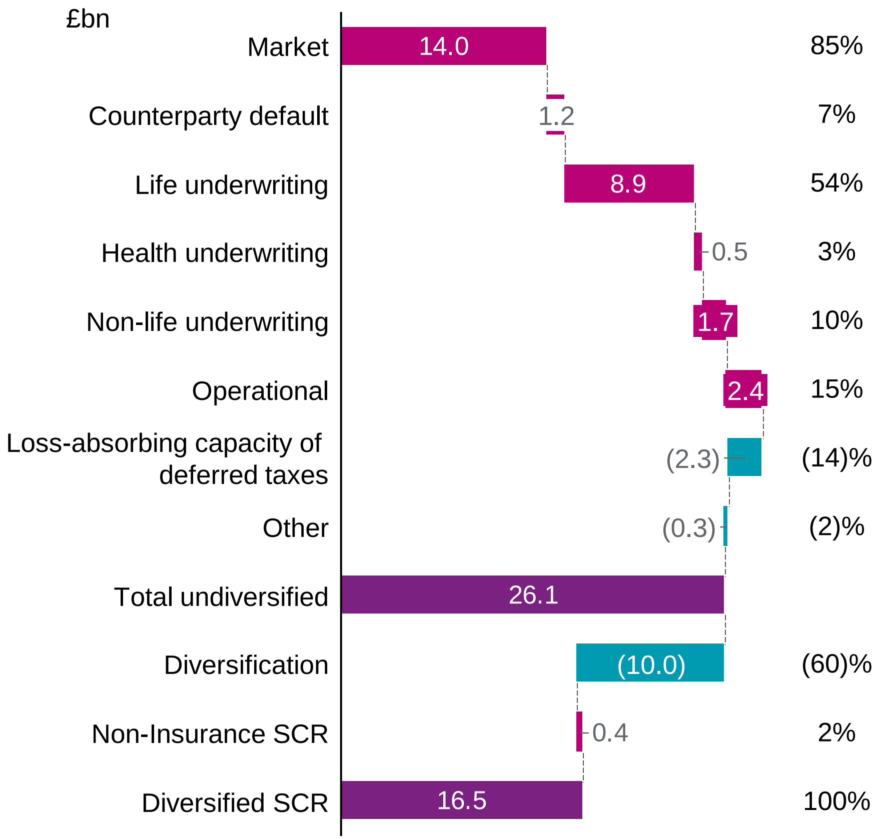
Divisional view

Risk module view



* As shown in FY16 Preliminary Announcement

FY16 Group SCR by risk modules

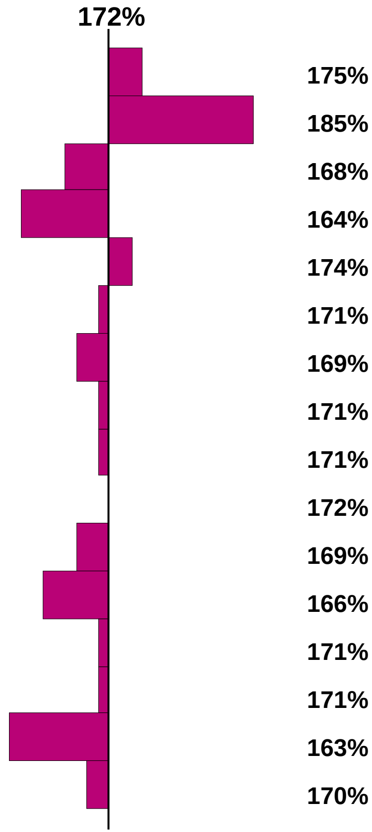


- **Main capital requirements: market and life risks**
  - Market mainly driven by credit and equity risks
- **£10bn diversification benefit: 38% ratio**
  - Reflects well-balanced portfolio and benefits from being a composite insurer
  - Includes diversification between risks components and PIM diversification
  - No contribution from ring-fenced funds and non-insurance
- **Minimum consolidated Group SCR of £7.0bn as at 31/12/16 (320% cover ratio)**
  - Aggregate of solo entity MCRs

Regulatory view sensitivities – SII capital resilient to stresses

Impact on Solvency Cover Ratio: 172% as at 31/12/2016

Interest rate	increase of	25bps	3%
		100bps	13%
	decrease of	25bps	(4)%
		50bps	(8)%
Market value of equity	increase of	10%	2%
	decrease of	10%	(1)%
		25%	(3)%
Corporate Bond spread	increase of	50bps	(1)%
		100bps	(1)%
	decrease of	50bps	0%
Credit downgrade on annuity portfolio			(3)%
Maintenance & investment expenses	increase of	10%	(6)%
Lapse rates	increase of	10%	(1)%
Mortality/morbidity rates: life assurance	increase of	5%	(1)%
Longevity shock: annuity business mortality rates	decrease of	5%	(9)%
GI shock: gross loss ratios	increase of	5%	(2)%



FY16 local solvency capital positions

UK Life* **153%** cover ratio**	• SCR fully supported by UT1 capital: 137% coverage • c120% cover ratio excluding transitional measures
AIL **209%** cover ratio**	• Strong capital position: 209% cover ratio, £1.3bn surplus (post Ogden) • Includes non-life businesses in UK & Ireland, and owns Canadian non-life business
France* **120%** cover ratio**	• Ratio does not benefit from DVA and is stated pre Antarius disposal • Negligible benefit from UFR and no benefit from transitional measures
AII **154% cover ratio**	• Internal reinsurance vehicle, improving fungibility of capital and realising benefits of group diversification of risks • 49% diversification ratio reflects combination of non-correlated risks between life, health and non life businesses in the UK and non-life business in France

Estimated from solo reports.*   * Net of AII.*