

# 2011 Half Year Results



*Fitter*

*Stronger*



# Disclaimer

## Cautionary statements:

This should be read in conjunction with the documents filed by Aviva plc (the “Company” or “Aviva”) with the United States Securities and Exchange Commission (“SEC”). This announcement contains, and we may make verbal statements containing, “forward-looking statements” with respect to certain of Aviva’s plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “will,” “seeks”, “aims”, “may”, “could”, “outlook”, “estimates” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. 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 difficult conditions in the global capital markets and the economy generally; the impact of new government initiatives related to the financial crisis; defaults and impairments in our bond, mortgage and structured credit portfolios; changes in general economic conditions, including foreign currency exchange rates, interest rates and other factors that could affect our profitability; the impact of volatility in the equity, capital and credit markets on our profitability and ability to access capital and credit; risks associated with arrangements with third parties, including joint ventures; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; a decline in our ratings with Standard & Poor’s, Moody’s, Fitch and A.M. Best; increased competition in the U.K. and in other countries where we have significant operations; changes to our brands and reputation; changes in 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; changes in local political, regulatory and economic conditions, business risks and challenges which may impact demand for our products, our investment portfolio and credit quality of counterparties; the impact of actual experience differing from estimates on amortisation of deferred acquisition costs and acquired value of in-force business; 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 various legal proceedings and regulatory investigations; the impact of operational risks; the loss of key personnel; the impact of catastrophic events on our results; changes in government regulations or tax laws in jurisdictions where we conduct business; funding risks associated with our pension schemes; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing impact and other uncertainties relating to acquisitions and disposals and relating to other future acquisitions, combinations or disposals within relevant industries. For a more detailed description of these risks, uncertainties and other factors, please see Item 3, “Risk Factors”, and Item 5, “Operating and Financial Review and Prospects” in Aviva’s Annual Report Form 20-F as filed with the SEC on 24 March 2011. Aviva undertakes no obligation to update the forward looking statements in this announcement 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.

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**HY 2011 headlines**

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**Strategic progress**

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**HY 2011 financial results**

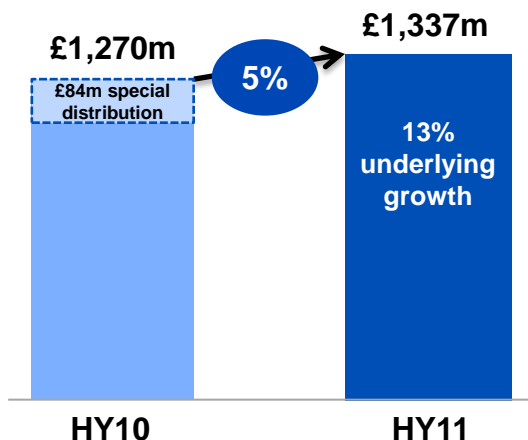
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**Q&A**

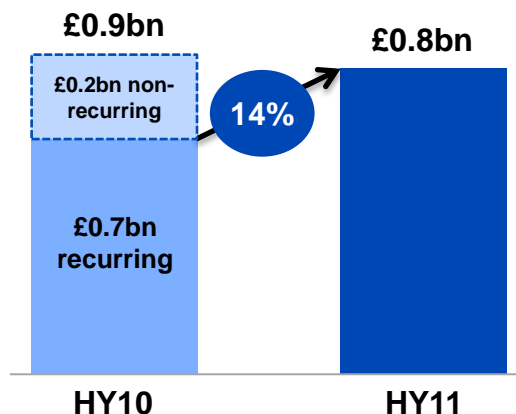
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# HY11: further success in all key areas

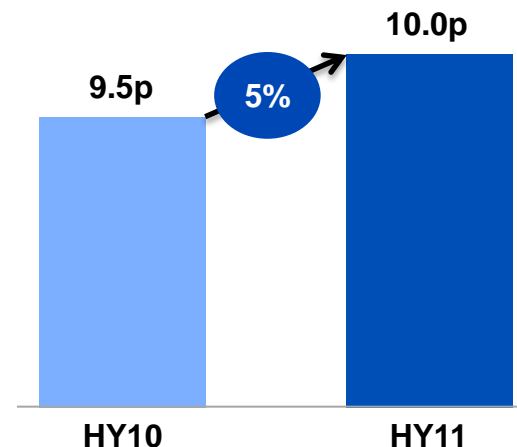
## IFRS operating profit



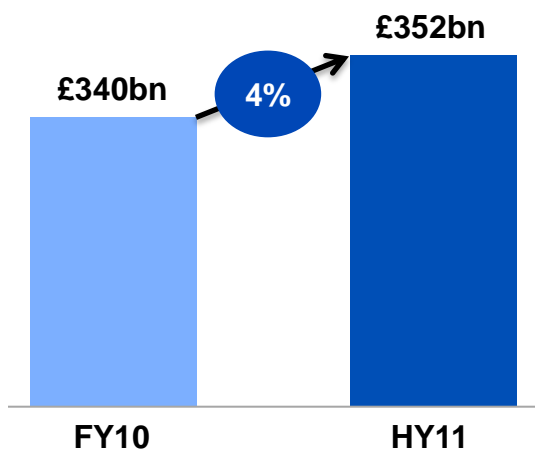
## Net operating capital generated



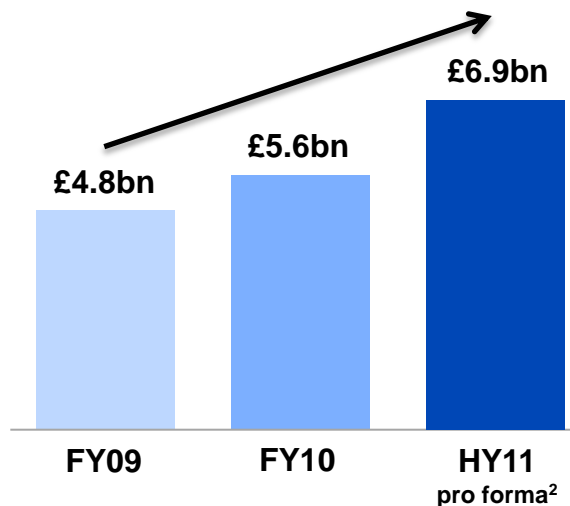
## Interim dividend



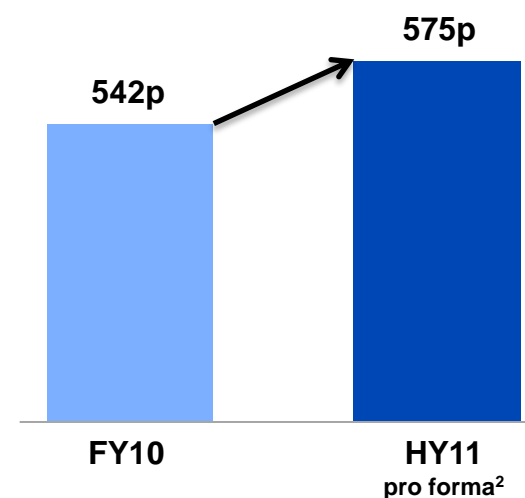
## Funds under management<sup>1</sup>



## Economic capital surplus



## MCEV NAV



<sup>1</sup> excluding Delta Lloyd

<sup>2</sup> Pro forma for sale of RAC

**Customer and reputation**

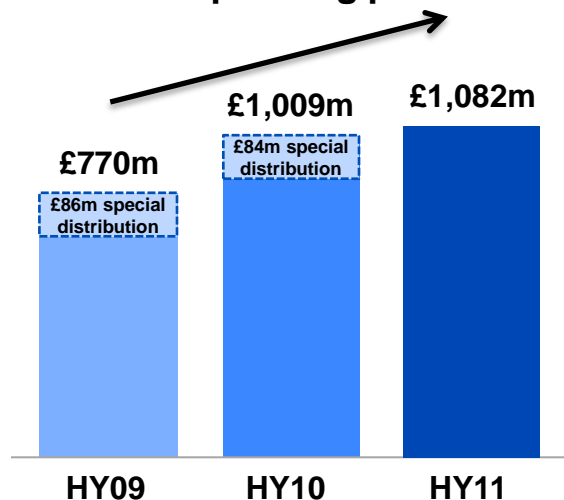
**People**

**Regulation and Solvency II**

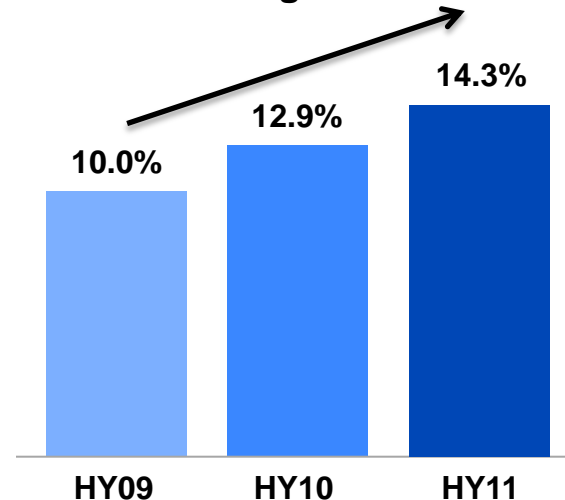
**Risk management in uncertain times**

# HY11: excellence in Life

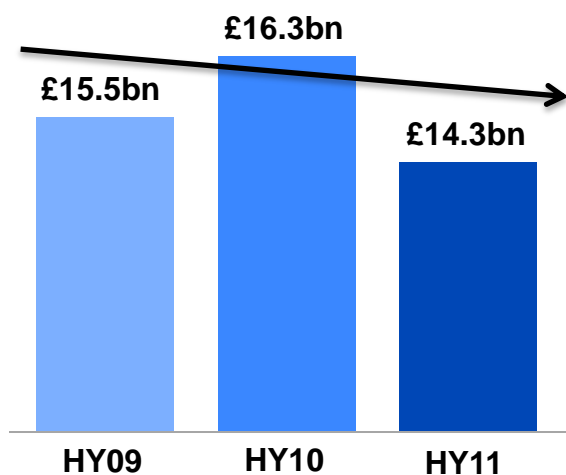
Life operating profit



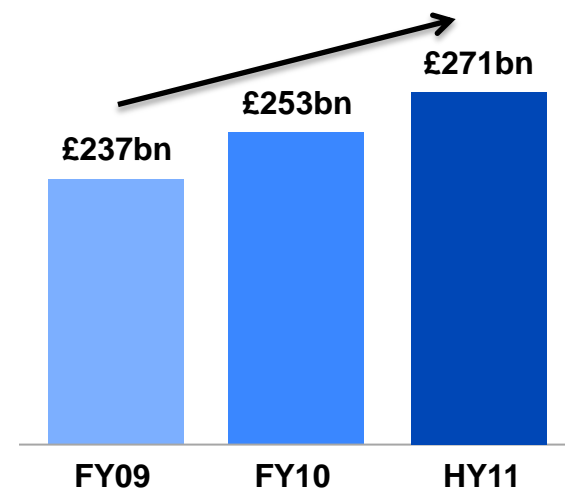
IRR target: 12%



Sales (PVNBP)

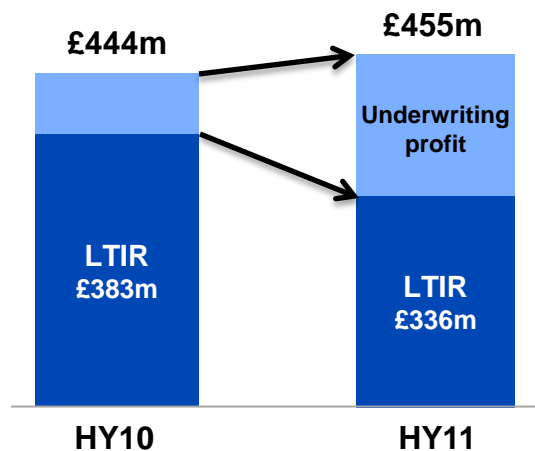


Average life in-force reserves

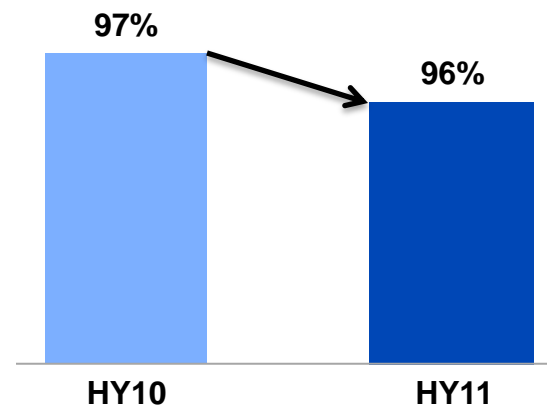


# HY11: excellence in GI

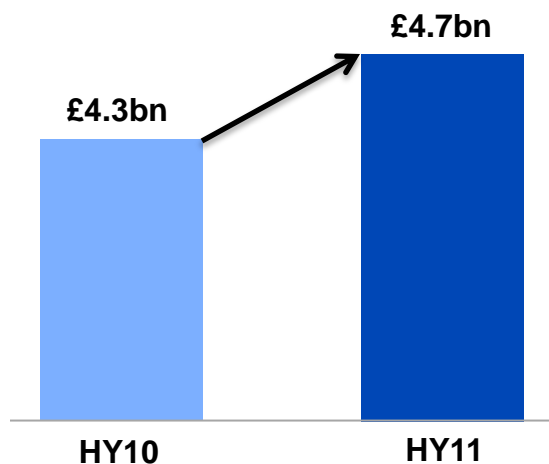
## GI & Health operating profit



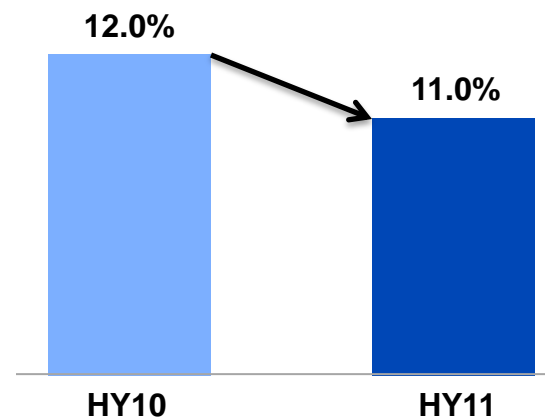
## COR target: 97%



## GI & Health sales (NWP)



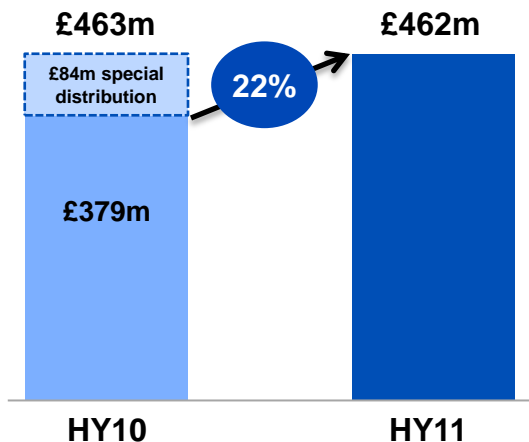
## Expense ratio



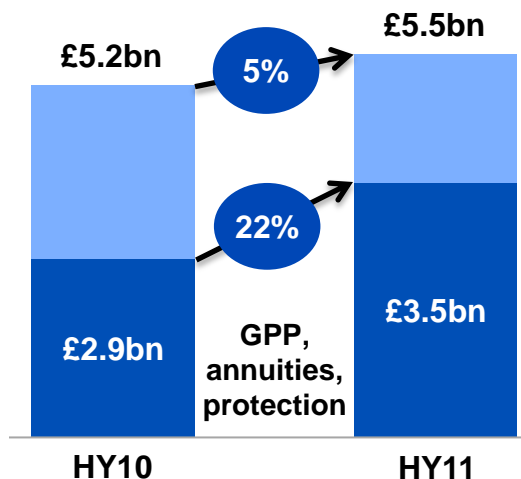
# UK: building a dominant UK franchise

## Life

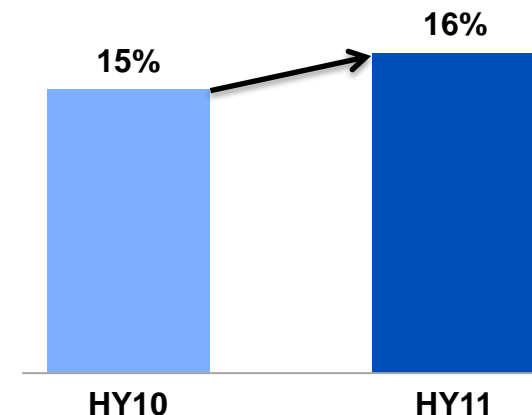
### IFRS operating profits



### L&P sales

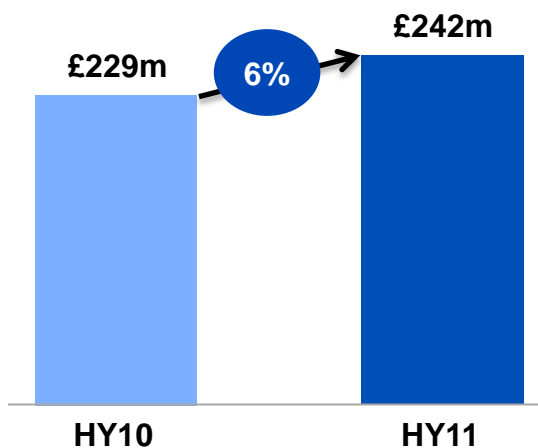


### New business IRR

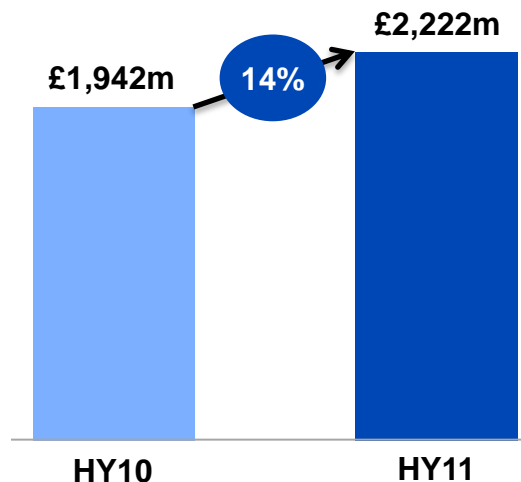


## GI

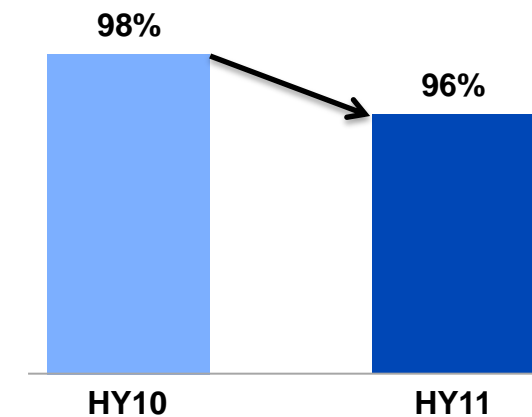
### GI operating profits\*



### GI NWP\*



### GI COR\*

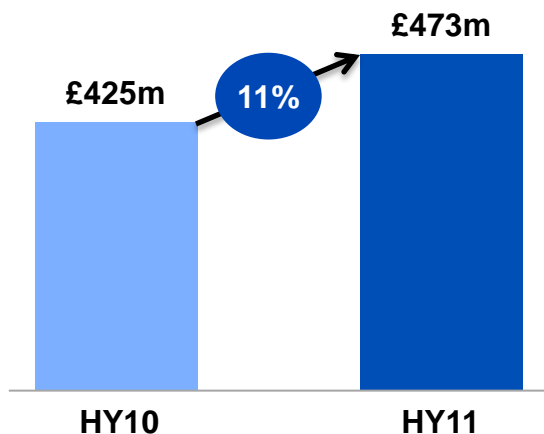




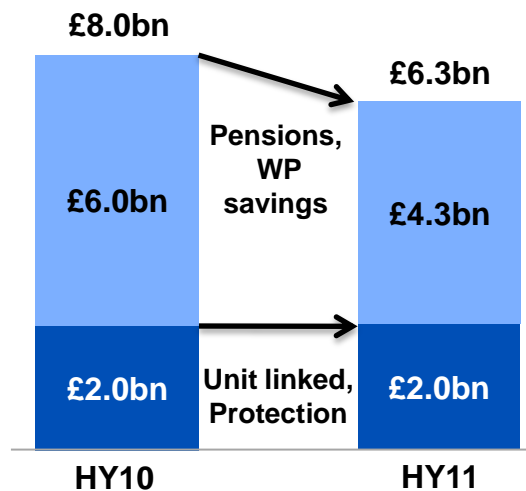
# Europe: 21% increase in profits

## Life

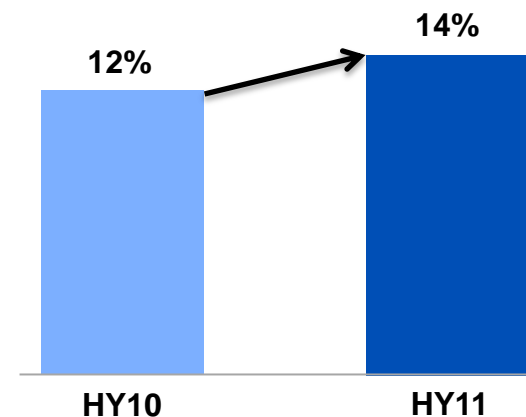
### IFRS operating profits



### L&P sales

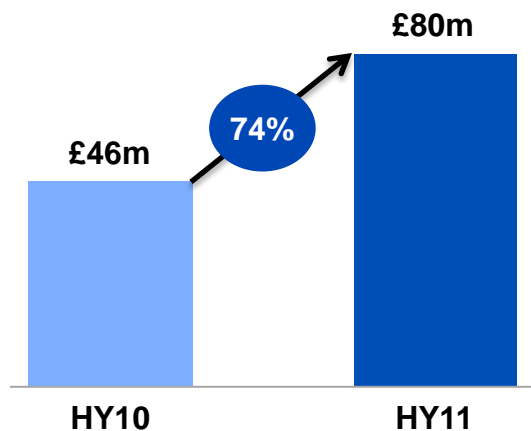


### New business IRR

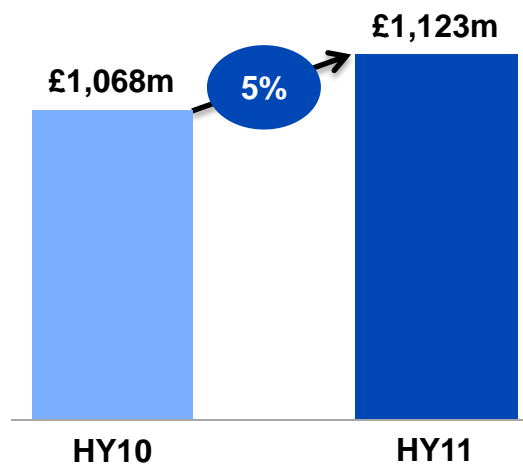


## GI

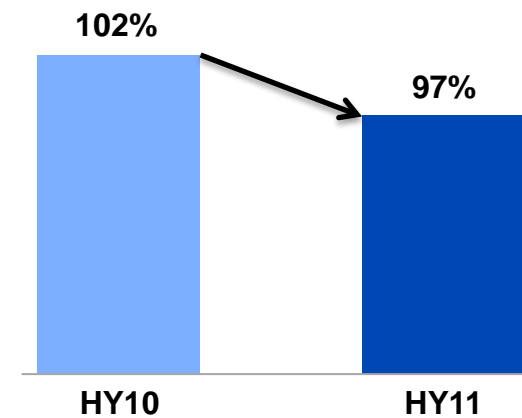
### IFRS operating profits



### GI & Health NWP



### GI COR

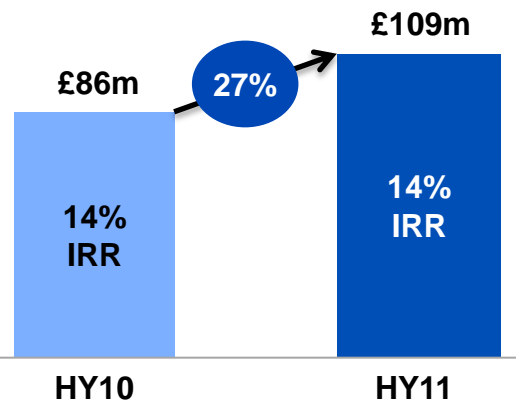


# North America, Asia Pacific and Aviva Investors

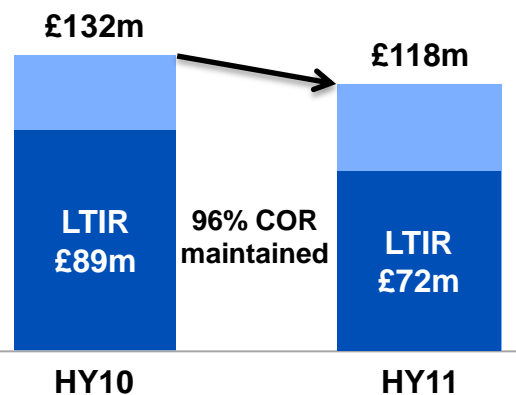


## North America

### Life IFRS operating profit

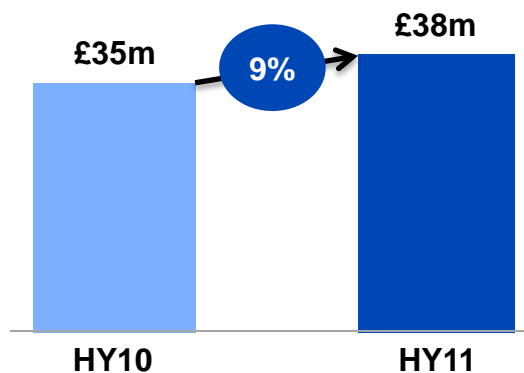


### GI IFRS operating profit

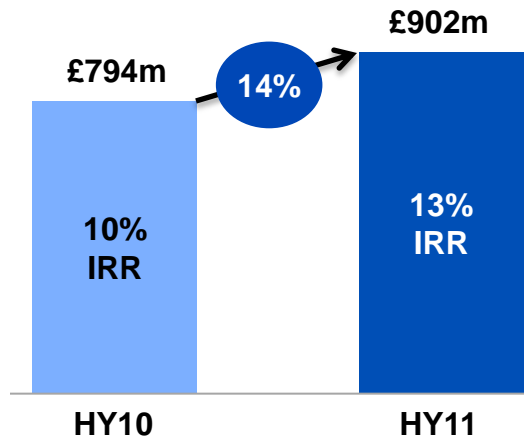


## Asia Pacific

### Life IFRS operating profit

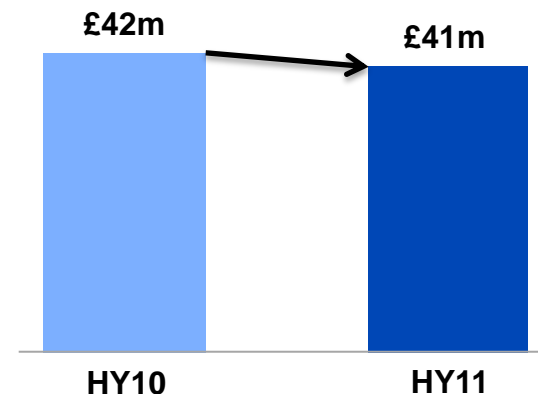


### L&P sales

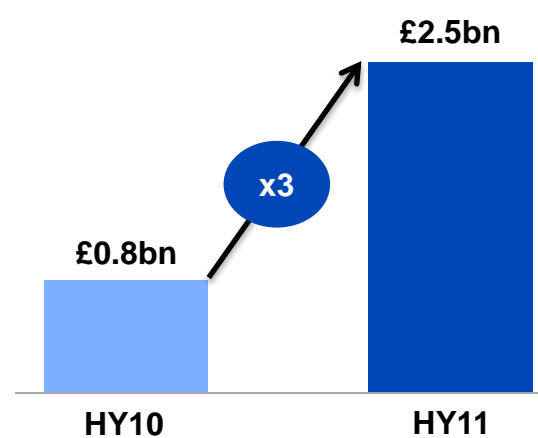


## Aviva Investors

### IFRS operating profits



### Net funded external sales\*



\* excluding liquidity funds

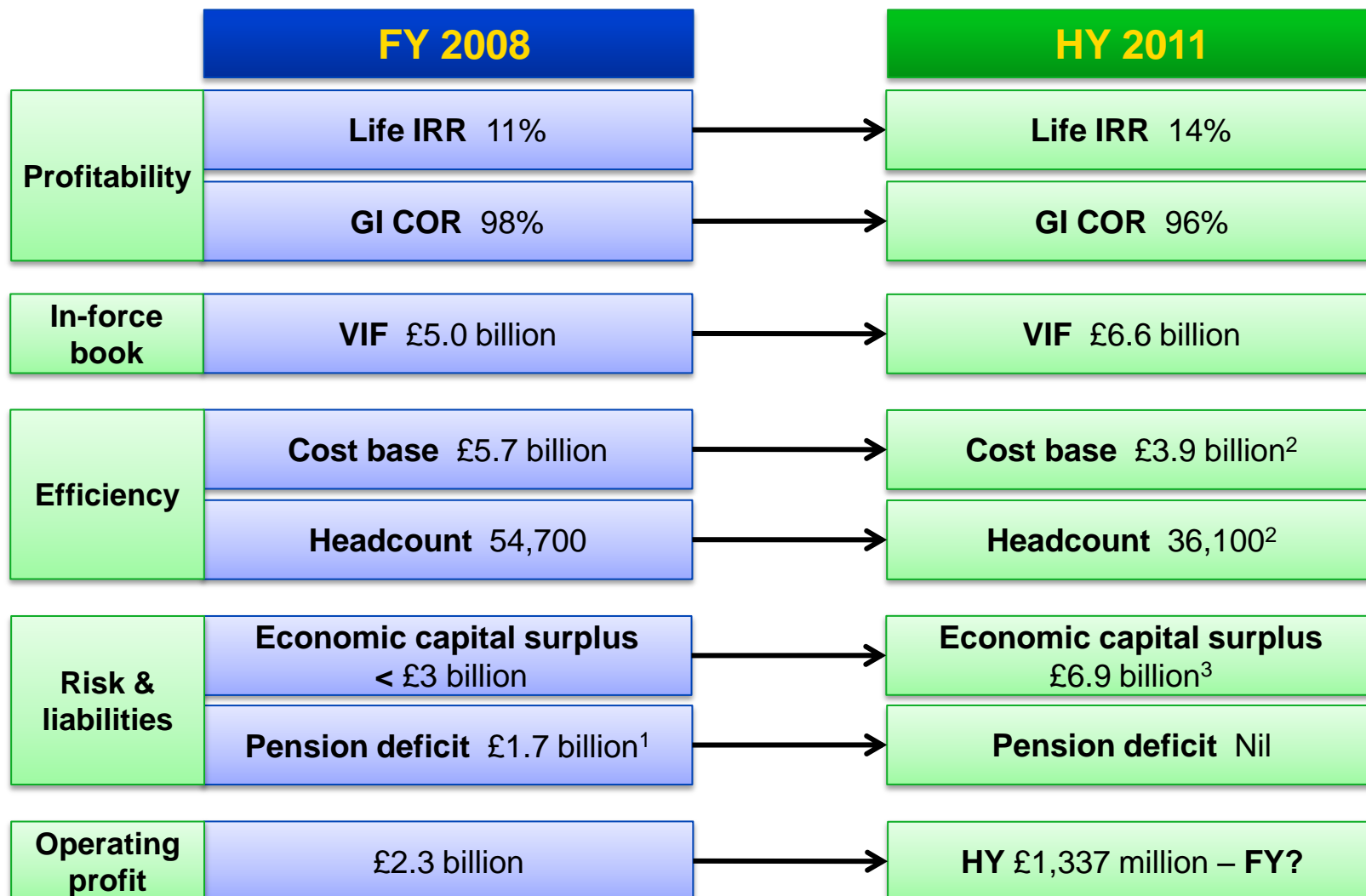
**14% life insurance new business IRR against a target of 12%**

**96% group COR against a target of 97%**

**£0.8 billion capital generation in H1 towards the £1.5 billion FY11 target  
Aiming to generate £1.5 billion - £1.8 billion in 2011**

**On track to deliver £400 million cost and efficiency savings by 2012**

# The new Aviva: fitter, stronger & positioned for growth

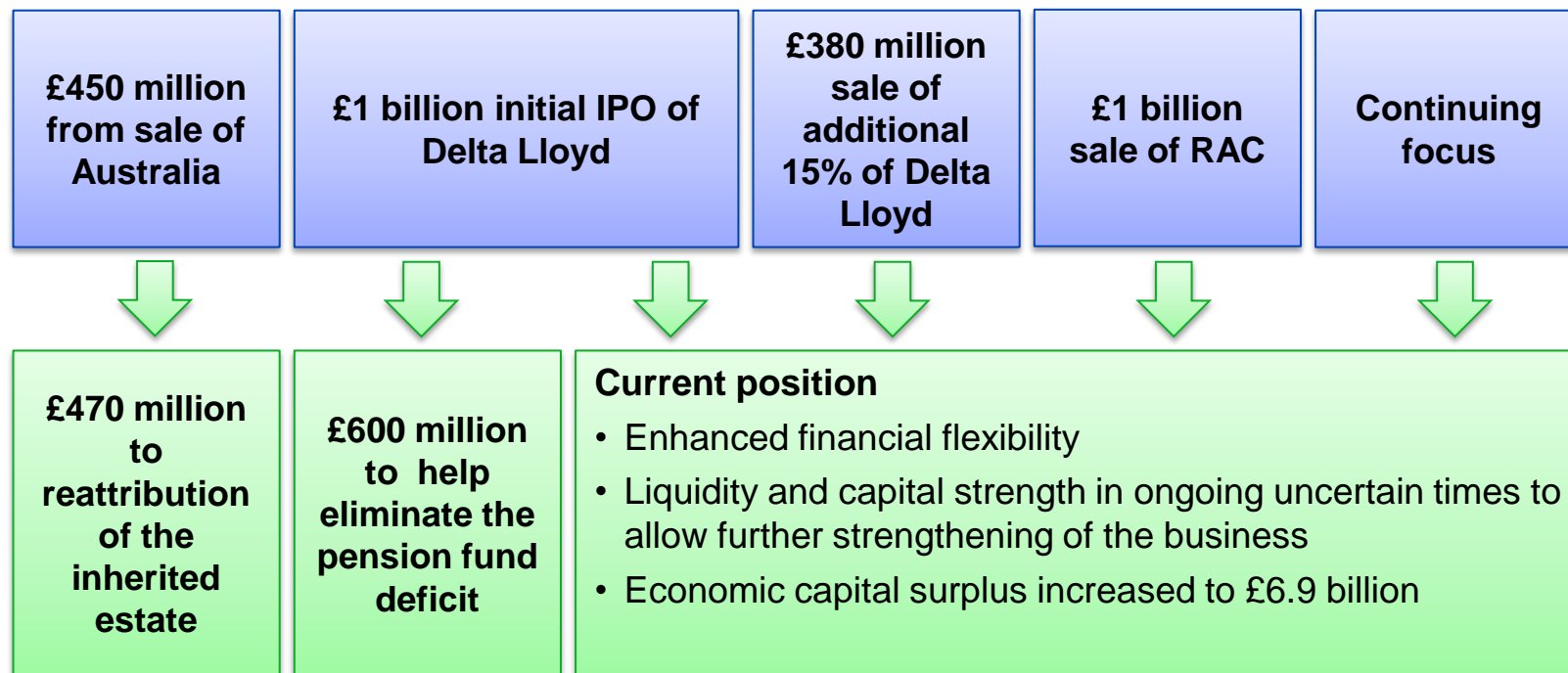


<sup>1</sup> Deficit at FY09.

<sup>2</sup> annualised excluding RAC and Delta Lloyd.

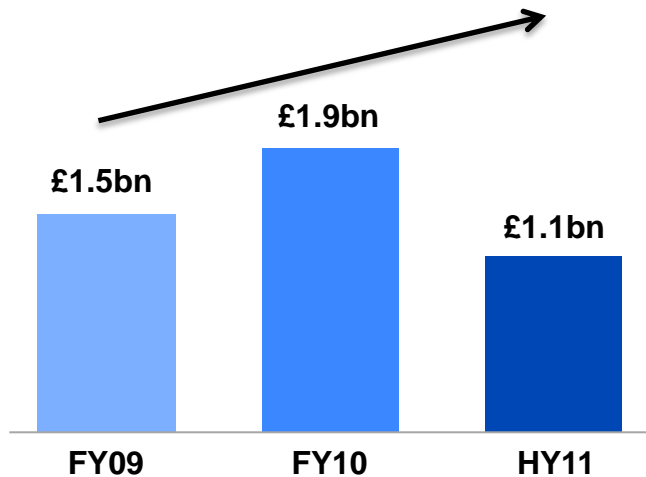
<sup>3</sup> pro forma for sale of RAC.

## Value optimised by good planning and execution

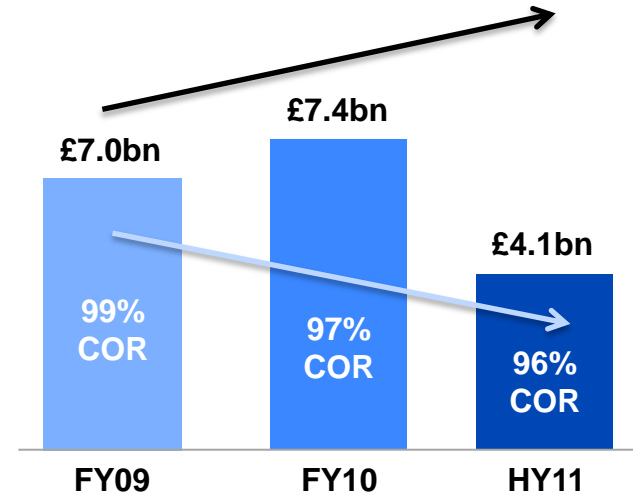


# Momentum for growth

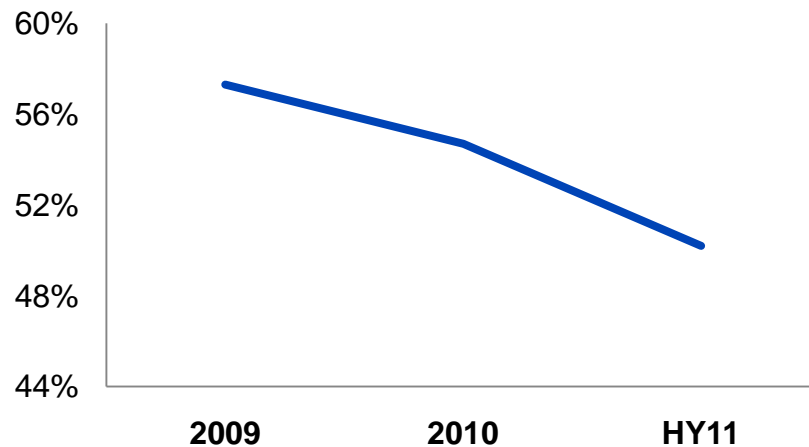
IFRS operating profit



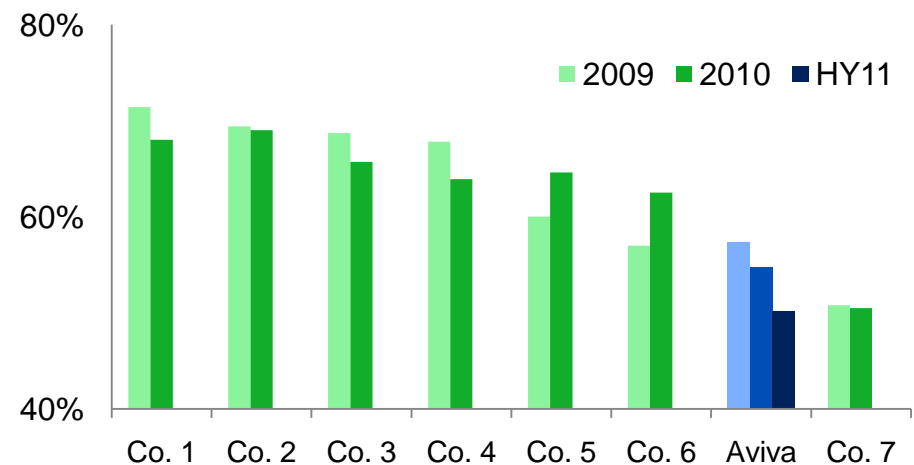
GI sales and COR



Life cost / income ratio



Life cost / income ratio vs peers



\* All numbers exclude Delta Lloyd and RAC (except COR). 2009 excludes Australia.

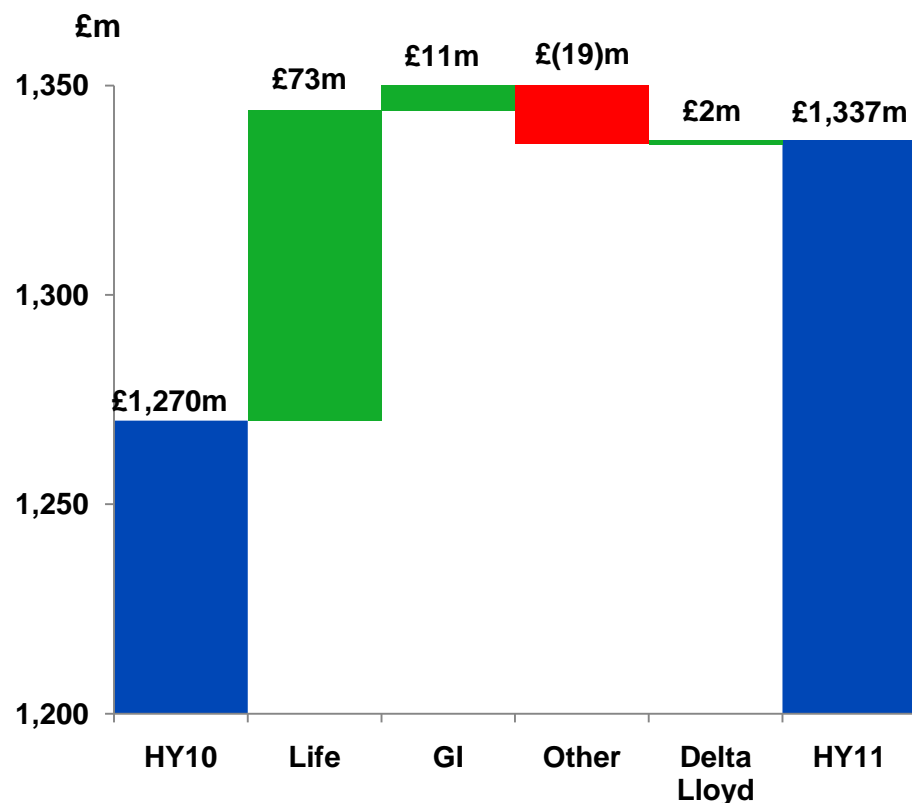
# Patrick Regan

## Financial results

1. **Growing the franchise**
2. **Sustainable and growing capital generation**
3. **Maintaining a strong balance sheet**

# Increased operating profit

## IFRS operating profits



	HY10		HY11	
	Life	GI	Life	GI
UK	463	268	462	261
Europe	425	46	473	80
North America	86	132	109	118
Asia Pacific	35	(2)	38	(4)
<b>Total Life / GI</b>	<b>1,009</b>	<b>444</b>	<b>1,082</b>	<b>455</b>
Fund Management		39		42
Other, non-insurance		(65)		(81)
Corporate costs		(54)		(66)
Group debt costs		(278)		(294)
Pension costs		(49)		(27)
<b>Operating profit ex DL</b>		<b>1,046</b>		<b>1,111</b>
Delta Lloyd		224		226
<b>Operating profit</b>		<b>1,270</b>		<b>1,337</b>



# Life profit growth

£m	HY10	HY11
UK		
underlying	379	<b>462</b>
special distribution	84	-
Aviva Europe	425	<b>473</b>
North America	86	<b>109</b>
Asia Pacific	35	<b>38</b>
<b>Operating profit</b>	<b>1,009</b>	<b>1,082</b>

Key:

Driver		
HY10	HY11	Variance

Pre-tax operating profit		
1,009	<b>1,082</b>	7%

4% growth in underlying income

Income			DAC/AVIF amortisation and other			Expenses and commissions		
2,175	<b>2,171</b>	-	(135)	<b>(78)</b>	42%	(1,031)	<b>(1,011)</b>	2%

New business income			Investment return		
467	<b>471</b>	1%	1,338	<b>1,319</b>	(1)%

Underwriting margin		
370	<b>381</b>	3%

Acquisition expenses and commissions			Admin expenses and renewal commissions		
(510)	<b>(492)</b>	4%	(521)	<b>(519)</b>	-

# Total IFRS life investment return

Key:

Driver		
HY10	HY11	Variance

Investment return		
1,338	<b>1,319</b>	(1)%



Unit linked margin		
461	<b>486</b>	5%

Participating business		
313	<b>266</b>	(15)%

Spread margin		
362	<b>348</b>	(4)%

Expected return on shareholder assets		
202	<b>219</b>	8%

<b>AMC (bps)</b>	114	<b>106</b>	(8)
<b>Average reserves (£bn)</b>	81.2	<b>91.4</b>	13%

- Slight AMC reduction due to lower charges in Poland
- Reserve growth reflects market growth

<b>Bonus (bps)</b>	59	<b>48</b>	(11)
<b>Average reserves (£bn)</b>	105.6	<b>110.6</b>	5%

- Final UK special distribution ended in 2010
- Offset by strong growth in Europe

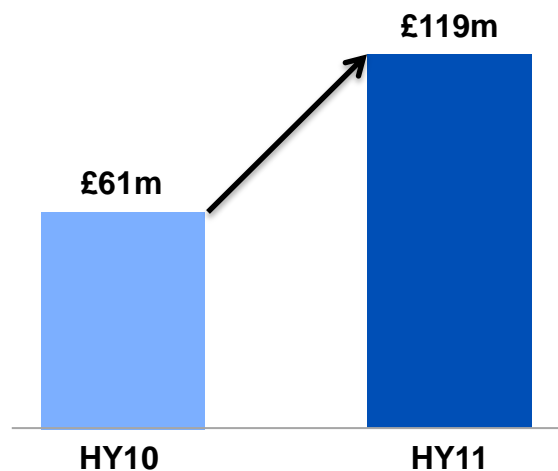
<b>Spread (bps)</b>	117	<b>101</b>	(16)
<b>Average reserves (£bn)</b>	61.9	<b>68.7</b>	11%

- Reserve growth reflects business growth
- Spread margin impacted by US exchange rates

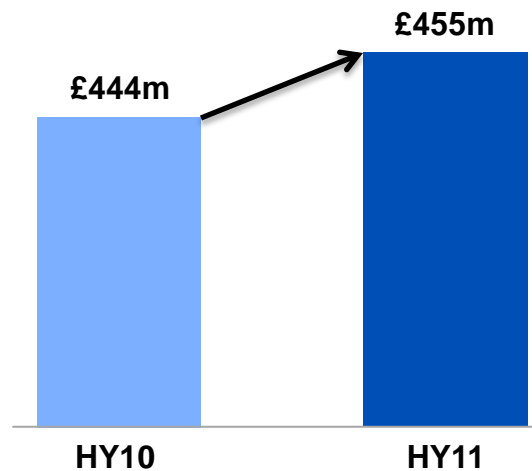
<b>Equity</b>	7.2%	<b>6.9%</b>	(0.3) ppt
<b>Property</b>	6.2%	<b>5.6%</b>	(0.6) ppt
<b>Bonds</b>	4.8%	<b>4.9%</b>	0.1 ppt

# GI profit growth

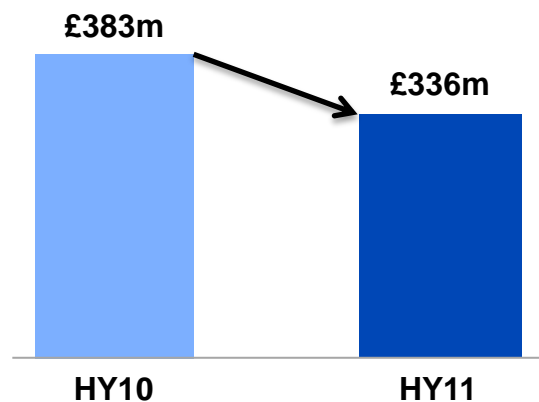
GI & Health underwriting result



GI & Health operating profits



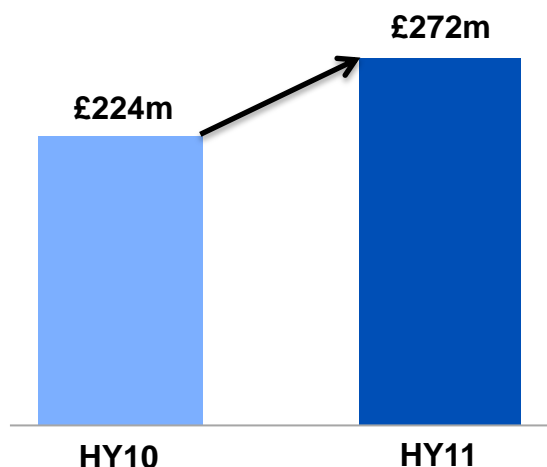
GI & Health LTIR\*



	GI & Health NWP £m		GI COR %	
	HY10	HY11	HY10	HY11
Total	4,337	4,708	97%	96%
Of which:				
UK	2,241	2,510	98%	96%
Aviva Europe	1,068	1,123	102%	97%
North America	996	1,025	96%	96%

\* LTIR includes unwind of discount and pension scheme finance costs  
All numbers based on continuing business – excluding Delta Lloyd

## Total IFRS operating profit (100% basis)



## Analysis of operating profit

£m	Life	GI	FM	Other <sup>1</sup>	Total <sup>2</sup>
<b>HY10</b>	119	81	17	7	<b>224</b>
Up to May 6	185	1	11	(6)	191
After May 6					35
<b>HY11 – Aviva share</b>					<b>226</b>
After May 6 non-Aviva share					46
<b>Total HY11</b>					<b>272</b>

<sup>1</sup>Operating profit “other” segment includes £(5)m of debt costs (HY10 £(11)m)

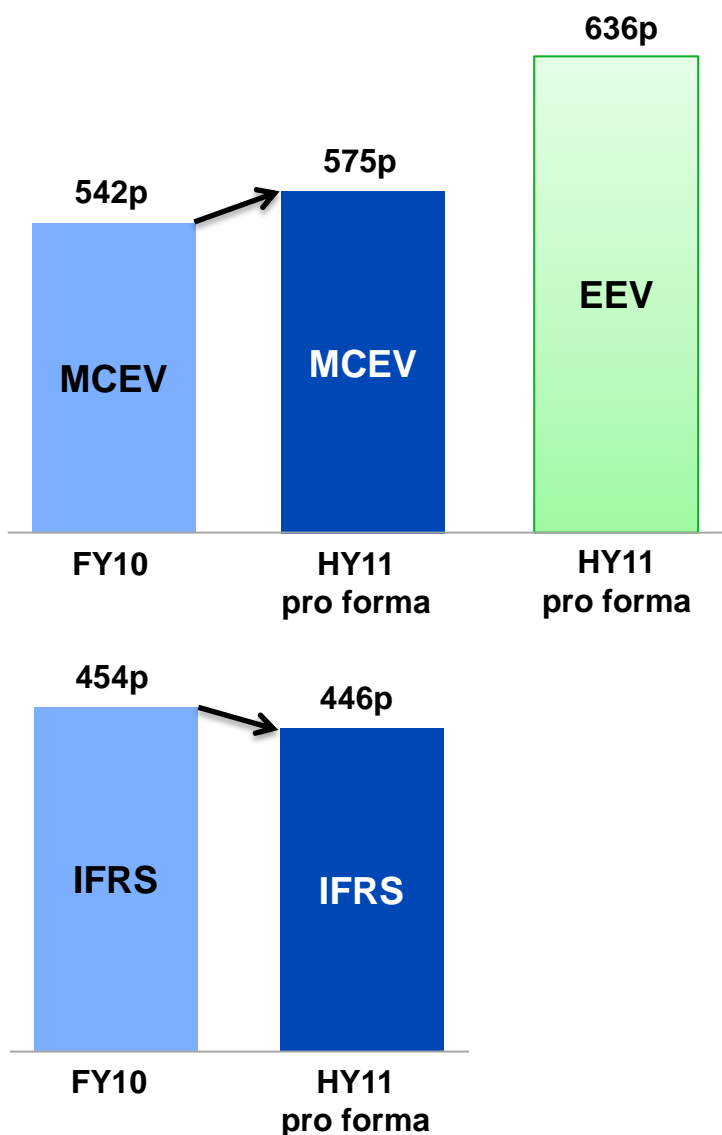
<sup>2</sup>Operating profit reflects 100% consolidation to 6 May 2011; 43% associate share thereafter.

# IFRS profit after tax

£m	Group ex Delta Lloyd		Delta Lloyd		Total	
	HY10	HY11	HY10	HY11	HY10	HY11
<b>Operating profit</b>	<b>1,046</b>	<b>1,111</b>	<b>224</b>	<b>226</b>	<b>1,270</b>	<b>1,337</b>
Integration & restructuring costs	(72)	(111)	-	-	(72)	(111)
Other exceptional items	(10)	-	(107)	-	(117)	-
Investment variances & assumption changes	73	(275)	931	(880)	1,004	(1,155)
Profit or loss on disposals	28	(11)	-	(32)	28	(43)
Goodwill and intangibles amortisation	(53)	(76)	(9)	(5)	(62)	(81)
Delta Lloyd non-operating items and tax as associate	-	-	-	(15)	-	(15)
<b>Profit before tax</b>	<b>1,012</b>	<b>638</b>	<b>1,039</b>	<b>(706)</b>	<b>2,051</b>	<b>(68)</b>
Tax	(278)	(193)	(268)	202	(546)	9
Minority interest & DCI	(92)	(31)	(341)	206	(433)	175
<b>Total return</b>	<b>642</b>	<b>414</b>	<b>430</b>	<b>(298)</b>	<b>1,072</b>	<b>116</b>

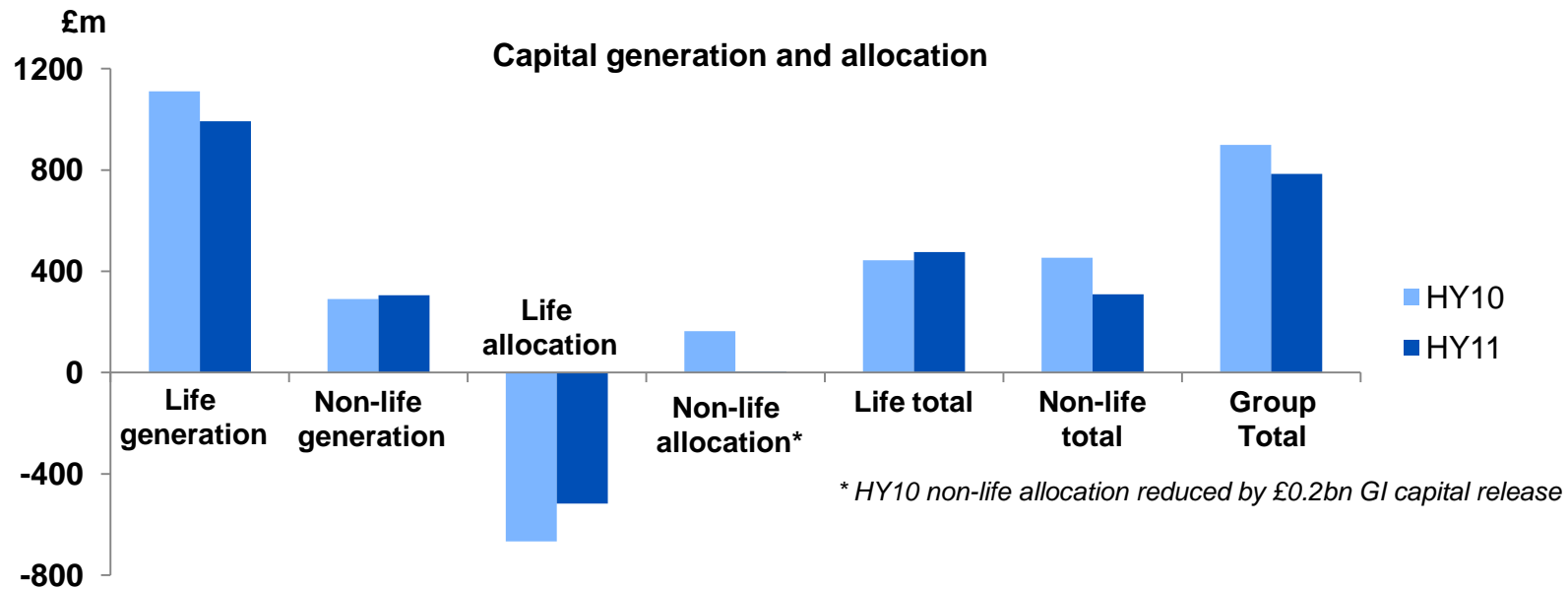
**Total operating EPS 29.1p (HY10 27.4p)**

# Net Asset Values

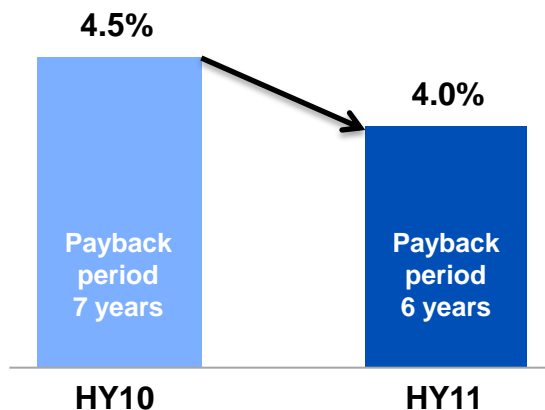


Pence per share	IFRS	MCEV	EEV
<b>NAV at December 2010</b>	<b>454p</b>	<b>542p</b>	<b>621p</b>
Profit and investment variances	18p	25p	↑
Delta Lloyd life investment variances	(13)p	-	
Dividends (net of scrip)	(9)p	(9)p	(6)p
Delta Lloyd sell down	(22)p	(6)p	
Foreign exchange and other movements	(3)p	2p	↓
<b>NAV at June 2011</b>	<b>425p</b>	<b>554p</b>	<b>615p</b>
Sale of RAC	21p	21p	21p
<b>Proforma NAV at June 2011</b>	<b>446p</b>	<b>575p</b>	<b>636p</b>

# Increase in underlying capital generation



## Capital efficiency<sup>1</sup>

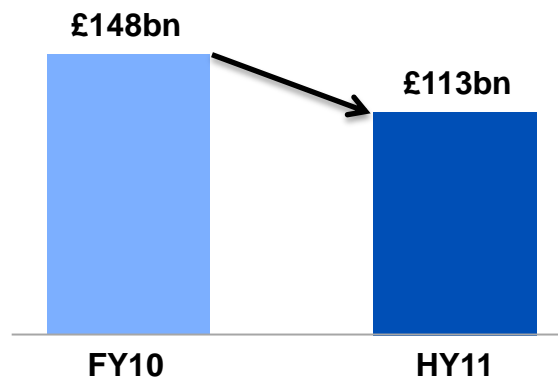


£bn	Capital generation and allocation			
	Generated	Allocated	HY11 Net	HY10 Net
UK	0.4	-	0.4	0.6
Europe	0.5	(0.3)	0.2	0.1
North America	0.3	(0.2)	0.1	0.2
Asia Pacific	-	-	-	-
Delta Lloyd	0.1	-	0.1	-
<b>Total</b>	<b>1.3</b>	<b>(0.5)</b>	<b>0.8</b>	<b>0.9</b>

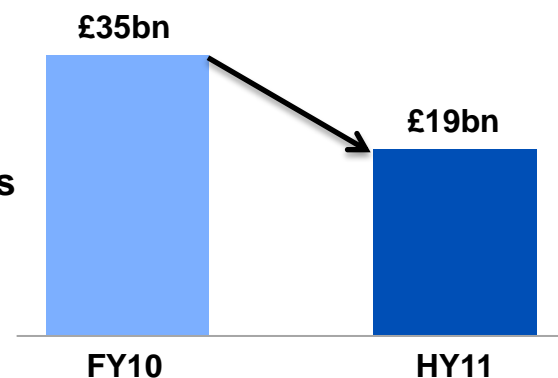
<sup>1</sup> Capital efficiency = life allocation/PVNB net of tax and minorities. Excludes Delta Lloyd

# Reduced balance sheet asset risk after Delta Lloyd sell down

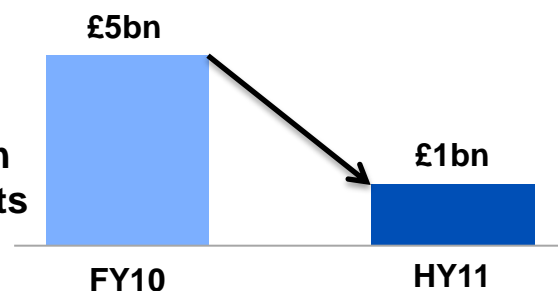
**Total shareholder assets**



**Mortgages & loans in shareholder assets**



**Equity holdings in shareholder assets**



Mortgages and loans include £8bn UK mortgage book	Dec 2009	Dec 2010	Annualised June 2011
Annual interest income	£641m	£621m	£631m
Annual rental income	£842m	£822m	£831m
Rental/interest cover	1.3x	1.3x	1.3x

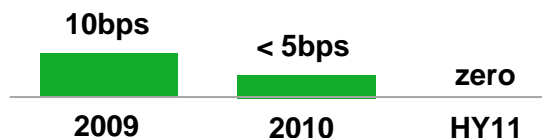
**£750 million UK mortgage provision remains in place**



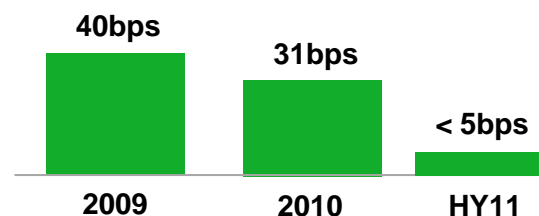
# Good corporate and government debt track record

## Limited default experience

### UK Corporate bonds



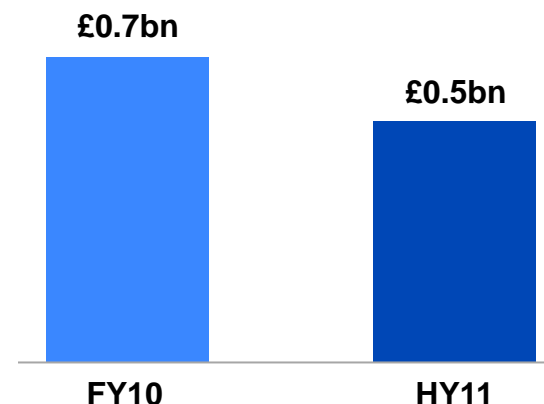
### US debt securities



## Limited exposure to higher risk European debt

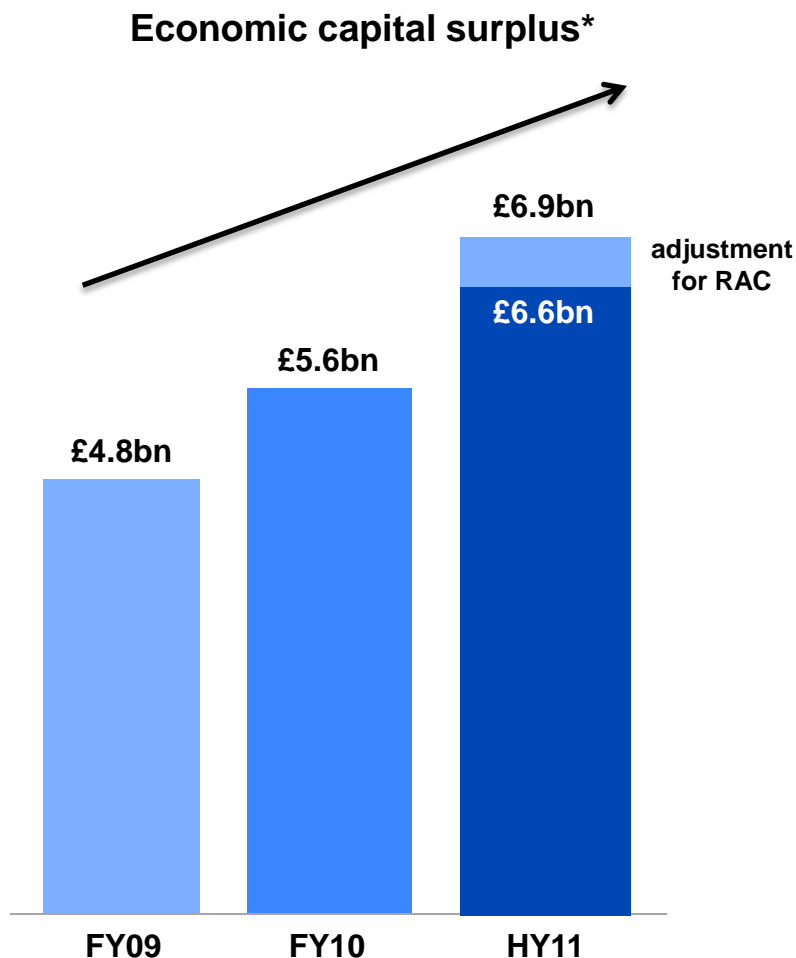
HY11	Direct shareholder exposure £bn	Total participating exposure £bn
Greece	-	0.1
Spain	0.3	0.6
Portugal	-	0.3
Ireland	0.2	0.4
<b>Total</b>	<b>0.5</b>	<b>1.4</b>
Italy	0.9	6.6

### Direct shareholder exposure to Greece, Spain, Portugal & Ireland sovereign debt



\* net of minority interests. All numbers exclude Delta Lloyd

# Increased economic capital surplus



2010 increase primarily due to benefit of retained profits

2011 increase due to retained profits, issuance of subordinated debt, further sell down of Delta Lloyd and sale of RAC

IGD solvency also remains strong at £4.0 billion surplus

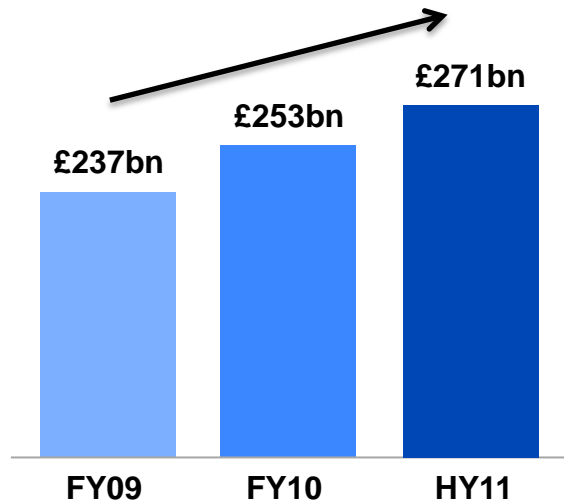
Ongoing de-risking of pension scheme through asset hedging

AA- rating retained throughout the crisis

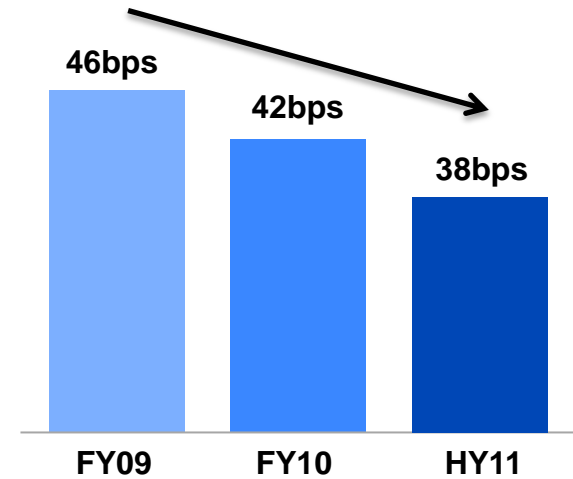
*\* Pension scheme risk is allowed for through five years of stressed contributions  
Capital required is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.*

# Drivers of growth in profit

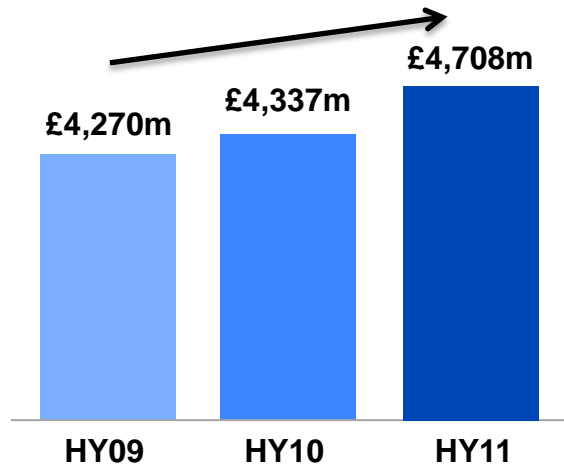
Average life in-force reserves



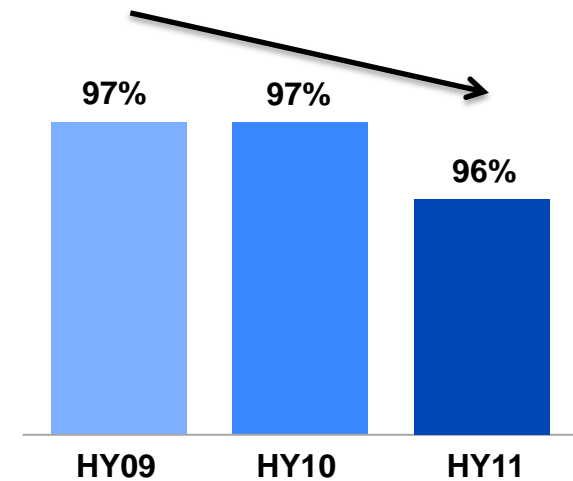
Admin cost ratio on life reserves



GI & Health NWP



GI COR



**Operating performance**

**Strong capital**

**Strategic delivery to finance growth**

**Competitive advantage**

# Q&A