Moody's
INVESTORS SERVICE

Announcement: Moody's: Aviva likely to maintain strong profits and capital, enhancing credit profile

Global Credit Research - 30 Nov 2017

London, 30 November 2017 -- Aviva Plc's (A2 stable) will maintain a strong credit profile despite expected capital redeployment, says Moody's Investors Service in a new report published today.

The report, "Aviva Plc -- Stronger profitability and capital enhance credit profile," is now available on www.moodys.com. Moody's subscribers can access this report via the link at the end of this press release. The research is an update to the markets and does not constitute a rating action.

Aviva's restructuring efforts have re-focused the group on its most profitable businesses and brought its earnings into line with some of its European peers.

Aviva's capital has also improved in the last five years, supported by retained earnings. The company had a Solvency II ratio of 193% as of 30 June 2017, up from 180% at year-end 2015 and Moody's expects little volatility in this ratio, given the group's relatively low risk profile.

"These considerations led us to upgrade Aviva's senior debt rating to A2 and the insurance financial strength ratings of its main subsidiaries to Aa3 on 20 October 2017," said Benjamin Serra, a Vice President and Senior Credit Officer at Moody's.

Aviva anticipates its Solvency II ratio to increase again to about 195% to 200% by year-end 2017, despite a GBP300 million share buy-back and the repayment of $650 million of debt. However, because the group's Solvency II ratio exceeds the company's target range of 150%-180%, Moody's expects Aviva to channel some excess capital towards share buy-backs, debt repayments, bolt-on acquisitions and business expansion.

Aviva confirmed today that it would redeploy around GBP2 billion of capital in 2018 and GBP1 billion in 2019. Despite this, Moody's considers that Aviva will be able to maintain a strong capitalisation.

In addition, Moody's says that in a scenario in which Aviva would channel some capital towards debt repayment, Aviva's financial flexibility would be enhanced, particularly via a reduction in interest expense.

Subscribers can access the report at

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1098161

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