It takes AVIVA

Aviva plc

Q3 2022 trading update

9 November 2022

For 325 years

AVIVA

Disclaimer & important information

Cautionary statements

This document should be read in conjunction with the documents distributed by Aviva plc (the ‘Company’ or ‘Aviva’) through The Regulatory News Service (RNS). This announcement contains, and we may make other verbal or written ‘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’, ‘projects’, ‘plans’, ‘will’, ‘seeks’, ‘aims’, ‘may’, ‘could’, ‘outlook’, ‘likely’, ‘target’, ‘goal’, ‘guidance’, ‘trends’, ‘future’, ‘estimates’, ‘potential’ 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 announcement include, but are not limited to: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally (including those arising from the Russia-Ukraine conflict); market developments and government actions (including those arising from the evolving relationship between the UK and the EU); the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may reduce the value or yield of our investment portfolio and impact our asset and liability matching; the unpredictable consequences of reforms to reference rates, including LIBOR; the impact of changes in short or long-term inflation; 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 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 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 (for example, IFRS 17); 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.

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 report are current only as of the date on which such statements are made.

This report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

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 2022 Half Year Report. All references to 'Operating profit' represent 'Group adjusted operating profit’. All comparatives presented are from continuing operations

Continuing to deliver on our strategic ambitions

The leading UK provider and go-to customer brand for all insurance, wealth and retirement needs

Customer

Growth

Efficiency

Sustainability

On track to deliver our financial targets

>£5.4bn

Cash remittances 2022-24

£1.5bn

SII operating own funds generation p.a. by 2024

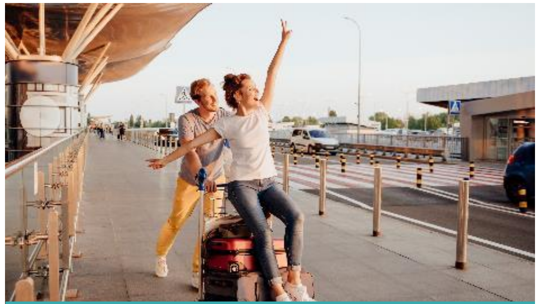
£750m

Gross cost reduction 2018-24[1]

Dividend guidance and outlook for capital returns are unchanged - buyback to be announced alongside FY 2022 results

All footnotes on page 18

Q3 trading update key messages



Customer

- Launched **Essentials products** on Quotemehappy
- **Advice for Aviva customers** through Succession Wealth
- Recently announced with Citizens Advice and The Money Advice Trust, **committing £9m to support communities across the UK**

Growth

- Strong trading momentum as we continue to **grow across key lines**
- Aviva Zero with carbon offsetting feature **now at 30k customers**
- **230k Workplace customers** added Q3 YTD
- Longer-term **outlook for BPAs positive**

Efficiency

- **Controllable costs[1] down 2%** reflecting continued focus on efficiency
- Further operational savings through **cost initiatives** and **ongoing simplification of the business**
- **On track** to deliver savings target of £750m[2] by end 2024

Sustainability

- **#1 insurer** in World Benchmarking Alliance's **2022 Financial System Benchmark**
- Aviva Canada wrote its **first two Renewable Infrastructure policies** in Q3 2022
- Aviva Investors **invests £110m** supporting Connected Kerb's plans to **deliver 190,000 on-street EV chargers by 2030**

All footnotes on page 18

Confident outlook; anticipate further capital return

Position of financial strength

215% pro forma[1]	29% pro forma[1]	£1.9bn
SII shareholder cover ratio[2]	SII debt leverage ratio	Centre liquidity

Confidence in performance outlook

- ✓ **Dividend guidance[3]** of c.£870m (c.31.0p) for 2022 and c.£915m (c.32.5p) for 2023 **remains unchanged**
- ✓ **On track to deliver** our financial targets

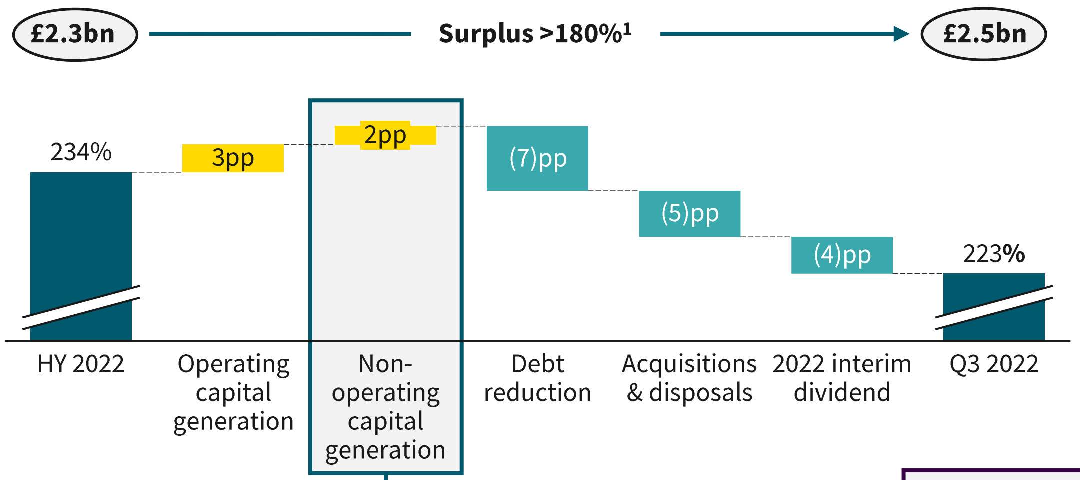
Anticipate further capital return

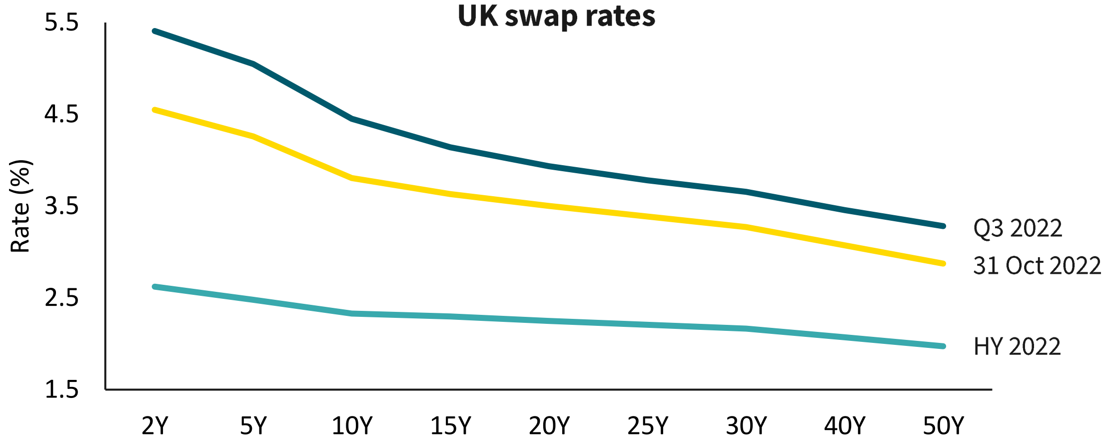
- Anticipate commencing a **new share buyback programme** with our 2022 full year results
- Preference for **regular and sustainable return of surplus capital**
- Any capital return will be guided by our **capital management framework**

All footnotes on page 18

Capital position remains strong

Solvency II shareholder cover ratio & surplus above 180%





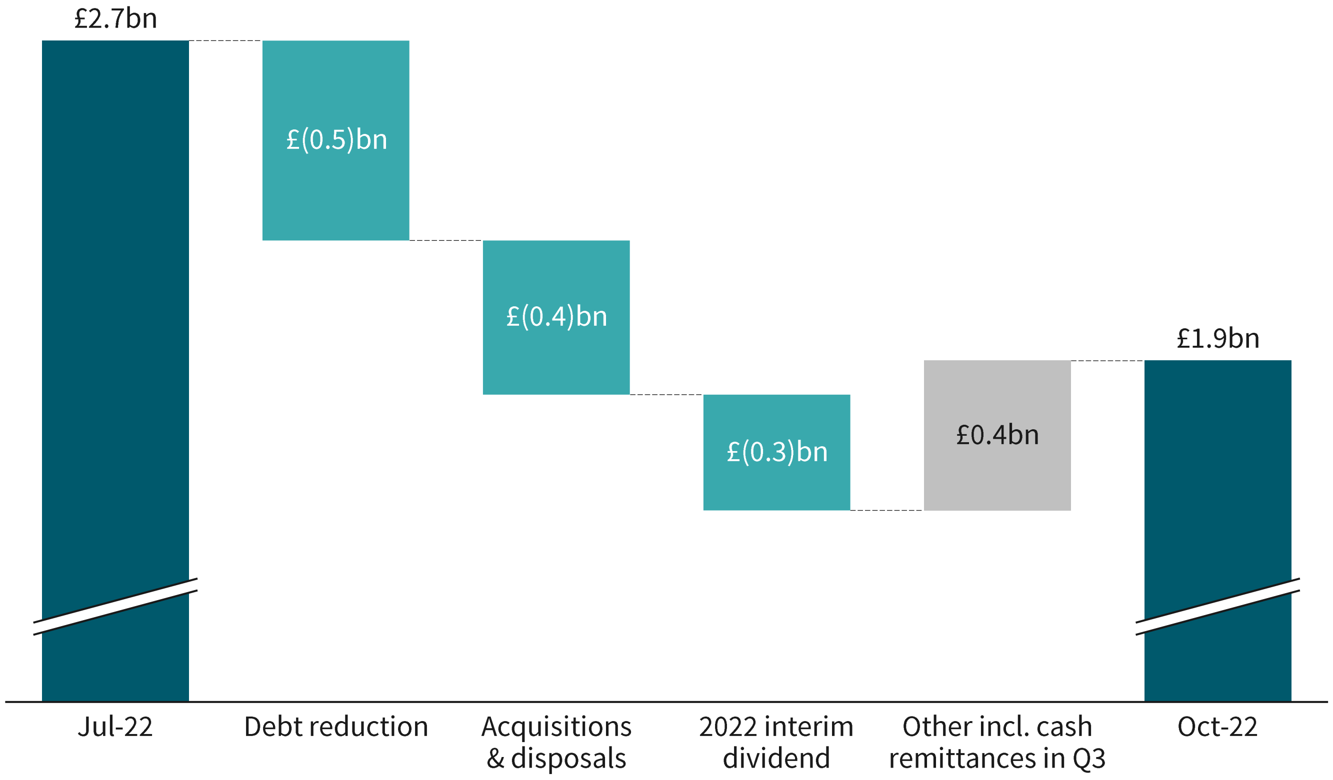
Non-operating capital generation	Cover ratio
UK interest rates	↑
Non-UK interest rates	–
FX, Equities & Other	↓

- Following the 'mini-budget' at the end of Q3, the UK experienced very high levels of market volatility. **The Group's capital and liquidity demonstrated great resilience during this period**.
- The impact of this volatility in Q3 on our Solvency II cover ratio was **not as positive as implied by our published sensitivities**. This is because the sensitivities are one dimensional in nature (e.g. they assume parallel yield curve shifts, and they apply equally across all geographies) and could not fully capture the complex factors and extremely rapid movements in this period.
- The **Group's Solvency II position remains very strong**, and we estimate only a **minimal impact to the Group's cover ratio from the yield falls in October**

All footnotes on page 18

Liquidity position remains healthy

Centre liquidity



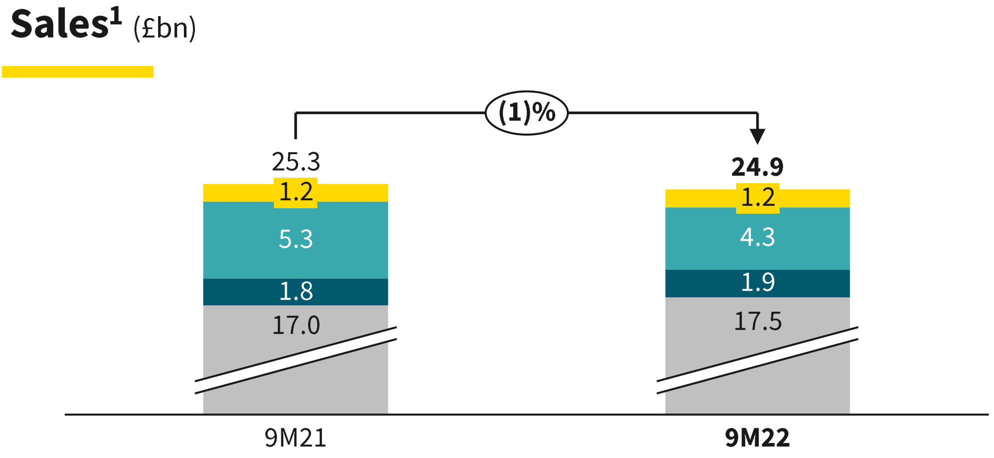
Oct 22 centre liquidity of £1.9bn, comfortably above appetite

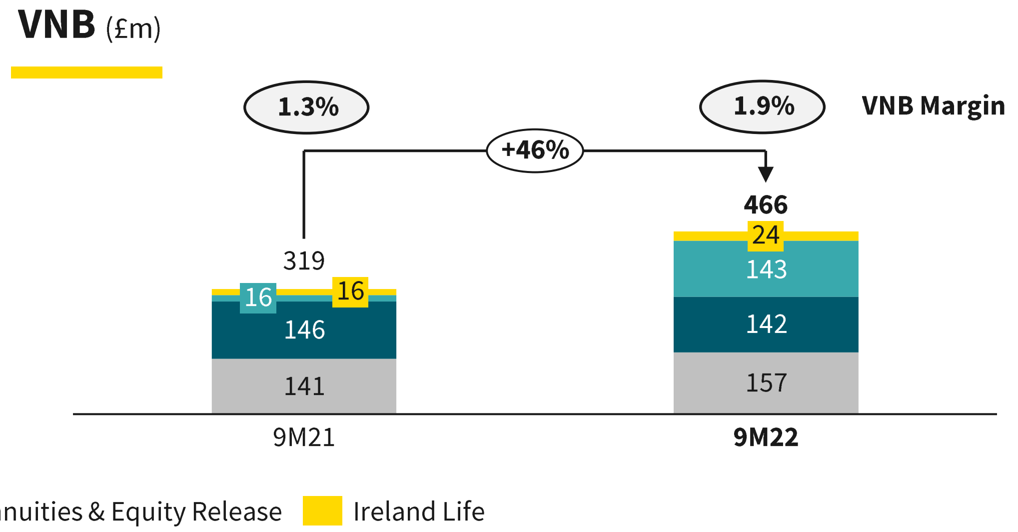
Q3 2022 YTD **cash remittances of £1.1bn**

FY22 cash remittances expected to **exceed the £1.66bn remitted in 2021[1]**

All footnotes on page 18

Life sales and value of new business





Protection & Health

- **Protection:** Sales up 3% with strong performance in Group protection more than offsetting individual protection
- **Health:** Sales up 5% as SME continues to perform strongly with continued consumer demand for private medical insurance

Annuities & Equity Release

- **Annuities:** Lower BPA volumes of £2.9bn as we retain focus on maintaining pricing discipline
- **Equity Release:** Continued excellent momentum in Q3 YTD while we remain focused on re-pricing in line with interest rates

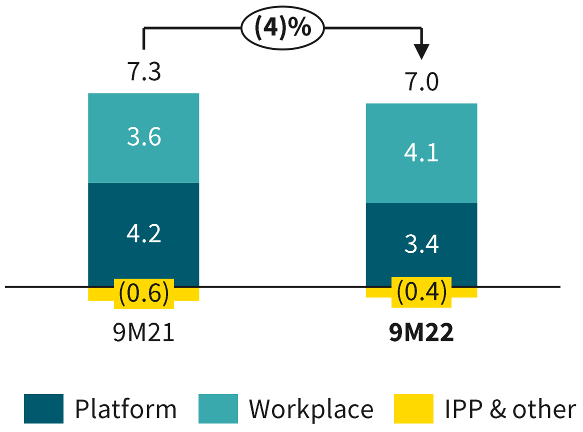
Ireland Life

- **Sales:** 1% higher owing to strong unit-linked volumes
- **VNB:** Up 50% reflecting improved margins as our integrated product offering is embedded, and improved reinsurance terms

All footnotes on page 18

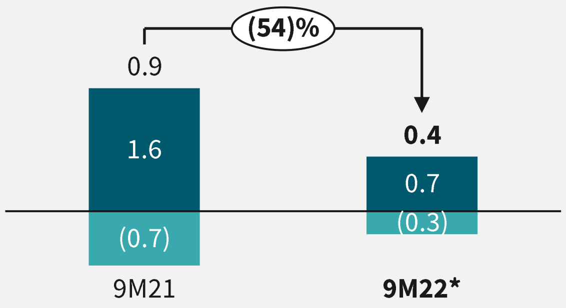
Net flows and assets under management

Wealth net flows (£bn)



- **Net flows** of £7.0bn represent 6% of (annualised) opening AUM
- **Workplace** net flows +11% due to strong retention and wage inflation on employee contributions
- **Platform** net flows down to £3.4bn due to lower demand amid the uncertain environment

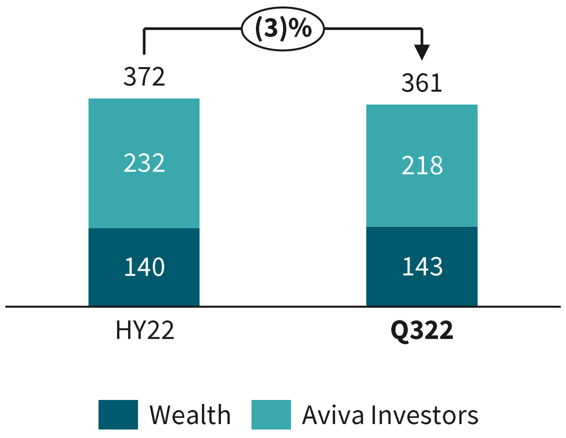
Aviva Investors net flows[1] (£bn)



*Q322 net flows excludes £(3.7)bn of strategic actions

- **External net flows** remain positive at £0.7bn including £0.5bn in Q3 discrete despite the tough market environment
- **Total net flows** of £(3.3)bn primarily reflect strategic actions from clients previously part of the Aviva Group, mainly in France

Assets under management (£bn)

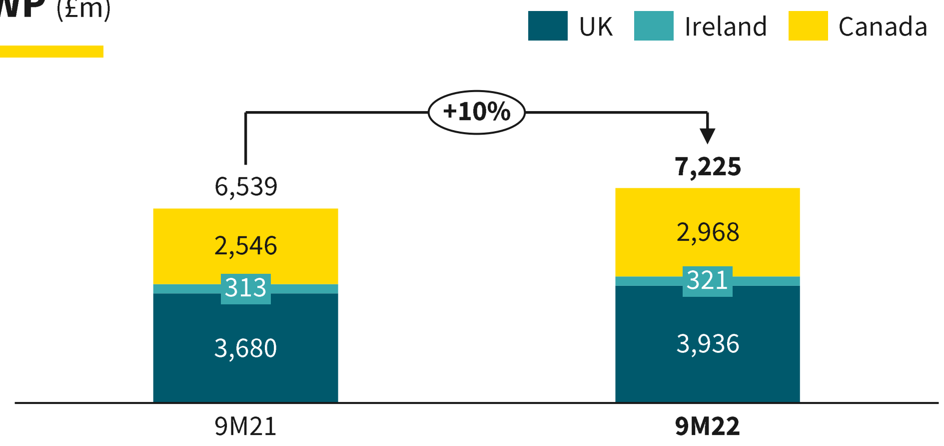


- **Wealth** AUM up 2% on HY22 driven by positive net flows, which more than offset the impact of negative market movements
- **Aviva Investors** AUM down 6% from HY22 predominantly reflecting the impact on valuations of fixed income securities from rising bond yields

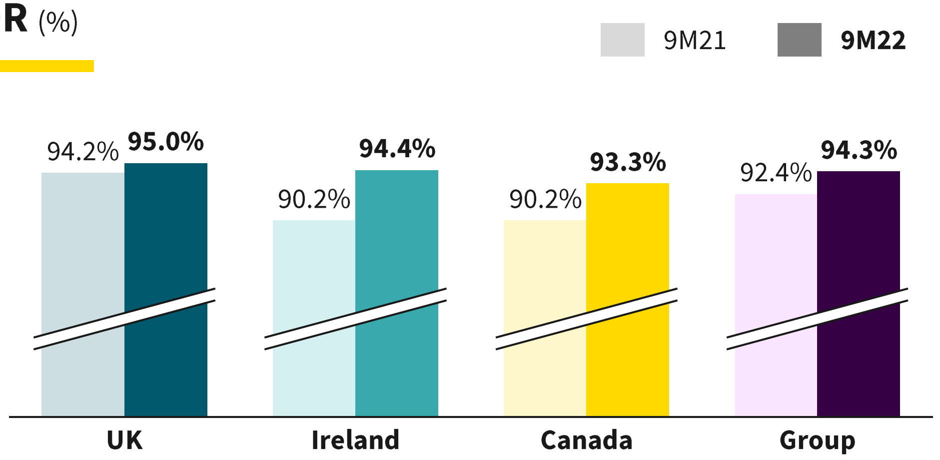
All footnotes on page 18

General Insurance

GWP (£m)



COR (%)



UK

- **GWP:** +7% in a favourable rate environment and strong new business and retention in commercial lines. Personal lines premiums flat as we maintain pricing discipline
- **COR:** 95.0% reflecting increased claims frequency partly offset by improved performance in commercial lines and lower weather costs

Ireland

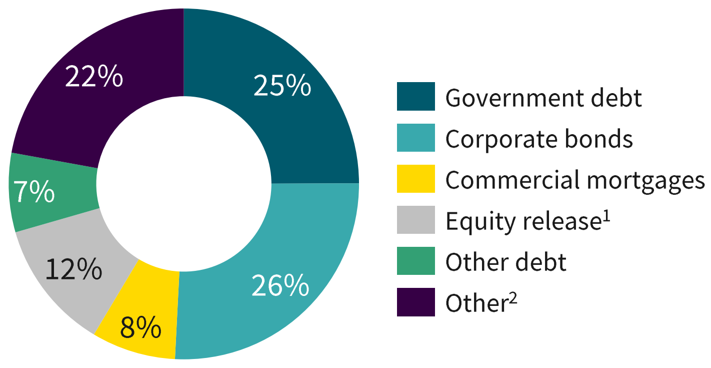
- **GWP:** Premiums up 4% at constant currency reflects strong rate and retention in commercial lines
- **COR:** 94.4% reflecting a return to more normal Motor claims frequency post C-19

Canada

- **GWP:** +8% at constant currency reflecting new business activity and a favourable rate environment in commercial lines and increased rate and growth in Ontario auto in personal lines
- **COR:** 93.3% reflects a return to more normal claim frequency levels, partially offset by favourable PYD and lower CAT experience

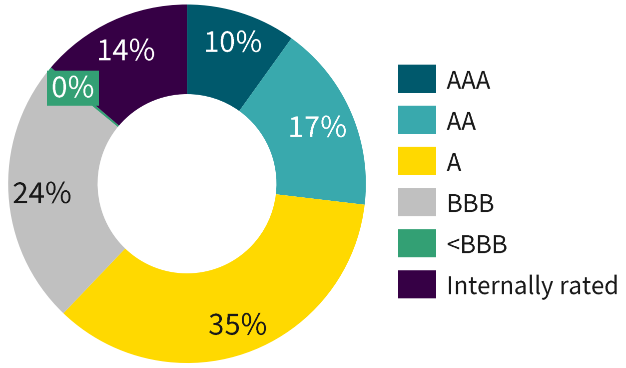
Shareholder asset portfolio well positioned…

Total shareholder assets: £74.8bn



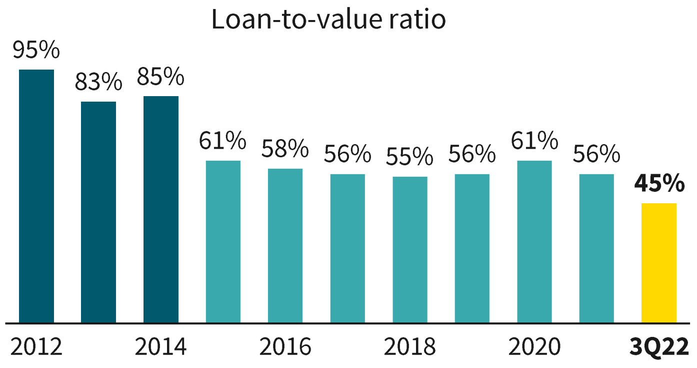
- High-quality portfolio continues to perform well
- Defensive investment profile - we have not chased growth
- Low shareholder exposure to equities, emerging markets sovereigns, and European peripherals

Corporate bonds by rating: £19.5bn



- Corporate bond portfolio continues to perform well
- <£150m of portfolio downgraded to a lower letter Q3 YTD
- No corporate bonds downgraded below investment grade

Commercial mortgage portfolio: £5.9bn



- Largely long-duration fixed-rate contracts with limited re-financing risk to borrowers
- Significant restructuring has led to consistently low LTVs for last 7 years
- Strong loan interest cover of 2.6x

All footnotes on page 18

...and we are navigating the inflationary environment

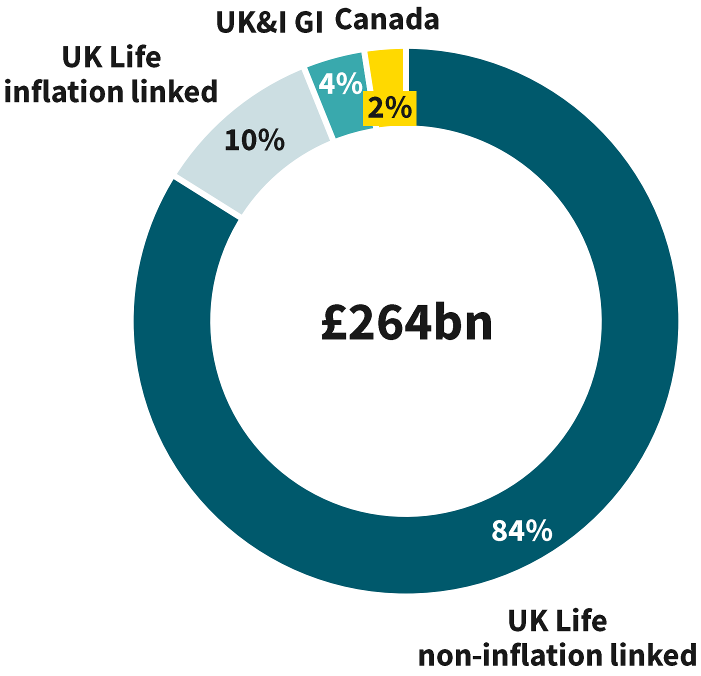
UK Life

- Majority of inflation linked liabilities are subject to caps
- Inflation linked exposures managed through hedging, including RPI-linked bonds
- Solvency insensitive to inflation
- ~90% of long-term insurance and investment liabilities are non-inflation linked

Debt & Other

- Debt profile favourable – no requirement to re-finance before 2024
- Staff pension scheme liabilities are largely inflation linked but also subject to caps and closely matched

Gross IFRS liabilities for insurance and investment contracts[1]



UK General insurance

- Used car prices increased c.11% YoY at Q3
- Retail motor NB rate +15pp Q3 YTD
- £9.6bn of insurance liabilities
  - o/w: ~60% injury
  - o/w: ~40% damage

Canada

- Double digit property damage inflation Q3 YTD
- Injury inflation partially contained by policy limits
- Ontario auto rate +12pp Q3 YTD
- £6.5bn of insurance liabilities
  - o/w: ~65% injury
  - o/w: ~35% damage

~85% of the Group's gross IFRS insurance and investment contract liabilities are non-inflation linked

The majority of remaining liabilities are closely matched by inflation-linked assets and further limited through reinsurance

All footnotes on page 18

Delivering Aviva's promise

Position of market strength

with market-leading positions in all core segments

Competitive advantage of Aviva model

across Customer, Scale, and Diversification

Consistent performance delivery – Strong Q3

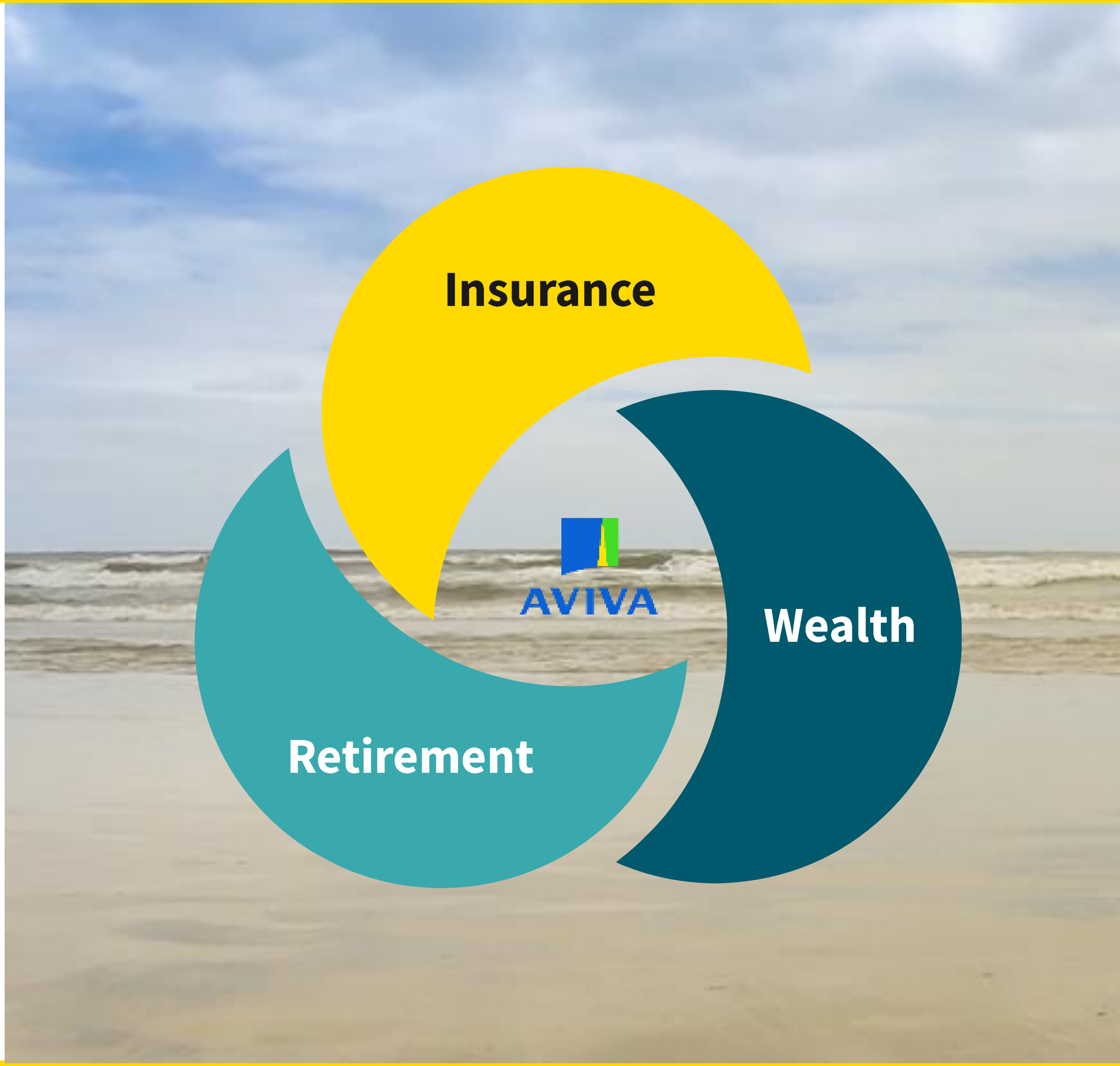
on track to meet financial targets with positive outlook

Attractive and growing dividend

on track to deliver in line with guidance for FY 2022

Further capital return

anticipate launching new share buyback with FY 2022 results, subject to regulatory approval and market conditions



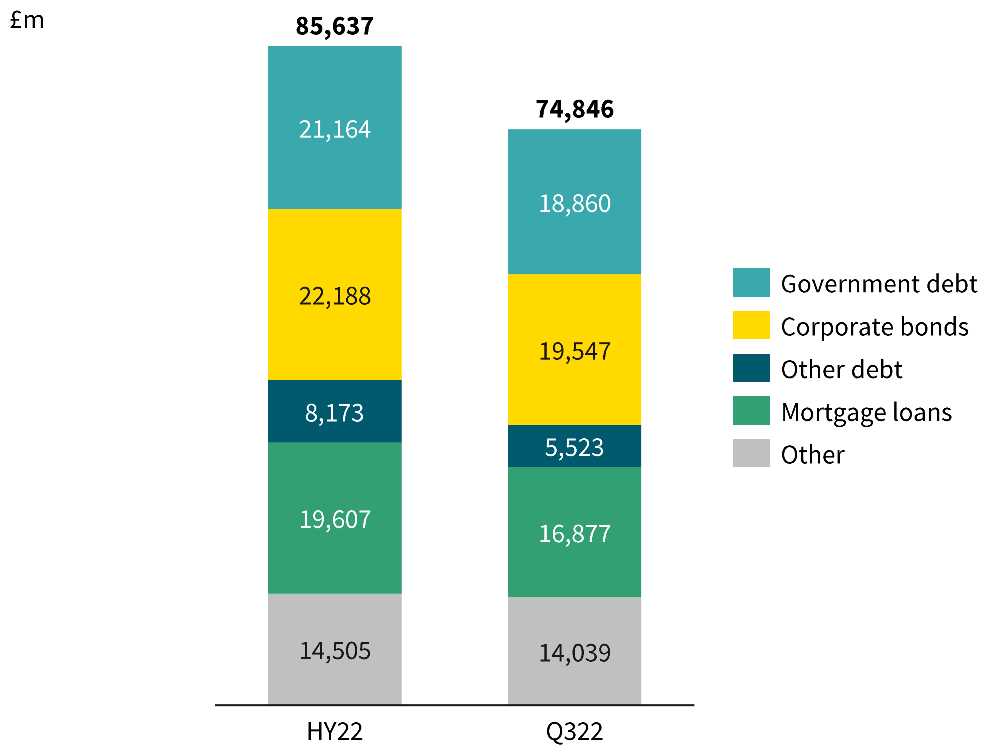
Appendix

For 325 years

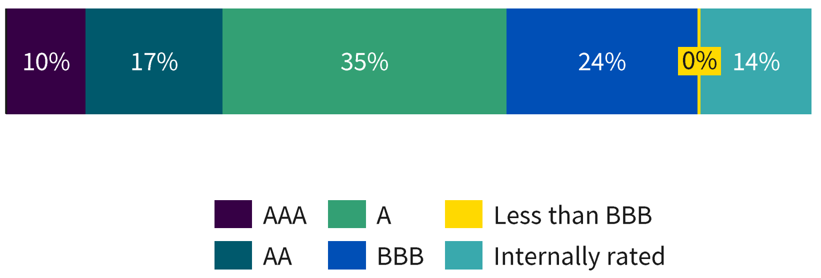
AVIVA

Shareholder assets

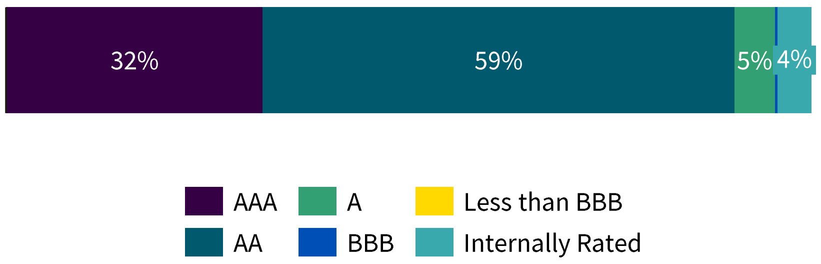
Shareholder assets by type



Corporate debt by rating

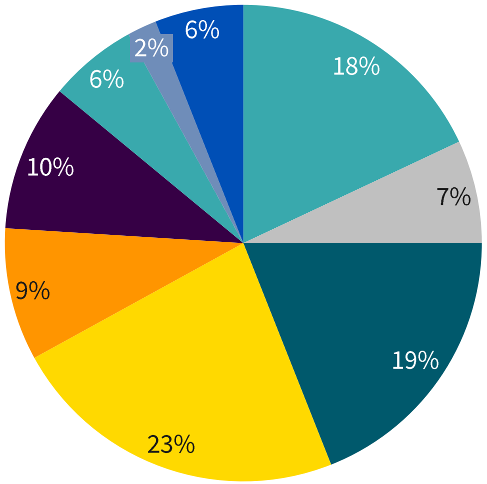


Government debt by rating



Shareholder assets – corporate bonds and loans

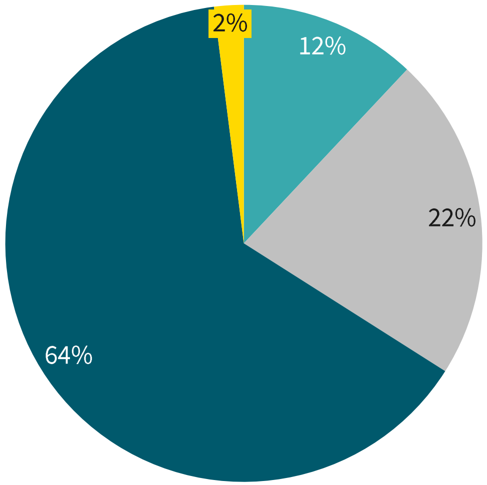
Corporate bonds by industry



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

Loans by type

Total: £26,440m

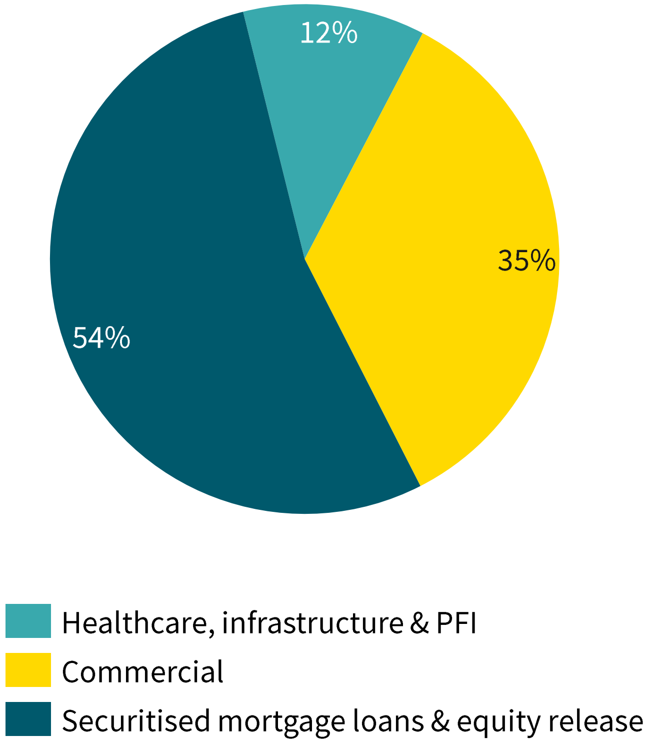


Loans & advances to banks
Healthcare, Infrastructure & PFI other loans
Mortgage loans
Other

Shareholder assets – mortgage loans

Mortgage loans

Total: £16,877m



Commercial mortgage loans (£5.9bn)

- Low average LTVs (45%) and strong Loan interest cover (2.6x) with no balances in arrears
- Long-duration fixed-rate contracts with limited re-financing risk to borrowers

Healthcare, infrastructure & PFI (£2.0bn)

- Loans secured against infrastructure, healthcare, education, social housing and emergency services related facilities which receive government support and are at low risk of default

Securitised mortgage loans & equity release (£9.0bn)

- Internally securitised and rated equity release loans of £7.3bn, with an average LTV of ~25%
- Externally securitised loans of £1.7bn, for which the majority of the credit risk is borne by third parties rather than shareholders

Footnotes

Slide	Reference	Footnote
3	1	Baseline controllable costs excludes strategic investment, cost reduction implementation, IFRS17 and other costs not included in the 2018 cost savings target baseline
4	1	Baseline controllable costs excludes strategic investment, cost reduction implementation, IFRS17 and other costs not included in the 2018 cost savings target baseline
	2	Gross of inflation
5	1	Pro forma for further £0.5bn debt reduction and one-off pension scheme payment
	2	The estimated Solvency II position represents the shareholder view only
	3	The Board has not approved or made any decision to pay any dividend in respect of any future period
6	1	On a pro forma basis. HY2022 surplus above 180% after payment of 2022 interim dividend
7	1	From continuing operations
8	1	References to sales represent present value of new business premiums (PVNBP) which is an Alternative Performance Measure (APM). Further information can be found in the 'Other information' section of our Half Year 2022 Report
9	1	Aviva Investors net flows excludes liquidity funds and cash
11	1	Equity release and securitised mortgage loans
	2	Other includes other loans, equity securities, investment property, other investments and healthcare, infrastructure and PFI mortgage loans. See note C3 of the Half Year Report for more information
12	1	All figures as at 30 Jun 2022 unless otherwise stated