AVIVA PLC THIRD QUARTER UPDATE*

Amanda Blanc, Chief Executive Officer, said:

“We are making good progress in our strategy to simplify Aviva’s portfolio and have recently announced the sale of Aviva Singapore and Aviva Vita in Italy for £2 billion.

We are announcing today a new sustainable and resilient dividend policy, based on our core markets of the UK, Ireland and Canada. As we simplify Aviva’s portfolio, we will deliver further value to shareholders by returning excess capital above 180% solvency cover ratio\(^a\), once our debt leverage target ratio has been reached.

The Board has declared a 7.0 pence per share interim dividend in respect of the 2020 financial year which will be paid in January 2021. The Board currently expects to recommend a final 2020 dividend of 14 pence per share which is subject to a final decision to be taken in March 2021. The expected 2020 total dividend of 21.0 pence per share is then expected to grow by low to mid-single digits.

Our trading performance is robust and our financial position is strong with a capital surplus of £11.8 billion. The first nine months have demonstrated Aviva’s ability to grow in core markets where we have attractive, long-term growth prospects. Bulk purchase annuities sales increased to £5 billion, which is a record for Aviva and commercial insurance premiums are up 9% across the UK, Canada and Ireland.

The response of our people to the Covid crisis has been nothing less than phenomenal and I would like to thank them for all they have done for our customers this year. We continue to work at pace to deliver our strategy, support our customers, and unlock value for Aviva shareholders.”

**9M20 operating highlights**

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<th>Trading</th>
<th>Life PNVBP £32.1 billion (9M19: £32.4 billion)</th>
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<td>Value of new business (VNB)(^\text{b}) £714 million (9M19: £828 million)</td>
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<td>General insurance net written premiums (NWP) £7.1 billion (9M19: £7.0 billion)</td>
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<td>Controllable costs(^\text{c}) £2.8 billion (9M19: £3.0 billion)</td>
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<th>Dividend</th>
<th>2020 interim dividend of 7.0 pence per share</th>
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<td>2020 final dividend expected to be 14.0 pence per share, 21.0p total, subject to a board decision in March 2021</td>
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<td>No 2019 final dividend (2019 total dividend: 15.5 pence per share)</td>
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<th>Capital &amp; liquidity</th>
<th>Solvency II capital surplus £11.8 billion (HY20: £12.0 billion)</th>
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<td>Solvency II cover ratio(^\text{d}) 195% (HY20: 194%)</td>
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<td>Solvency II net asset value(^\text{e}) 410 pence per share</td>
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<td>Centre liquidity £2.8 billion(^\text{f}) (July 2020: £2.5 billion)</td>
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\(^*\)This announcement contains inside information. The person responsible for making this announcement on behalf of the Group is Kirstine Cooper (Group Company Secretary).

\(^\text{a}\) Denotes Alternative Performance Measures (APMs), which are key performance indicators of the Group used to measure our performance and financial strength. Further details are included in the ‘Other Information’ section of the HY20 Analyst Pack.

\(^\text{b}\) The estimated Solvency II position represents the shareholders' view only.

\(^\text{c}\) Stated as at end October 2020
Dividend policy and capital framework

- We are announcing a new dividend policy and capital framework that align with the Group’s strategy to focus on the core markets of the UK, Ireland and Canada.
- As we focus the portfolio, we expect to build excess capital over time. We will deliver further value to shareholders by returning excess capital over a 180% Solvency II cover ratio once our debt leverage target of <30% has been reached. We expect to exceed our original target of £1.5 billion debt deleveraging by 2022.
- The Board has declared a 7.0 pence per share interim dividend in respect of the 2020 financial year, which will be paid in January 2021. The Board expects to recommend a FY20 final dividend of 14.0 pence per share subject to a final decision to be taken in March 2021. This level of dividend is sustainable and resilient in times of stress, and is covered by the capital and cash generated from the core markets of the UK, Ireland and Canada. Future dividends per share are expected to grow by low to mid-single digits over time.
- A second interim dividend of 6 pence per share in respect of 2019 was paid in the third quarter of 2020. There will be no further payment in respect of FY2019.

Focus the portfolio

- In August we set out our priority to simplify Aviva’s portfolio. Our businesses in continental Europe and Asia are being managed for long-term shareholder value and where our strategic objectives cannot be met, we will withdraw capital.
- We have made good progress in this area. In September we announced the disposal of a majority shareholding in Aviva Singapore, achieving excellent upfront value for shareholders but also retaining an investment in a leading Singapore life business with attractive long-term growth potential. Completion is now targeted for the 30th November, ahead of our original expectation.
- We have also announced the sale of a major part of our Italian life business, Aviva Vita, for approximately €400 million, with completion expected in the first half of 2021.
- Last week we announced the completion of the disposal of our Indonesian JV, and we expect to complete the sale of our Hong Kong JV Blueby the end of this year.
- Finally, we are exploring options across our manage-for-value portfolio, including in France, Poland, the remainder of Italy and our joint ventures.

9M20 trading update

Trading for the nine months to 30th September 2020 has been resilient with strong performances in our core markets partially offset by declines in our manage-for-value portfolio as we prioritised margin over volume.

UK, Ireland and Canada

- UK & Ireland Life new business sales were up 40% to £9.2 billion (9M19: £6.6 billion), principally driven by £5 billion of bulk purchase annuity sales (9M19: £2.1 billion). VNB1 increased by 5% to £203 million (9M19: £194 million) as strong volume growth was partly offset by a temporary reduction in UK bulk purchase annuity margins prior to securing our target reinsurance and asset mix on £1.9 billion discrete Q3 sales.
- In UK Savings and Retirement, net fund flows increased 20% to £6.0 billion (9M19: £5.0 billion), with continued positive trends in both the workplace and retail platforms.
- Aviva Investors saw third party net fund inflows of £1.2 billion (9M19: £0.5 billion), driven by strong new business wins in the UK and North America.
- UKGI NWP was stable at £3.2 billion (9M19: £3.2 billion). In commercial lines, we grew premiums by 10% due to rate increases and targeted growth. This was offset by lower personal lines premiums as we prioritised profitability by simplifying our portfolio and remediating poor performing segments.

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1 Denotes Alternative Performance Measures (APMs), which are key performance indicators of the Group used to measure our performance and financial strength. Further details are included in the ‘Other Information’ section of the HY20 Analyst Pack.
# The estimated Solvency II position represents the shareholder view only.
• Canada general insurance NWP was up 1% to £2.3 billion (9M19: £2.3 billion) and up 3% in constant currency, reflecting rate hardening in commercial lines and modestly higher premium in personal lines.

Continental Europe and Asia
• In our operations in continental Europe and Asia, P/VNB was down 21% to £9.3 billion (9M19: £11.7 billion) reflecting lower with-profit volumes in France and Italy as we continued to prioritise mix improvement.
• VNB was £411 million (9M19: £510 million) mainly as a result of lower volumes.
• NWP was up 4% to £1,271 million (9M19: £1,218 million) primarily due to rate increases in France.

Controllable costs
• Group controllable costs have decreased by 5% to £2.8 billion (9M19: £3.0 billion). We remain on track to exceed £150 million of cost savings for full year 2020, and to reduce costs by £300 million by 2022. These savings will be delivered from the core markets of the UK, Ireland and Canada.

Capital and liquidity
• At 30 September 2020, the Solvency II cover ratio is estimated at 195% (HY20: 194%). During the third quarter, as part of a review, we made changes to our French life model. This included correction of an applied rule which resulted in a reduction in solvency, together with benefits from better modelling in a negative interest rate environment. As a result of these changes, the Group Solvency cover ratio reduced by 2pp. This is also expected to reduce Group operating capital generation by c.£250 million and Solvency II RoE by 2.8pp as at Q20. This had no impact on our customers or on group adjusted IFRS operating profit.
• We continue to maintain allowances for potential future credit rating migration in our corporate bond portfolio and reductions in future UK property values. Our shareholder-backed corporate bond portfolio has had no defaults and only <£15 million of the portfolio was downgraded below investment grade, while our commercial mortgage portfolio continues to perform as expected.
• Solvency II net asset value per share at 30 September 2020 was 410 pence.
• Holding company liquidity at 31 October 2020 was £2.8 billion.

Impact of COVID-19 on general insurance claims
• At 30 September 2020, our estimate of COVID-19 related claims in our general insurance businesses, incorporating notified and projected claims for business interruption, other commercial lines and travel insurance, net of offsetting favourable impacts in others product lines, is £100 million net of reinsurance (HY20: £165 million). This reduction from HY20 is mostly a result of lower claims frequency during the third quarter reflecting reduced economic activity.

Supporting our customers
• Looking after our customers, people and wider community has been a priority for Aviva during the ongoing pandemic. As a result of the Q4 lockdowns, we have extended our help to UK customers until 31 January 2021. This includes deferring monthly payments for Aviva home or motor customers, offering pro-rata refunds to travel insurance customers who are no longer able to travel, and help for business customers such as providing the same level of protection to businesses whose employees can reasonably carry out business activities from their homes.
Preference shares

- On 26 October 2020 the Financial Conduct Authority published the outcome of its investigation into Aviva plc’s announcement on preference shares in March 2018. Aviva accepts this decision. This was a disappointing episode for which we are sorry and lessons have been learned.
- In light of the FCA’s final notice and following statements made at Aviva plc’s 2018 AGM, the Group will review the impact on remuneration.

Outlook

Aviva has delivered a resilient performance in the first nine months against a challenging market backdrop. We have started to deliver against our strategic priorities and have aligned our dividend policy with the sustainable capital and cash generation of our core businesses.

Our capital framework underpins our dividend, enables a considerably more resilient balance sheet with lower levels of debt, and offers opportunities for capital return to shareholders over time.

Trading impacts from Q4 lockdowns remain uncertain and we expect no significant increase in net BI claims. Management actions & Other is expected to be above previous guidance of £0.2 billion. Further benefits from UK longevity are expected, albeit lower than in 2019.

In terms of operating capital generation we expect broadly similar results in the second half to the first half of 2020 after absorbing the impact of the France modelling changes and full year cash remittances will remain below 2019 levels but we do expect H2 2020 to be above H2 2019.

The economic and social outlook remains uncertain, but we are confident that our strategy will deliver for our customers and unlock value for shareholders.

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Enquiries:

Media:
Andrew Reid +44 (0)7800 694 276
Sarah Swailes +44 (0)7800 694 859

Analysts:
Diane Michelberger +44 (0)20 7662 0911

Notes to editors:

- For information on how Aviva is helping our people, customers and communities impacted by COVID-19 visit: www.aviva.com/covid-19-our-response/
- Analyst presentation and Q&A will be streamed on www.aviva.com at 0900 hrs GMT
- All figures have been translated at average exchange rates applying for the period, with the exception of the capital position which is translated at the closing rates on 30 September 2020. The average rates employed in this announcement are 1 euro = £0.88 (Q3 2019: 1 euro = £0.88) and CAD$1 = £0.58 (Q3 2019: CAD$1 = £0.59). Growth rates in this announcement have been provided in sterling terms unless stated otherwise.
• We exist to be with people when it really matters, throughout their lives – to help them make the most of life. We have been taking care of people for more than 320 years, in line with our purpose of being 'with you today, for a better tomorrow'.

• In 2019, we paid £33.2 billion in claims and benefits on behalf of our 33.4 million customers.

• We will focus on the UK, Ireland and Canada where we have leading market positions and significant potential. We will invest for growth in these markets. Our International businesses in Europe and Asia will be managed for long-term shareholder value. We will also transform our performance and improve our efficiency. Our transformation will be underpinned by managing our balance sheet prudently, reducing debt and increasing our financial resilience.

• Total group assets under management at Aviva group are £522 billion (HY20) and our Solvency II capital surplus is £11.8 billion (Q320). Our shares are listed on the London Stock Exchange and we are a member of the FTSE 100 index.

• For more details on what we do, our business and how we help our customers, visit www.aviva.com/about-us

• The Aviva newsroom at www.aviva.com/newsroom includes links to our image library, research reports and our news release archive. Sign up to get the latest news from Aviva by email.

• You can follow us on Twitter: www.twitter.com/aviva plc

• You can follow us on LinkedIn: www.linkedin.com/company/aviva-plc

• For the latest corporate films from around our business, subscribe to our YouTube channel: www.youtube.com/user/aviva

• We have a Globelynx system for broadcast interviews. Please contact the Press Officer noted above if you would like to make a booking.

Cautionary statements

This 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 difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local and international political, regulatory and economic conditions; market developments and government actions (including those arising from the outcome of the negotiations on the future 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 cause
policyholders to surrender their contracts, reduce the value of our portfolio and impact our asset and liability matching; 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 impact of COVID-19) on our business activities and results of operations; the transitional and physical risks associated with climate change; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; 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 (including cyber attack); 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 necessarykey 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 fluctuations in share price as a result of general market conditions or otherwise; 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 government regulations or tax laws in jurisdictions where we conduct business, including decreased demand for annuities in the UK due to changes in UK law; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact, integration risk and other uncertainties, such as non-realisation of expected benefits or diversion of management attention and other resources, relating to announced acquisitions and pending disposals and 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 or elsewhere, including the implementation of key legislation and regulation. 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 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.