Aviva plc

Q3 market update

26 November 2020

Disclaimer

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 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 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.

Amanda Blanc

Chief Executive Officer

Today's agenda

Update on strategic priorities

Dividend and capital framework

9M20 trading update

Delivering on our priorities

Focus the portfolio

- ✓ £2bn of announced disposals
- ✓ Singapore
- ✓ Italy - Aviva Vita
- ✓ Indonesia sale completed
- ✓ Dividend aligned with core markets

Transform performance

- ✓ Strong growth in key segments where we hold leading market positions
- ✓ Cost savings on track for >£150m for FY20, and £300m from core markets by 2022

Financial Strength

- ✓ Solvency II surplus £11.8bn[2]
- ✓ SII cover ratio of 195%[1,2]
- ✓ Centre liquidity £2.8bn[3]
- ✓ Debt reduction target of £1.5bn expected to be exceeded

We continue to work at pace and with purpose

Good progress on the portfolio

Singapore

- Sale of majority shareholding for SGD2.7bn (c£1.6bn)
- Attractive multiples: P/E 18.7, P/Own-funds 2.0x
- Accretive to cash and capital, with minimal impact on group operating profit and cash remittances
- Completion targeted for 30 November 2020

Italy Life – Aviva Vita

- Cash consideration of €400m (c£364m)
- Deal multiples*: P/E 8.4x, P/Own-funds 1.0x
- Accretive to cash and capital, with minimal impact on group operating profit and cash remittances
- Completion expected 1H 2021
- Three other insurance businesses under review in Italy including Life and GI with combined own funds of €0.8bn[4]

Progress across other markets

- We are exploring options across the manage-for-value portfolio, including France, the remainder of Italy, Poland, and our joint ventures
- Indonesia sale completed
- Hong Kong expected to complete in December 2020

Multiples presented on a 100% basis as at 30 June 2020

Dividend aligned to core businesses

2020 dividend

- 7.0p per share interim 2020 dividend
- To be paid on 21 January 2021
- Board expected to recommend a final 2020 dividend of 14.0p per share* (Total 2020: 21.0p per share)

2019 dividend

- No final 2019 dividend
- Total 2019 dividend: 15.5p per share after payment of 2nd interim dividend in Q3 2020

Future dividend growth driven by core businesses

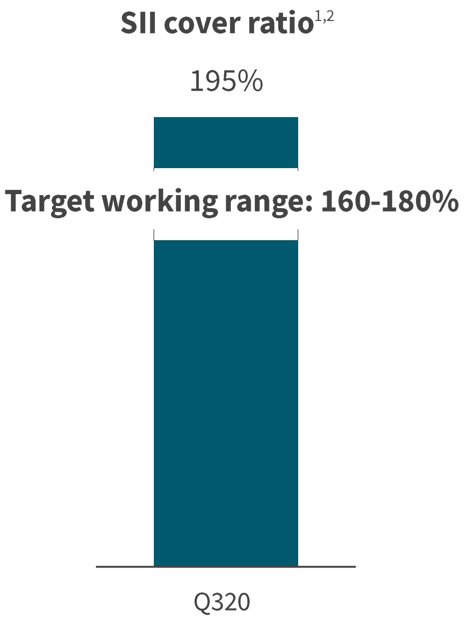
- Sustainable and resilient dividend covered by capital generation and cash remittances from the UK, Ireland and Canada
- Expect to grow dividend per share by low to mid-single digits over time
- Future dividends will benefit from:
  - ✓ Growth in key segments
  - ✓ Improved efficiency
  - ✓ Lower levels of debt / interest
  - ✓ Manage-for-value portfolio actions

**Recommendation subject to the approval of the Aviva plc Board in March 2021*

Capital framework

Financial Strength

- Targeting <30% SII debt leverage: likely to exceed £1.5bn debt reduction target by end of 2022
- Target Solvency to remain above range as portfolio is reshaped and debt reduced
- Once debt ratio target reached, excess capital above 180%[2] returned to shareholders
- Significant investment in growth already embedded in targets
- Maintain 'AA' credit rating metrics



Moody's	S&P Global	Fitch Ratings
Aa3	**AA-**	**AA-**

Excess Capital deployment

<30%

Debt reduction

£

Shareholder returns

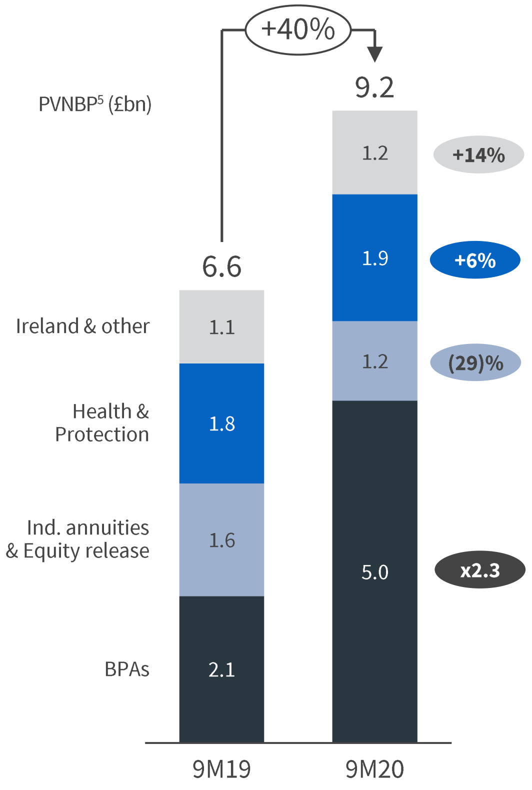
Invest for growth

Jason Windsor

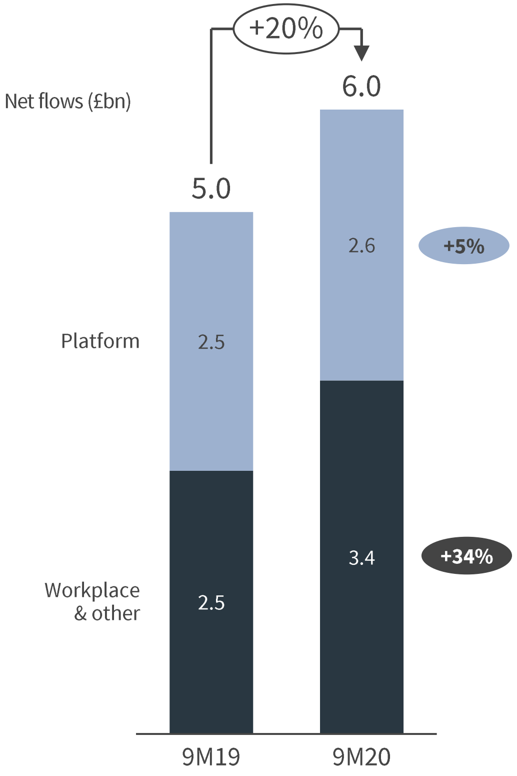
Chief Financial Officer

Strong YTD growth in the UK, Ireland and Canada

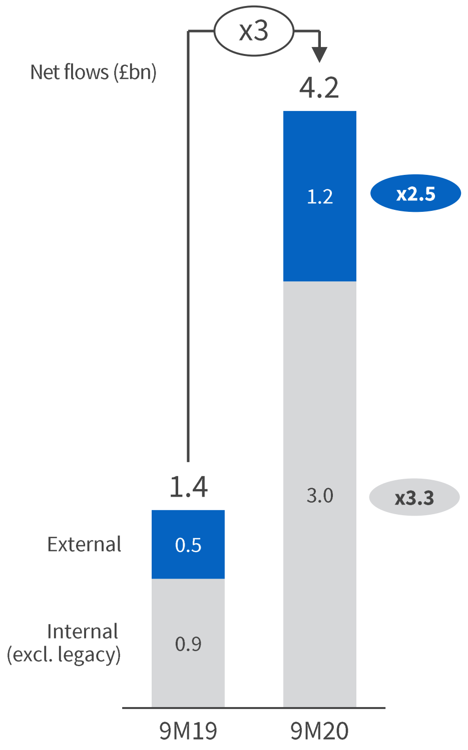
UK & Ireland Life
excl. S&R



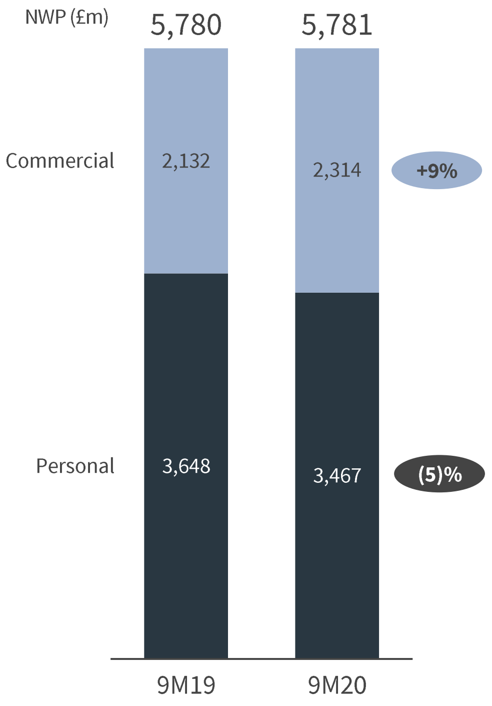
UK Savings & Retirement



Aviva Investors

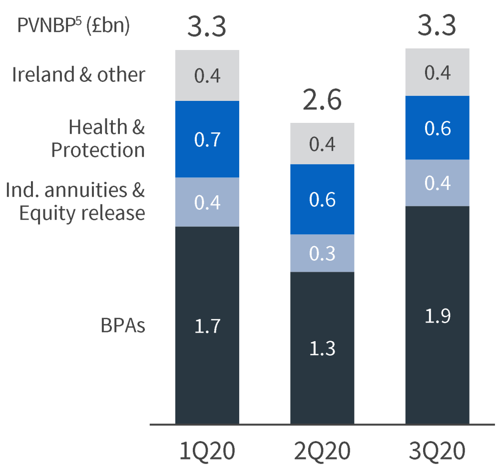


General insurance
UKGI, Ireland & Canada



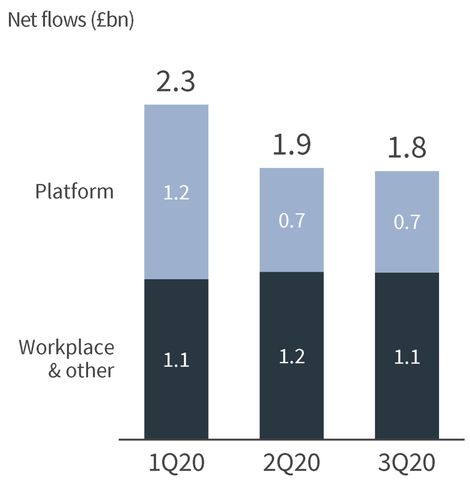
Resilient Q3 performance in UK, Ireland and Canada

UK & Ireland Life
excl. S&R



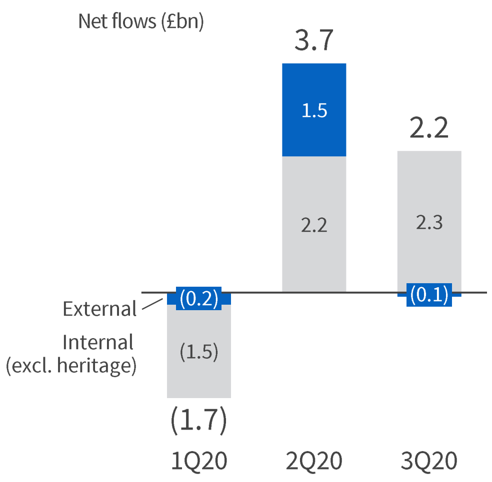
- BPA sales: +43% vs. 2Q20
- Temporarily lower NB margin pending target reinsurance and asset mix on BPAs

UK Savings & Retirement



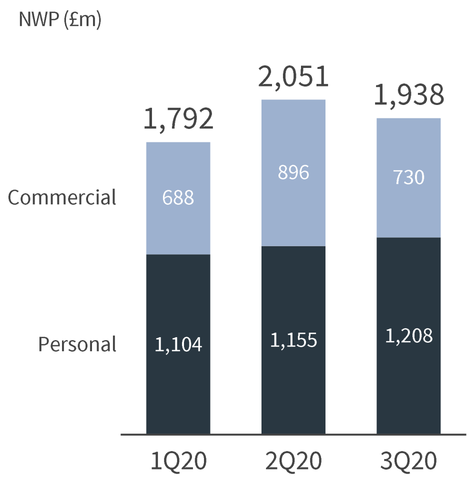
- Resilient Q3 inflows in line with 2Q20
- Cautious sentiment from ongoing macro and COVID-19 uncertainty

Aviva Investors



- External net flows in Q3 are flat, following significant wins in 2Q20
- +£2.3bn Q3 external liquidity net flows; £5.5bn YTD (9M19: £0.8bn)
- Heritage outflows of -£5.1bn YTD

General insurance
UKGI, Ireland & Canada

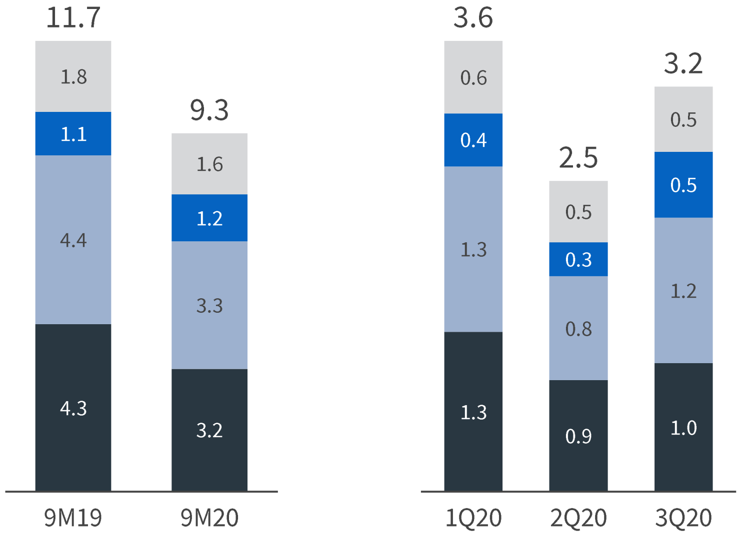


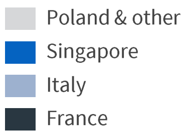
- 3Q20: stable vs. PY, lower vs. 2Q20 from expected seasonality
- Strong Q3 discrete underlying, partly offset by less benign weather
- COVID-19 net claims' estimate: c£100m

Manage-for-value businesses

Europe & Asia Life

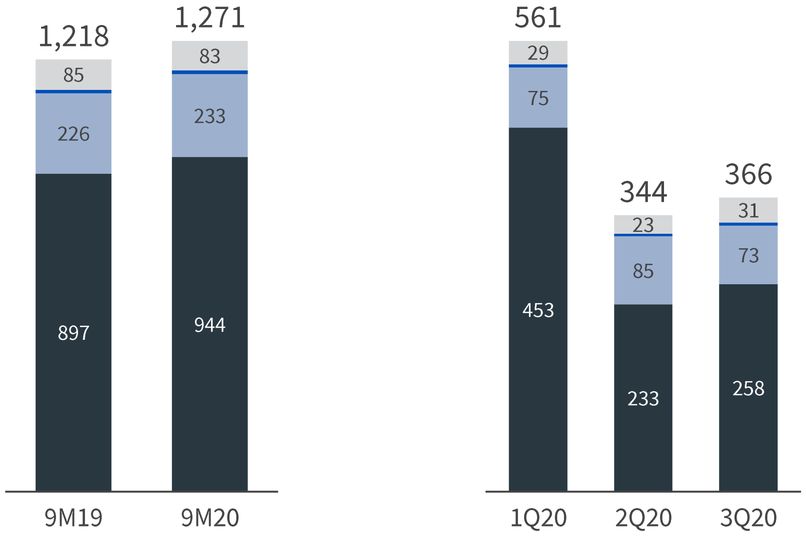
YTD PVNBP[5] (£bn) | Discrete PVNBP (£bn)





Europe & Asia General Insurance

YTD NWP[6] (£m) | Discrete NWP[6] (£m)

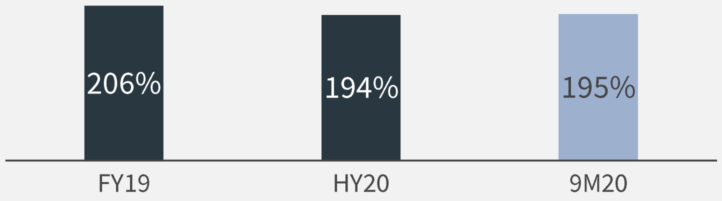


- YTD sales down 21% from active reduction of with-profit volumes in France & Italy, and impact from COVID-19 related confinement measures in 2Q20

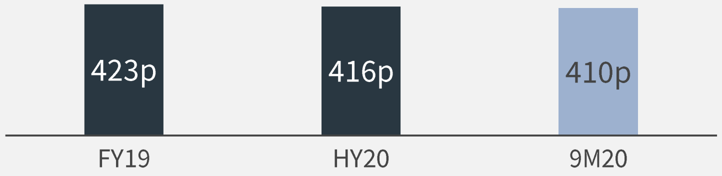
- YTD sales resilient, up 4%
- Discrete trading versus Q1 primarily a reflection of expected seasonality in France

Financial strength

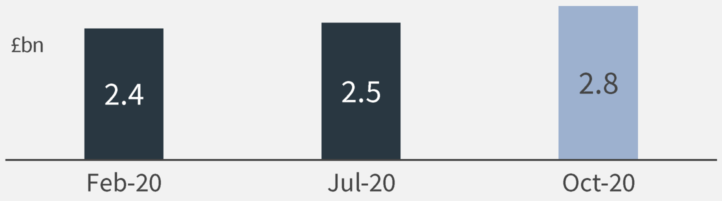
SII cover ratio[1,2]



SII NAV per share[2,7]



Centre liquidity



- SII ratio +1pp vs. HY: Q3 OCG partly offset by payment of 2nd 2019 interim dividend and French modelling
- Not included in 9M20 position: announced disposals of Singapore & Italy, and T2 CAD$450m debt issued in October

Shareholder corporate bonds: limited ratings' migration

- c7% portfolio downgraded to a lower rating "letter" (HY20: 4%) and <£15m downgraded to below investment grade (HY20: <£45m)
- No defaults (HY20: nil), vs. c4% corporate European trailing default rate
- Includes adjustment for potential future credit rating downgrades: full letter downgrade on 10% of BBB rated bonds & 5% of bonds rated ≥A
- c5% portfolio invested in oil & gas, airlines, retail and leisure (HY20: c5%) with c90% rated A and above (HY20: c85%)

Mortgage loans: low LTV portfolio

- Low levels of arrears to date. Stable average LTVs (HY20: 59%); c2% (£154m) loans in arrears (HY20: 1%)
- Remaining vigilant and will monitor positions through current period of stress

Our sustainable dividend policy is anchored to our core cash generation

£bn Remittances	2019-22 Targets	2019 Actual	2020-22	Average (2020-22 p.a.) illustrative
UK Life & AI (excl. specials)	4.5	(1.0)	3.5	1.1
Core GI (UK, Ireland & Canada)	1.9	(0.4)	1.5	0.5
UK, Ireland, Canada & AI	**6.4**	**(1.4)**	**5.0**	**1.6**
Debt & centre				(0.6)
Excess cash-flow				1.0
Illustrative cost of dividend @ 21p				0.8
Illustrative headroom				0.2

Excess cash flow and headroom will benefit from:

- Transformed performance and efficiency
- Debt costs will reduce as we deliver our leverage target
- Return of excess capital above 180% - potential lower share-count

Significant centre liquidity

Strongly capitalised core subsidiaries

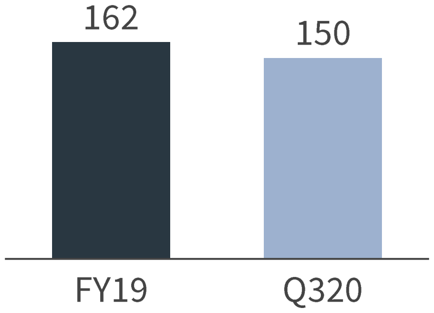
Reduced risk profile of core

Substantial investment embedded in targets

Remittances are supported by strong solvency positions

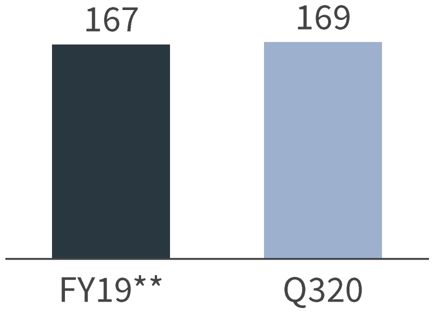
Key cash remitting entities solvency positions %

UK Life & Pensions
(Shareholder view)



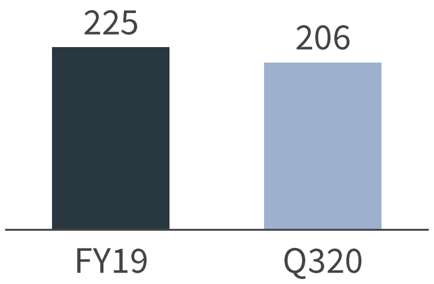
- Key sensitivities*:
  - IR -50bps (-4%)
  - Credit +100bps (-2%)
  - Equities -25% (-2%)
  - Comm. Mortgages -20% (-7%)

AIL (GI)



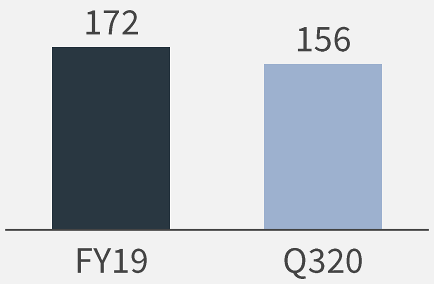
- Key sensitivities*:
  - IR -50bps (-7%)
  - Credit +100bps (+1%)

Canada (local basis)



- Key sensitivities*:
  - IR -50bps (-1%)
  - Credit +100bps (-5%)

Reinsurance mixer
(Shareholder view)



- Key sensitivities*:
  - IR -50bps (-4%)
  - Credit +100bps (-1%)

*Sensitivities are as at Q320, except Reinsurance mixer which is as at HY 2020
**Post the dividend remitted to Group in 2020

FY20 outlook

- Management actions & Other is expected to be above previous guidance of £0.2bn
  - Further benefits from UK longevity expected, albeit lower than 2019
- Trading impact from Q4 lockdowns remain uncertain but no significant increase in net BI claims expected
- Growth trends in Savings & Retirement are expected to moderate due to strong Q419 comparative
- Full year VNB margin expected to be generally consistent with 2019
- OCG resilient and largely in line with H1, after absorbing the impact of French modelling changes and associated enhancements
- FY20e cash remittances remain below 2019 but expect H2 2020 to be in excess of H2 2019

Strong foundations from which to succeed

- The leading insurer for all insurance, protection, savings and retirement needs in our home market
- Strong financial position from which to drive profitable growth
- Plans well developed to transform performance – will update on progress as we deliver
- Significant progress and value in focusing the portfolio
- Sustainable and resilient dividend growing at low to mid single digits over time, aligned to core businesses in the UK, Ireland & Canada

Meaningful change underway to unlock value

Q&A session

Amanda Blanc, Chief Executive Officer

Jason Windsor, Chief Financial Officer

Footnotes

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.

2. The estimated Solvency II position represents the shareholder view only.

3. Centre Liquidity is stated as at 31st October 2020.

4. The €0.8bn represents Aviva's share of Own funds at FY19 based on underlying holdings.

5. All percentages, including currency movements, are calculated on unrounded numbers so minor rounding differences may exist.

6. NWP for Singapore was £10m to 9M19 and £11m to 9M20. NWP for discrete quarters was 1Q20 £4m, 2Q20 £3m and 3Q20 £4m.

7. Number of shares as at 30 September 2020: 3,928 million (HY20: 3,928 million, 2019: 3,921 million).