

## Chief Executive Officer's report

**I've got high ambitions for Aviva. What we've done this year gives me increased confidence that we have all the building blocks in place to achieve those ambitions.**

In 2021, Aviva showed we've got what it takes to exceed customer expectations, execute our strategy at pace, and deliver sustainable growth.

### Overview

We've made substantial progress in my first full year as CEO and I'm very proud of what we've achieved together. I'd like to thank our people for really going the extra mile during an incredibly challenging period.

We've focused our portfolio. We're financially strong. Now we can draw a line under these elements of our strategy and focus on delivering Aviva's promise: realising the full potential of this business and meeting our clear commitments to customers and shareholders.

Our customers are at the heart of that promise. We want to bring the value of Aviva to more of them than ever before. This year, we've shown we can deliver on that ambition. But I'm under no illusions. We've only just started to show what we're capable of.

We're going to take maximum advantage of our brand, our scale, and the strong relationships of trust we enjoy with both customers and intermediaries. We have everything in the toolbox to succeed, and with a refreshed, highly capable management team in place, we're confident in our ability to make a strong business even better.



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Our performance shows Aviva has what it takes to deliver strong, sustainable returns for shareholders.  
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**Amanda Blanc**  
Group Chief Executive Officer

## Chief Executive Officer's report continued

# £7.5bn

**Generated from divestment of 8 non-core businesses**

### A year of substantial progress

We have made clear strategic progress this year. We divested eight non-core businesses, generating £7.5 billion of proceeds and realising excellent value for our shareholders. As a result, Aviva is now much leaner, simpler, and focused on the UK, Ireland and Canada, where we have market-leading positions and clear plans to deliver strong returns.

We have strengthened our financial position, reducing debt levels by £1.9 billion in 2021, and our Solvency II debt leverage ratio has fallen to 27%, in line with our target of below 30%. Our Solvency II shareholder cover ratio will stand at 191% (net of the announced capital return and allowing for further debt reduction and one-off pension payment), and c.186% after the Succession Wealth acquisition announced today. We continue to consider capital above a 180% Solvency II shareholder cover ratio as excess. Over time this may be used for investment in growth opportunities, or additional returns for shareholders.

Aviva is a market leader in sustainability, and we enhanced our track record during 2021. We were the first major insurer worldwide to commit to be Net Zero by 2040 across our operations, supply chain, underwriting and investment.

We've committed to deploy £6 billion into green investments by 2025, launched a flagship partnership with the World Wide Fund for Nature (WWF) and played a leading role at COP26, including as part of the Glasgow Financial Alliance for Net Zero.

We have also made tangible progress in our operating performance. Trading in 2021 was strong, showing we have the foundations to deliver on our promise of targeted growth through a relentless focus on consistent, superior operating performance.

Our continuing operations delivered 22% growth in cash remittances, to £1,662 million, and we have clear line of sight to growing and sustainable cash flows over the coming years, providing the crucial underpin to our dividend.

In UK & Ireland Life we delivered excellent present value of new business premiums (PVNBP) growth of 22% to £35.6 billion, driven by 33% growth in Savings & Retirement<sup>1</sup> (with record net flows, up 17%) and 5% growth in Annuities & Equity Release, including record BPA volumes of £6.2 billion. VNB, a key measure of the profitability of new business, was down 1% to £668 million, due to the impact of the lower spread environment on BPA margins.

For our continuing operations, General Insurance gross written premiums grew 6% to £8.8 billion, the highest in over a decade, benefiting from both volume and rate increases. General Insurance delivered an excellent combined operating ratio of 92.9%, 3.9pp better than 2020.

External net flows in Aviva Investors more than doubled as we continue to see positive signs of improving performance in this business in both the top and bottom line.

We continued to focus on cost efficiency. Our 2021 results benefit from cumulative controllable cost savings<sup>2</sup> of £244 million against our 2018 baseline, as well as absorbing c.£130 million of inflation over 2018-21, and we have now delivered all of the actions required to meet our existing £300 million target in 2022.

At a headline level, adjusted operating profit from continuing operations was down 10% to £1,634 million. However, excluding the management actions and other, which were lower than 2020, adjusted operating profit was up 16%, demonstrating the core earnings potential of Aviva.

In light of this progress and our financial position, the Board of Directors has declared a final dividend of 14.7 pence, bringing Aviva's 2021 total dividend per share to 22.05 pence, up 5% versus 2020.

### Growing ambition

Refocusing Aviva means we can deliver what we said we would – a substantial capital return to our shareholders. We are returning £4.75 billion in total, via a £1 billion share buyback - which is largely complete - and the balance of £3.75 billion via a B Share Scheme with a share consolidation<sup>3,4</sup>, which we intend to complete in the first half of 2022.

We are also setting out plans for further investment to accelerate growth in our core businesses. We will be investing £300 million over the next three years into growth and £200 million to accelerate efficiency in order to serve our customers more effectively. And we have announced the acquisition of Succession Wealth, a leading national independent financial advice firm, which will significantly enhance our position in the fast-growing wealth market.

Additionally, we have the means to look opportunistically at further 'bolt-on' acquisitions that would complement our target growth areas.

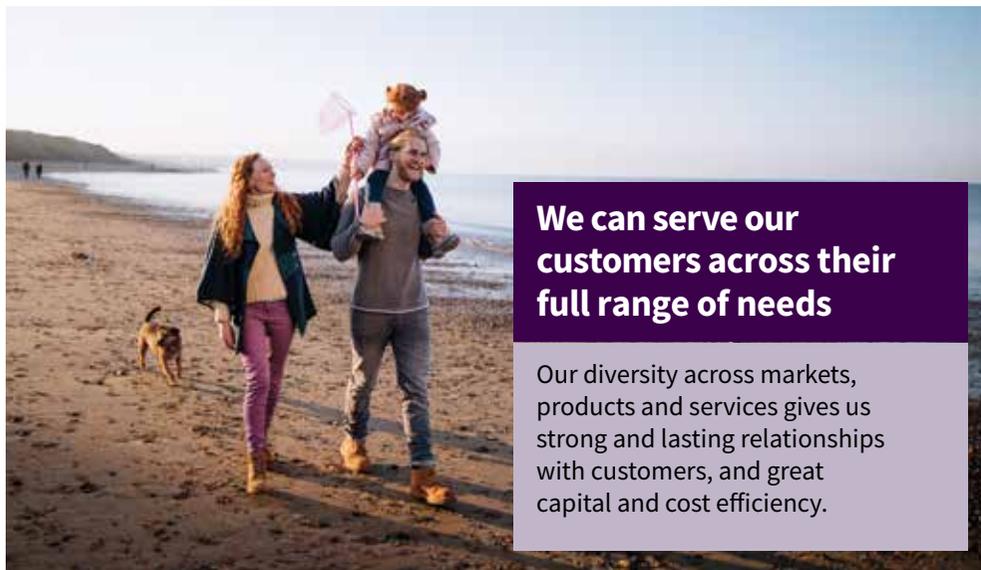
# £300m

**Investment to grow our core businesses**

Our confidence in the future means we are upgrading key financial targets. We're targeting cumulative cash remittances of greater than £5.4 billion across 2022-24 (up from greater than £5 billion 2021-23). We're introducing a new target to grow Solvency II own funds generation to £1.5 billion per annum by 2024, a key driver of long-term cash generation. We're increasing our cost savings target to £750 million gross of inflation across 2018-24<sup>2</sup>.

- 1 Savings & Retirement and Other
- 2 Represents controllable costs excluding cost reduction implementation and IFRS 17 costs
- 3 Subject to shareholder approval and customary conditions including no material deterioration in market conditions or the financial position of the company
- 4 There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.

## Chief Executive Officer's report continued



### We can serve our customers across their full range of needs

Our diversity across markets, products and services gives us strong and lasting relationships with customers, and great capital and cost efficiency.

Our performance shows Aviva has what it takes to deliver strong, sustainable returns for shareholders. The confidence that brings allows us to update our dividend policy, with clear guidance on dividends for the next two financial years.

For 2022 we estimate we will pay a dividend of approximately £870million, equivalent to an estimated per share amount of c.31.5 pence<sup>1,2</sup>, calculated using an illustrative consolidation ratio, an increase of c.40% on 2021. For 2023 we estimate we will pay a cash dividend of approximately £915 million which equates to an estimated dividend per share, calculated using an illustrative consolidation ratio, of around 33 pence<sup>1,2</sup>. Beyond 2023, we anticipate low-to-mid single digit growth in dividends per share.

This represents an attractive payout level, with long-term sustainability, and we are committed to delivering what we've promised.

### One Aviva

Our progress makes for an increasingly compelling case to invest in Aviva. As the leading UK provider of insurance, protection, savings and retirement solutions, with strong businesses in Canada and Ireland, and Aviva Investors, we can offer something no other business can.

We are in a unique position of market strength. We can serve our customers across their full range of needs and we are the only business of our kind in the UK to do so. This diversity across markets, products and services gives us strong and lasting relationships with customers, and material capital benefits and cost efficiency.

With these advantages from our diversified model – what we call One Aviva - we are well set to take full advantage of structural growth opportunities arising from societal trends. For example, offering retirement solutions to the one in four people in the UK who will be over 65 by 2039, or taking a big slice of the estimated £30-50 billion flowing into bulk purchase annuities each year over the next 5 years.

Combining structural growth, with an emphasis on top quartile cost efficiency, and outstanding trading performance, will lead to sustainable, healthy cash generation. That in turn will result in secure, growing dividends over the long term.

### Delivering Aviva's Promise

We aim to be a leading player in every major segment where we operate. Where we are already number one, we plan to leave the competition behind. Where we are not, we'll be chasing hard on their heels. We're focusing on four areas to make that a reality.

First, we will pursue continued, targeted growth in our priority areas: individual savings and retirement, workplace savings, bulk purchase annuities, protection and health, and general insurance. We have great capabilities, partnerships, and market shares, and we're ideally equipped to capitalise on big customer trends.

Second, we will provide leading customer experience and engagement. That means enhancing our digital capability to provide customers with a simpler, more personalised offering, with the products they need, when and how they need them.

Third, we are targeting top quartile efficiency and cost reduction. That means cutting old systems and products, making it easier for customers and brokers to deal with us, and automating processes to free up our people to focus on customer needs.

Finally, we will continue to live up to our responsibilities to people and the planet, changing the way we do business and using our influence to help others do the same, creating stronger communities, and embedding sustainability in everything we do.

### Accelerating momentum for 2022

Aviva's whole reason to exist – our purpose – is to be with you today, for a better tomorrow. This applies to our customers, our people, and to the communities where we live and work. And it applies to our shareholders, the owners of this business, sharing in the value Aviva creates.

We've delivered much in 2021 to help us live up to that purpose, giving us the momentum we need for success in 2022 and beyond. I've got high ambitions for Aviva, and what we've done this year gives me increased confidence that we have all the building blocks in place to achieve those ambitions.

**Amanda Blanc**  
Group Chief Executive Officer  
1 March 2022

<sup>1</sup> Estimated dividends are for guidance, these are calculated using the illustrative consolidation ratio and are subject to change. The Board has not approved or made any decision to pay any dividend in respect of any future period.

<sup>2</sup> There are important notices relating to the B share scheme and illustrative share consolidation ratio and illustrative future dividend per share set out in the Chief Financial Officer's Report. Please read those notices in full in order to obtain a comprehensive understanding of the Company's proposals.