News Release

27 May 2021

AVIVA PLC Q1 2021 TRADING UPDATE*

Strategic delivery and continuing momentum as we look forward with growing confidence

Record quarterly Savings & Retirement net flows and highest Q1 sales[1] in General Insurance for a decade

- Core Life PVNBP of £8.3bn (Q120: £8.3bn) with growth in Savings & Retirement and lower volumes of Annuities & Equity Release in a subdued market compared to a strong start in 2020
- Core General Insurance gross written premiums (GWP) up 4% to £2.0bn (Q120: £1.9bn) and COR 90.6% (Q120: 118.7%)

Workplace	Adviser Platform	Annuities & ER	GI Commercial Lines	GI Personal Lines
£1.5bn	£1.4bn	£1.0bn	£868m	£1,123m
Net flows +26%	Net flows +29%	PVNBP (52)%	GWP +11%	GWP (1)%
Q120: £1.2bn	Q120: £1.1bn	Q120: £2.2bn	Q120: £784m	Q120: £1,136m

Strategic delivery with 8 businesses sold for £7.5bn with proceeds expected by end of 2021

- Now completed disposals of Aviva Vita and Turkey and signed the Sale & Purchase Agreement in France following conclusion of the consultation processes
- Substantial return of capital to shareholders following completion of the announced transactions

Significant financial strength

- Solvency II shareholder cover ratio of 209% (FY20: 202%) and centre liquidity (Apr 21) of £2.9bn (Feb 21: £4.1bn)
- Solvency II debt leverage ratio of 28% (FY20: 31%) reflecting successful £1bn tender in Q121 with a further reduction of 2% reflecting £0.9bn of upcoming maturities expected in the second quarter

Greater focus on improving the performance of the business

- Core controllable costs[2] (excluding cost reduction implementation and IFRS 17 costs) of £720m (Q120: £725m) on track to achieve savings of £300m relative to our 2018 baseline in 2022
- Investment in organic growth and simplifying the business where we see clear benefits for shareholders

Amanda Blanc, Group Chief Executive Officer, said:

"We made very good progress in the first quarter. We concluded the refocus of our portfolio, selling eight non-core businesses which will generate total cash proceeds of £7.5 billion once completed. We have made excellent headway in reducing leverage with debt reduction of £1.9 billion in the first half of 2021 and we expect the leverage ratio to be around 26% at the half year.

We are now focused on improving the growth and profitability of our businesses in the UK, Ireland, Canada and Aviva Investors. We are pleased with the growing momentum in key areas as we capitalise on our leading market positions. Net flows in Savings & Retirement increased by 31% and Aviva Investors is seeing improving flows and investment performance. Demand for bulk purchase annuities was subdued in the first quarter but we have seen a good start to the second quarter. Sales[1] in commercial insurance continue to grow strongly, up 13% in the UK and 6% in Canada, while in UK personal lines we maintained premiums while growing market share.

We have continued to support our customers dealing with COVID, including extending cover and deferring monthly payments for those experiencing financial difficulty.

Our positive trading performance in the first quarter of 2021 reinforces our confidence in the targets we announced earlier in the year. Nevertheless, we remain sharply focused on further improving performance, recognising we still have much more to do, to deliver stronger returns for our shareholders."

1 References to sales represent present value of new business premiums (PVNBP) for our life business and gross written premiums (GWP) for our general insurance business, which are APMs and further information can be found in the 'Other information' section of the Preliminary Announcement 2020. Reference to record Q1 sales refers to core GI markets in the UK, Ireland and Canada.
2 Core controllable costs include core markets (including Aviva Investors discontinued operations in France and Poland), corporate centre and other Group operations.

*This announcement contains inside information. The person responsible for making this announcement on behalf of the Group is Kirstine Cooper (Group Company Secretary).

Life sales[1] and Value of New Business (VNB)

	PVNBP			VNB		
	Q121 £m	Q120 £m	Sterling % change	**Q121 £m**	Q120 £m	Sterling % change
Savings & Retirement and Other	**6,168**	5,013	23%	**54**	45	20%
Annuities & Equity Release	**1,047**	2,168	(52)%	**—**	48	(100)%
Protection & Health	**630**	674	(7)%	**51**	47	9%
Ireland Life	**424**	447	(5)%	**5**	2	150%
UK & Ireland Life total	**8,269**	8,302	—%	**110**	142	(23)%
Strategic investments	**398**	207	92%	**42**	4	950%
Discontinued operations	**3,129**	3,380	(7)%	**110**	162	(32)%
Total[2]	**11,796**	11,889	(1)%	**262**	308	(15)%

Savings & Retirement sales grew 23% driven by strong performance across both Workplace and Platform. In Workplace, sales were up 22%, driven by new scheme members (up 61,000 in Q1 to 3.9 million) helped by scheme wins. In Platform, sales were up 26% as strong in-flows benefited from improved retail investor sentiment and pent-up demand.

Annuities & Equity Release sales were 52% lower, reflecting a particularly strong start to 2020 and lower volumes of bulk purchase annuity transactions in the market at the start of 2021. BPA sales reduced to £0.7bn from £1.7bn in this subdued market. We have made a good start to the second quarter and have now written £1.6bn of BPA volumes year to date. VNB reflected a combination of lower volumes as well as lower spreads combined with a temporary delay in achieving our desired asset mix which we expect to improve as we switch assets from cash and gilts to illiquids over the course of the year.

Protection & Health sales were down 7%. Individual Protection saw sales 15% lower as lockdown measures impacted demand. However, we remain optimistic that Individual Protection will improve due to our plans to bring our proposition to price comparison websites, and a gradual opening of the economy that should help increase demand as the year progresses. Group Protection continues to perform strongly, up 15% driven by strong persistency with good margins. Health was down 5%, primarily reflecting a strong prior period in 2020. Despite the lower sales, Health VNB increased, driven by improved mix. The health business has recently updated its consumer and SME propositions, with good early indicators based on volumes in March which was one of our strongest months on record .

Savings & Retirement and Aviva Investors net flows[3] and assets under management (AUM)

	Net flows			Assets under management		
	Q121 £m	Q120 £m	change	**31 Mar 21 £bn**	31 Dec 20 £bn	change
Savings & Retirement	**2,978**	2,266	31%	**133**	128	4%
Aviva Investors	**(177)**	(2,907)	94%	**349**	366	(5)%
Of which: Aviva Investors external assets	**204**	(173)	218%	**71**	74	(4)%

Savings & Retirement net flows were up 31% benefiting from strong performance in both Workplace and Platform. Workplace net flows increased by 26% to £1.5bn (Q120: £1.2bn) benefitting from growth in members and our most successful tax year-end bonus sacrifice campaign. Our adviser platform business also had a strong quarter with net flows up 29% to £1.4bn (Q120: £1.1bn), only narrowly missing out on the top market position but at 4% of opening assets the highest rate of growth of any adviser platform with over £20bn in assets. Adviser platform AUM increased by 5% in the quarter and 35% over the last 12 months to £34bn. Our direct platform and Wealthify also saw growing net inflows of £0.2bn, helping to offset outflows of older style individual pensions resulting in net flows across other Savings & Retirement propositions of £nil (Q120: net outflow of £0.1bn).

Aviva Investors net outflows of £177m improved compared to outflows of £2.9bn in the first quarter of 2020, while Aviva Investors external assets (excluding liquidity funds) net flows were positive at £204m, higher than the same period last year. Our pipeline of third party business continues to build as we capitalise on our recognised ESG credentials and strength in real assets, private debt, infrastructure and credit. Lower AUM also reflected stronger sterling and rising yields.

1 References to sales represent present value of new business premiums (PVNBP) which is an APM and further information can be found in the 'Other information' section of the Preliminary Announcement 2020.
2 Excludes Aviva Investors
3 Aviva Investors net flows includes Aviva Investors' discontinued operations in France and Poland and excludes liquidity funds and cash

General Insurance GWP and COR

	Personal lines			Commercial lines			GWP Total			COR Total		
	Q121 £m	Q120 £m	Sterling % change	**Q121 £m**	Q120 £m	Sterling % change	**Q121 £m**	Q120 £m	Sterling % change	**Q121 %**	Q120 %	Change
UK	**643**	643	—%	**552**	488	13%	**1,195**	1,131	6%	**92.1**	133.5	(41.4)pp
Ireland	**53**	57	(7)%	**57**	51	12%	**110**	108	2%	**94.4**	105.5	(11.1)pp
Canada	**427**	436	(2)%	**259**	245	6%	**686**	681	1%	**88.1**	100.1	(12.0)pp
Total	**1,123**	1,136	(1)%	**868**	784	11%	**1,991**	1,920	4%	**90.6**	118.7	(28.1)pp
Discontinued							**630**	579	9%	**91.5**	93.0	(1.5)pp
Group							**2,621**	2,499	5%	**90.8**	114.2	(23.4)pp

UK, Ireland and Canada COR improved sharply to 90.6% from 118.7% owing to better underwriting performance, benign weather experience, a reduction in COVID-19 related claims compared to the prior year and frequency benefits in motor lines from continuing lockdowns. While the significant decline in motor rates seen over the last 12 months combined with increasing claims frequency as lockdown restrictions are lifted will have an impact on COR going forward we still expect our full year COR to be below 95%.

GWP across UK, Ireland and Canada grew 4% to £2bn, including 6% growth in the UK, 2% in Ireland and 1% in Canada. This reflected strong new business wins and a favourable rate environment in commercial lines as well as growth and increasing market share in UK retail (direct) personal lines including price comparison websites.

In UK commercial lines, well-priced new business opportunities, strong retention and continued rate momentum led to 17% growth in Global Corporate and Specialty (GCS) lines. The small and medium-sized enterprise (SME) sales grew by 10% as volumes in both mid-market and digital increased. The quality of our service and proposition has been recognised in the GlobalData Survey of UK commercial lines brokers as the insurer with the highest ranking across all service categories. This included standout performance in digital services including e-trading, extranet sites and online support with over 50% of all brokers viewing Aviva as the best in class, more than 40 percentage points ahead of the nearest competitors. This is an increasingly important area as COVID-19 accelerates the digital transformation of intermediaries.

Our personal lines business in the UK achieved stable sales and growing market share in a difficult market with weaker rates. This reflected 4% growth in retail direct with the successful launch of our Aviva brand's motor and home offerings on the major price comparison websites helping to offset the ongoing impact of the national lockdown on motor rates which continued to decline. New partnership deals entered into recently have also supported growth in home personal lines. However, COVID-19 lockdown restrictions continue to impact our intermediated business as the operations of some of our distribution partners remain disrupted while demand for travel insurance is low given restrictions on international travel.

GWP in Canada personal lines business is slightly down on prior year due to a combination of lower rates in motor and reduced coverage demand, as consumers are driving less. We have announced further rate reductions in Ontario motor which will be implemented in the second quarter. This was offset by strong growth in commercial lines driven by new business wins and a favourable rate environment.

Capital & Centre liquidity

	Solvency II shareholder cover ratio			Centre liquidity	
	31 Mar 21	31 Dec 20	change	April 21 £bn	Feb 21 £bn
Group	**209%**	202%	7pp	2.9	4.1

Our financial position remains strong with a Solvency II shareholder cover ratio of 209% at 31 March 2021. Solvency II Operating Capital Generation (OCG), and favourable capital market movements driven mainly by the increase in interest rates over the quarter, were partly offset by the declared FY20 final dividend and derecognition of £1.1bn of subordinated debt (£0.7bn redeemed through the tender and £0.4bn approved for redemption in Q2).

Movement in Solvency II shareholder surplus	**3 months to 31 Mar 21 £bn**	12 months to 31 Dec 20 £bn
Solvency II shareholder surplus at 1 January	**13.0**	12.5
Total capital generation	**1.1**	0.2
Dividends	**(0.6)**	(0.5)
(Derecognition)/issue of subordinated debt	**(1.1)**	0.3
Disposals completed	**—**	0.6
Estimated Solvency II shareholder surplus at 31 March/31 December	**12.5**	13.0

Our Solvency II debt leverage ratio reduced to 28% from 31% at 31 December 2020 with a further reduction of 2% expected in the second quarter reflecting planned debt redemptions.

Our centre liquidity of £2.9bn, as at the end April 2021, is similarly strong. This is after our successful debt tender but does not yet reflect the payment of the final dividend of £0.6bn made on 14 May 2021 nor £0.9bn from further debt reduction in Q2.

Capital adjusted for H1 debt reduction and announced transactions not yet completed

Pro forma £bn unless otherwise stated	31 Mar 21	£450m Tier 2 Jun 2021 first call	Remaining disposals	Post announced disposals and debt reductions
Own funds	23.9	(0.5)	(0.4)	23.0
SCR	(11.4)	—	2.3	(9.1)
Solvency II Shareholder cover ratio (%)	**209%**	**(4)%**	**48%**	**253%**

Our pro forma prospective Solvency II cover ratio allowing for the completion of previously announced divestments, and the £450m of debt expected to be redeemed in June, is estimated at 253%. The estimated SCR of £9.1bn after the strategic restructuring, includes a c. £2bn benefit from group diversification.

Outlook

We are increasingly confident that the steps we are taking to transform our business position us well to capitalise on the growth opportunities in our core markets of UK, Ireland and Canada despite the continued economic and COVID-19 uncertainties. In the UK we expect to see continued strong momentum in Savings & Retirement and our pipeline of bulk purchase annuity business remains strong, while we will remain focused on profitability of new business over volumes. In general insurance, we continue to see good opportunities for growth in commercial lines as we capitalise on our leading positions with brokers and the favourable rate environment. In personal lines, we continued to benefit from lower claims frequency in Q1 which has more than offset the weaker rate environment in motor in the UK, Ireland and Canada; however this positive impact will decline as economic activity begins to return to normal, tempering the improvement in the COR, nevertheless we still expect the COR to be below 95% for the full year. We will provide a further update on the substantial capital returns to shareholders later in the year as we make progress with the completion of the divestments.

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An analyst call will take place at 0830hrs BST on 27 May 2021 and will be live-streamed via our website. A replay will be available after the event. www.aviva.com

Notes to editors:

- All figures have been retranslated at average exchange rates applying for the period, with the exception of the capital position which is translates at the closing rates on 31 March 2021. The average rates employed in this announcement are 1 euro = £0.88 (Q120: 1 euro = £0.86) and CAD$1 = £0.57 (Q120: CAD$1 = £0.58).
- Throughout this trading update 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 Preliminary Announcement 2020.
- Aviva exists to be with people when it really matters, throughout their lives. 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 2020, we paid £30.6 billion in claims and benefits to our customers.
- We are focused on the UK, Ireland and Canada where we have leading market positions and significant potential. We will invest for growth in these markets. 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. We also have strategic investments in Singapore, China and India.
- Total group assets under management at Aviva Group as at 31 December 2020 are £535bn and our Solvency II shareholder capital surplus is £12.5bn as at 31 March 2021. 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

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 local and international political and economic situation generally; 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 cause policyholders to surrender their contracts, 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 impact of Covid-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; 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 customer's 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 extension of use of 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; the inability to protect our intellectual property; the effect of undisclosed liabilities, execution and separation issues and other risks associated with our business disposals; and the timing/regulatory approval impact and other uncertainties, such as diversion of management attention and other resources, relating to announced and future 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, Canada or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see the 'Risk and risk management' section 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 report are current only as of the date on which such statements are made.

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