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News Release

18 May 2022

Aviva plc Q1 2022 Trading Update

Continued progress and trading momentum across Life and General Insurance

Strong and resilient capital position, with capital return to be completed by end of May

On track to meet upgraded targets outlined at FY 2021

Wealth	Annuities & Equity Release	UK & Ireland Life	General Insurance	Solvency II
£2.7bn	£1.3bn	£8.4bn	£2.1bn	192%
Net flows, 7%[1] of opening AuM	Sales[2] +22%	Sales[2] +2%	GWP +5%	Pro forma[3] cover ratio
Q121: £2.9bn	Q121: £1.0bn	Q121: £8.3bn	Q121: £2.0bn	FY21: 186%

Amanda Blanc, Group Chief Executive Officer, said:

"First quarter trading was positive, and our performance shows the clear benefit of Aviva's business mix across insurance, wealth and retirement. We delivered healthy sales numbers across all our major business lines, with UK customer numbers up by over 100,000 in the last year to 15.4m, increasing our confidence that we can transform Aviva's performance and grow.

"UK & Ireland Life sales are up 2%, and net flows into our Wealth business remained strong at £2.7 billion, despite market volatility. Our Advisor platform is now the number one in the market for net flows, and in Annuities and Equity Release we saw increased bulk purchase annuities volumes, written with good returns.

"We have also continued our momentum in General Insurance where we had our best first quarter sales in a decade, as more people were attracted to the strength of the Aviva brand and the quality of our products. Total General Insurance sales were up 5% to over £2 billion, driven by strong sales in commercial lines in both the UK and Canada.

"We remain very well positioned to benefit from the long term growth trends in our markets, and to meet our upgraded financial targets. This is underpinned by our strong capital position which benefits from rising interest rates. Our financial strength and market leadership give us confidence that we can successfully navigate the current uncertain economic conditions."

Continued growth in Life sales[2] and record Q1 General Insurance premiums

- UK&I Life sales of £8.4bn, up 2% (Q121: £8.3bn) with growth in Annuities & Equity Release and Protection & Health partly offset by Wealth.
- Total BPA sales in Q1 were £843m, up 29%, with a healthy pipeline weighted towards the second half of the year.
- UK&I Life value of new business (VNB) £144m, up 31%, and VNB margin of 1.7% (Q121: 1.3%), driven by Annuities & Equity Release VNB of £31m (Q121: £nil).
- General Insurance gross written premiums (GWP) up 5% in Q1 to £2.1bn, another record. UK&I GI GWP up 3% to £1,347m and Canadian GI GWP up 10% to £753m.
- GI combined ratio (COR) of 96.4% (Q121: 90.6%) reflecting £70m cost for the February storms in UK GI and more normal motor claims frequency.

1 Q1 net flows annualised as a percentage of opening assets under management
2 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 the Full Year 2021 Results announcement.
3 Pro forma for further debt reduction of £500m over time and pension scheme payment, and after the impact of the acquisition of Succession Wealth. Actual Q1 Solvency II cover ratio is 205% (FY21: 244%).
* The financial information for comparative periods in this trading update refer to continuing operations only.

Continued focus on cost efficiency

- Controllable costs down 3% (excluding cost reduction implementation, strategic investment and IFRS 17 costs) to £683m at Q1 (Q121: £705m).
- On track to achieve savings target of £750m gross savings (£400m net of inflation) by 2024 relative to our 2018 baseline.

Capital return process nearing completion

- Shareholder approval received for £3.75bn return of capital via B Share Scheme. Total capital return to shareholders of £4.75bn will therefore be complete by end May 2022.
- 76 for 100 share consolidation now completed with new share count of 2,802m as at 16 May.

Solvency and liquidity remain strong and resilient

- Solvency II shareholder cover ratio of 205% (FY21: 244 %) was 39pp lower driven by £3.75bn capital return, £500m redemption of subordinated debt, 2021 final dividend, partly offset by operating capital generation in the period and the beneficial impact of higher interest rates.
- Solvency II cover ratio of 198% (FY21: 191%), pro forma for further debt reduction of £500m over time and £75m pension scheme payment. The acquisition of Succession Wealth will further reduce this pro forma ratio to 192% (FY21:186%).
- Solvency II Operating Capital Generation (OCG) for our UK Life Heritage business was £175m in 2021, representing c.9% of business unit OCG. We expect Heritage OCG to run-off by c.£10-£15m per annum.
- Centre liquidity (Apr 22) of £5.8bn (Feb 22: £6.6bn). Centre liquidity of £1.5bn pro forma for the £3.75bn capital return, further £500m debt reduction over time and £75m pension scheme payment.
- £500m Tier 2 Notes matured in April, completing half of our targeted further £1bn debt reduction.

Significant progress on ESG rating

- Sustainalytics ESG risk rating improves to 11.3, now ranking Aviva 6th[1] out of 296 global insurers (up from 25th) and ahead of all UK Financial Services peers.

Outlook

- We remain confident and on track to meet the cash remittance, own funds generation, and cost reduction targets outlined at our FY 2021 results presentation.
- Our dividend guidance[2] of c.£870m for 2022 and c.£915m for 2023 remains unchanged. Following the capital return and share consolidation this would be equivalent to per share amounts of c.31.0p and c.32.5p respectively.
- The acquisition of Succession Wealth, announced in March, remains on track to complete in the second half of 2022.
- Our strong leadership positions, together with the actions we have taken over the past two years to strengthen our financial position, leave us well placed to navigate the prevailing economic environment.

Pages 3 to 5 of this release cover Q122 trading performance and capital in further detail

1 As at 17 May 2022
2 Estimated dividends are for guidance only. The Board has not approved or made any decision to pay any dividend in respect of any future period.

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

	PVNBP			VNB		
	Q122 £m	Q121 £m	Sterling % change	**Q122 £m**	Q121 £m	Sterling % change
Annuities & Equity Release	**1,279**	1,047	22 %	**31**	—	100%
Protection & Health	**696**	630	10 %	**57**	51	12 %
Wealth & Other	**6,010**	6,168	(3)%	**49**	54	(9)%
Ireland Life	**445**	424	5 %	**7**	5	40 %
UK & Ireland Life total	**8,430**	8,269	2 %	**144**	110	31 %
International investments	**303**	398	(24)%	**19**	42	(55)%
Total	**8,733**	8,667	1 %	**163**	152	7 %

Total Life sales of £8.7bn, up 1%. VNB up 7% to £163m.

Annuities & Equity Release

- Sales were 22% higher, driven primarily by improvement in BPA volumes compared with the low volumes of transactions seen in the market in Q1 2021, as well as strong growth in Equity Release, partially offset by lower levels of Individual Annuity business. There is a healthy BPA pipeline weighted towards the second half of the year.
- VNB up strongly to £31m (Q121: £nil). This reflects higher availability and allocation of illiquid assets backing annuities in the quarter compared with the prior period. As usual, the majority of illiquid allocation will occur towards the end of the year, and so VNB margins are likely to be lower at half year 2022 before improving in the second half.
- Our VNB represents the impact on Solvency II Own Funds in year 1. It therefore excludes margins earned in future years, which emerge in our numbers over time. We also use the actual assets and reinsurance achieved within the reporting period, rather than an approach based on longer term target asset and/or reinsurance mix.

Protection & Health

- Overall sales were up 10% driven by strong performances in Group Protection and Health.
- Health was up 21% as our Expert Select proposition for consumers continues to perform strongly, while we also saw good performance in the SME line.
- Protection was up 7% in total, driven by strong growth in Group Protection which included the benefit of one significant scheme win.
- VNB grew 12% driven by higher volumes in Group Protection and Health, partially offset by increases in the yield curve which negatively impacts VNB in Protection.

Wealth & Other

- Overall sales were 3% lower reflecting market volatility which dampened investment activity, as well as strong prior period comparator in workplace where Q1 2021 had benefited from significant scheme wins that were delayed during 2020.
- VNB was 9% lower at £49m (Q121: £54m) in part due to lower volumes in the period.

Ireland Life

- Sales grew 5% driven by continued strong sales in unit-linked business.
- Continued focus on financial discipline and improved margins from delivery of our new rationalised product offerings has supported VNB growth of 40%.

International Investments

- Sales 24% lower reflecting strong prior period comparators which benefited from new product launches in Singapore and China, together with the impact of lockdowns in Q1 this year.

1 References to sales represent present value of new business premiums (PVNBP) which is an Alternative Performance Measure (APM) and further information can be found in the 'Other information' section of the Full Year 2021 Results announcement.

Wealth and Aviva Investors net flows[1] and assets under management (AUM)

	Net flows			Assets under management		
	Q122 £m	Q121 £m	change	**31 Mar 22 £bn**	31 Dec 21 £bn	change
Wealth[2]	**2,721**	2,896	(6)%	**150**	152	(1)%
Of which: platform	**1,454**	1,531	(5)%			
Of which: workplace	**1,412**	1,543	(8)%			
Of which: individual pensions and other	**(145)**	(178)	(19)%			
Aviva Investors	**(4,283)**	20		**253**	268	(5)%
Of which: external assets	**(235)**	184				
Of which: internal assets	**(1,194)**	(164)				
Of which: strategic actions	**(2,854)**	—				

Wealth

- Net flows of £2.7bn remained strong at 7% (annualised) of opening AuM, though were 6% lower than Q121 (£2.9bn). This reflected lower inflows due to market volatility, and an improved lapse rate of 6% that was nearly 1pp lower than Q1 2021.
- Platform net flows were 5% lower at £1.45bn (Q121: £1.53bn), as market volatility resulted in lower investment activity and switching in the period. Performance remains strong, and our Advisor Platform reached the significant milestone of taking #1 ranking in net flows for the whole of 2021 for the first time.
- Workplace net flows remained strong at £1.4bn (Q121: £1.5bn), with the reduction in flows primarily a result of a strong Q1 in 2021 which benefited from a number of scheme wins whose transition had been delayed in 2020.

Aviva Investors

- External net flows of £(0.2)bn (Q121: £0.2bn), excluding cash and liquidity funds, reflected volatile market conditions.
- Internal asset net flows of £(1.2)bn (Q121: £(0.2)bn) reflected expected outflows from internal assets, mainly Heritage. Strategic actions net flows of £(2.9)bn largely relate to exit decisions taken by clients previously part of the Group, mainly Aviva Investors France.
- Fund performance remains strong, with 76% of funds above benchmark over 1 year (FY21: 69%) and 66% over 3 years (FY21: 65%).
- We continue to focus on our strengths of ESG, real assets, infrastructure and credit, while improving the efficiency of the business.

General Insurance GWP and COR

	Personal lines			Commercial lines			GWP Total			COR Total		
	Q122 £m	Q121 £m	Sterling % change	**Q122 £m**	Q121 £m	Sterling % change	**Q122 £m**	Q121 £m	Sterling % change	**Q122 %**	Q121 %	Change
UK	**627**	643	(2)%	**611**	552	11 %	**1,238**	1,195	4 %	**99.4 %**	92.1 %	7.3 pp
Ireland	**46**	53	(13)%	**63**	57	11 %	**109**	110	(1)%	**100.9 %**	94.4 %	6.5 pp
Canada	**451**	427	6 %	**302**	259	17 %	**753**	686	10 %	**91.8 %**	88.1 %	3.7 pp
Total	**1,124**	1,123	— %	**976**	868	12 %	**2,100**	1,991	5 %	**96.4 %**	90.6 %	5.8pp

Overall

- GWP up 5% to £2.1bn (Q121: £2.0bn), another record first quarter. The UK delivered growth of 4% and Canada 10%.
- COR was 5.8pp higher at 96.4% (Q121: 90.6%) following a return to more normal claims frequency together with higher UK weather costs versus long-term average.
- In line with the market, we are observing increasing claims inflation across our GI businesses as a result of macro-economic uncertainties and volatility. In response we have taken swift pricing, underwriting and claims management actions to mitigate this, and we expect these actions to continue.

UK & Ireland

- UK commercial lines growth of 11% was driven by continued rate momentum (7pp) and strong new business growth and retention (4pp) , including growth of 12% in SME and 9% in Global Corporate and Specialty (GCS) lines.
- Personal lines down 2%, with Retail premiums down 1% driven by pricing discipline in a soft rating environment, and Intermediated premiums also down as we continue to reshape the portfolio towards higher margin lines.

1 Aviva Investors net flows excludes liquidity funds and cash
2 Q121 re-presented to remove Wealthify which is now shown as a Group investment

- Following the FCA pricing practices review, policy retention in Q1 has increased across both Home and Motor.
- UK GI COR of 99.4%, was 7.3pp higher than prior year, of which 5.2pp relates to higher weather costs (the February storms cost £70m). A return to more normal claims frequency also adversely impacted the COR.
- In Ireland, growth of 4% (at constant currency) was driven by Commercial Lines, whilst the COR of 100.9% reflected more normal claims frequency and adverse large losses.

Canada

- Commercial lines premiums were 17% higher (13% higher at constant currency), with the business benefiting from new business activity, and the favourable rate environment.
- Personal lines premiums were 6% higher (3% higher at constant currency), reflecting strong rate increases against the inflationary backdrop.
- COR of 91.8%, was 3.7pp higher than prior year mainly due to more normal levels of claims frequency.

Capital & centre liquidity

Solvency II shareholder cover ratio

- The cover ratio reduced by 39pp during the quarter to 205% (FY21: 244%).
- This was driven by the £3.75bn capital return which is now fully recognised in our Solvency II position, the redemption of £500m of subordinated debt, and the 2021 final dividend, partly offset by Solvency II Operating Capital Generation (OCG) in the period and the beneficial impact of higher interest rates.
- Estimated pro forma cover ratio of 198%, allowing for a further £500m debt reduction over time and £75m pension scheme payment. The acquisition of Succession Wealth will further reduce this pro forma ratio to 192%.

		Movements recognised in Q1 2022[1]							
£bn	FY 2021	£3.75bn capital return	£500m redemption of subordinated debt	2021 final dividend	Total capital generation	Q1 2022	Further debt reduction & pension scheme payment	Pro forma estimated at Q1 2022	Pro forma estimated at FY 2021
Own funds	22.2	(3.75)	(0.5)	(0.55)	(0.1)	17.3	(0.6)	16.7	17.4
SCR	(9.1)	—	—	—	0.6	(8.4)	—	(8.4)	(9.1)
Surplus	13.1	(3.75)	(0.5)	(0.55)	0.6	8.8	(0.6)	8.3	8.3
Solvency II Shareholder cover ratio (%)	**244 %**					**205 %**		**198 %**	**191 %**

Solvency II debt leverage ratio

- Solvency II debt leverage of 29% at Q122 after allowing for the £500m subordinated debt redemption on 21 April (FY21: 27%).
- Estimated pro forma debt leverage of 28%, allowing for a further £500m debt reduction over time and £75m pension scheme payment.

Centre liquidity

- Centre liquidity of £5.8bn as at the end of April 2022 (Feb 2022: £6.6bn), primarily reflecting the redemption of £500m of subordinated debt.
- Estimated pro forma centre liquidity of £1.5bn, allowing for the £3.75bn capital return, a further £500m debt reduction over time and £75m pension scheme payment.

1 Rounding differences apply

Analyst call

An analyst call will take place at 0830hrs BST on 18 May 2022 and will be live-streamed via our website. A replay will be available after the event. www.aviva.com

Upcoming events

We will be hosting the next of our Aviva In Focus sessions on 29 June 2022. The session will cover our Annuities & Equity Release business, together with asset origination. For further details please email: IR@aviva.com.

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Notes to editors

- 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 2021 Results Announcement.
- 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 31 March 2022. The average rates employed in this announcement are 1 euro = £0.84 (Q1 2021: 1 euro = £0.88) and CAD$1 = £0.59 (Q1 2021: CAD$1 = £0.57). Growth rates in this announcement have been provided in sterling terms unless stated otherwise.
- We are the UK's leading Insurance, Wealth & Retirement business and we operate across our core markets of the UK, Ireland and Canada. We also have international investments in Singapore, China and India.
- We help our 18.5 million customers make the most out of life, plan for the future, and have the confidence that if things go wrong we'll be there to put it right.
- We have been taking care of people for 325 years, in line with our purpose of being 'with you today, for a better tomorrow'. In 2021, we paid £30.2 billion in claims and benefits to our customers.
- Aviva is a market leader in sustainability. In 2021, we announced our plan to become a Net Zero carbon emissions company by 2040, the first major insurance company in the world to do so. This plan means Net Zero carbon emissions from our investments by 2040; setting out a clear pathway to get there with a cut of 25% in the carbon intensity of our investments by 2025 and of 60% by 2030; and Net Zero carbon emissions from our own operations and supply chain by 2030. Find out more about our climate goals at www.aviva.com/climate-goals and our sustainability ambition and action at www.aviva.com/sustainability
- Aviva is a Living Wage and Living Hours employer and provides market-leading benefits for our people, including flexible working, paid carers leave and equal parental leave. Find out more at www.aviva.com/social-purpose
- At 31 December 2021, total Group assets under management at Aviva Group were £401 billion. Our Solvency II shareholder capital surplus is £8.8 billion as at 31 March 2022. Our shares are listed on the London Stock Exchange and we are a member of the FTSE 100 index.

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 (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 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; 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 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 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, Solvency II). Please see Aviva's most recent Annual Report 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.

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