



News Release

9 December 2022

Aviva plc releases IFRS 17 update

Aviva plc (“Aviva” or the “Group”) has released presentation slides and a video on its website, providing an update on the implementation of IFRS 17 and how this will apply to the Group. IFRS 17 is a new accounting standard for insurers which is due to be implemented from 1 January 2023.

No impact to Solvency II metrics, cash generation, dividend guidance, or anticipated capital returns

IFRS 17 is purely an accounting change and does not affect the underlying economics of our business, our strategy or the way in which we operate.

- Cash remittances, capital generation and approach to capital allocation are unchanged by IFRS 17.
- Solvency II remains the key basis under which we manage our business and is unaffected.
- There is no impact on our dividend guidance of c.£870m (c.31.0p) for 2022 and c.£915m (c.32.5p) for 2023, with low-to-mid single digit DPS growth thereafter.
- Our intention to return further capital to shareholders in 2023 is unchanged.

We remain on track to meet our Group financial targets which will be unchanged under IFRS 17

- >£5.4 billion cash remittances over 2022-24.
- £1.5 billion Solvency II operating own funds generation p.a. by 2024.
- £750 million gross cost reduction over the period 2018-24.

Financial impacts on transition to IFRS 17

Under IFRS 17, total profits will remain unchanged. However, the new standard will impact the timing of when profits emerge, improving the predictability of profit over the long-term.

Aviva has market leading businesses across Insurance, Wealth and Retirement in the UK, Ireland and Canada. Our diversified model is one of our core strengths. IFRS 17 principally impacts Annuities and Protection which contribute c.40% of IFRS 4 operating profit¹, with the remaining c.60% largely unaffected.

IFRS 17 introduces two new balance sheet concepts, the contractual service margin (CSM) and the risk adjustment (RA), both significant stocks of future value. These represent profits from our life business, principally Annuities and Protection, that will be released over time. We provide more detail on both of these features in our presentation materials.

Key financial impacts:

- Opening IFRS 17 adjusted shareholders' equity (including CSM net of tax) at 1 January 2022 is expected to be around £21bn to £22bn, compared with IFRS 4 shareholders' equity of £19bn.
- Opening IFRS 17 shareholders' equity is expected to be around £16bn to £17bn at 1 January 2022.
- The contractual service margin (net of tax) is estimated to be £4bn to £5bn.
- Indicative reduction to aggregate operating profit from business units of ~15%² under IFRS17

Presentation slides and a recorded video are available [here](#), where further information is provided on the new accounting standard and how it applies to Aviva.

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Notes to editors:

- We are the UK's leading Insurance, Wealth & Retirement business and we operate in 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 <https://www.aviva.com/about-us/our-people/>
- As at 30 June 2022, total Group assets under management at Aviva Group were £353 billion and our Solvency II shareholder capital surplus at 30 September 2022 was £8.8 billion. 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 spokespeople images, podcasts, research reports and our news release archive. [Sign up](#) to get the latest news from Aviva by email.
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Cautionary statements

This announcement should be read in conjunction with the documents distributed by Aviva on Aviva.com.

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 'intends', 'expects', 'plans', 'will', 'could', 'likely', 'target', 'goal', 'guidance', 'future', 'estimates', and 'anticipates', and words of similar meaning, are forward-looking. By their nature all forward-looking statements involve risk and uncertainty and there are important factors, including the general political, economic environment, regulatory, social and technological change, climate, financial, insurance and operational risks, that could cause actual results and outcomes to differ materially from those indicated in these statements. A more detailed description of these risks and uncertainties is contained within Aviva's most recent annual report available on its website at <http://aviva.com/reports>. In particular, Aviva's expectations, assessments and illustrations relating to the impact of IFRS17 are preliminary, are based on Aviva's estimates as at today and are subject to change as the Group and the industry adapt to the new accounting standard. We do not undertake to update our forward-looking statements except as required by applicable law and do not provide any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements will actually occur. Accordingly, persons reading this announcement should not place undue reliance on forward-looking statements

As a reminder

In this press release we provide 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 existing APMs used by the Group can be found in the 'Other Information' section of the 2022 Half Year Report. All references to 'operating profit' represent 'Group adjusted operating profit'. Further details of IFRS 17 adjusted shareholders' equity is provided in the presentation slides that accompany this press release.