News Release

24 May 2023

Aviva plc Q1 2023 Trading Update

Another quarter of positive delivery. Continued growth momentum across the Group

Strong and resilient capital position. Share buyback nearing completion

On track to meet or exceed Group targets

General Insurance	Protection & Health	Workplace	Retirement	Solvency II
£2.4bn	£102m	£1.8bn	£1.5bn	196%
GWP +11%[1]	Sales[2] +11%	Net flows +25%	Sales[2] +17%	Shareholder cover ratio
Q122: £2.1bn	Q122: £92m	Q122: £1.4bn	Q122: £1.3bn	FY 22: 212 %

Amanda Blanc, Group Chief Executive Officer, said:

"We have delivered an encouraging start to 2023 and continue to build clear trading momentum. New business volumes are good, despite persistent economic uncertainty, and we delivered another quarter of strong growth across our diversified business.

"Private healthcare sales grew by 25%, as more individuals and companies are attracted to the benefits of private cover. The bulk purchase annuity market is very active due to the higher rate environment, and we have now completed over £2 billion of deals so far this year. Our workplace pensions business is also very buoyant, with flows up 25% due to 134 new scheme wins and higher wages feeding through to higher pension contributions.

"Our general insurance business goes from strength to strength. We have grown premiums 11% and maintained attractive levels of profitability, thanks to our disciplined management of inflationary pressures and our balanced mix across personal and commercial lines, and across the UK, Ireland and Canada.

"Aviva is uniquely placed to successfully navigate the prevailing economic environment, and we continue to support our customers through this challenging time. We have market leading positions in high growth areas. We are financially strong with an attractive and growing dividend, and we are confident in the prospects for Aviva."

Continued growth

- Insurance (Protection & Health) sales[2], were up 11% with strong growth in Health and Individual Protection.
- Wealth net flows of £2.3bn represented 6%[3] of opening assets under management, but were 15% lower than Q1 2022 due to the impact of the challenging market volatility on Platform. Workplace net flows were up 25% to £1.8bn (Q122: £1.4bn).
- Retirement (Annuities & Equity Release) sales[2], were up 17% driven by strong BPA and Individual Annuity performance. YTD BPA volumes including preferred provider schemes are £2.4bn.
- General Insurance gross written premiums (GWP) up 11% at constant currency to £2.4bn. UK&I GWP up 13% to £1.5bn and Canadian GWP up 9% at constant currency to £0.8bn. Rate accounted for approximately half of the growth across UK & Ireland and Canada.
- Strong Group combined operating ratio (COR) of 95.4% (Q122: 95.7%), presented on an undiscounted IFRS 17 basis[4]. This performance reflects our pricing strength, our continued disciplined response to inflation, our risk selection and the diversification within our portfolio.

Footnotes for this page are shown on page 2

Continued progress on reducing costs

- Baseline controllable costs[5] down 1% to £675m reflecting our ongoing focus on efficiency as we make further operational savings through cost initiatives and simplification of the business.
- On track to deliver savings target of £750m (gross of inflation) by 2024 relative to our 2018 baseline. We target top quartile efficiency thereafter across all our businesses.

Strong solvency and liquidity positions

- Estimated Solvency II shareholder cover ratio of 196% (FY22: 212%) was 16pp lower as operating capital generated in the quarter was more than offset by the impacts of the 2022 £576m final dividend, £300m share buyback, £75m pension scheme payment, and market movements.
- Solvency II cover ratio pro forma for redemption of the Tier 2 notes announced on 16 May is 193% (FY22: 196%).
- Solvency II debt leverage ratio of 33% (FY22: 31%).
- £300m share buyback nearing completion.
- The 2022 final dividend payment of £576m was paid to shareholders on 18 May.
- Centre liquidity (Apr 23) remains strong at £2.1bn (Feb 23: £2.2bn), with the reduction since February mainly driven by the share buyback.

Shareholder asset portfolio remains well positioned

- Aviva's high quality shareholder asset portfolio of £79.6bn at 31st March continues to perform well and is defensively positioned to withstand periods of volatility.
- The corporate bond portfolio (£20.8bn) continues to perform well with <£20m of assets downgraded to a lower rating letter, which was more than offset by c.£280m upgraded to a higher rating letter during the first three months of 2023, and no corporate bonds downgraded below investment grade.
- Our commercial mortgage portfolio of £5.8bn comprises largely long-duration fixed rate contracts with low average loan-to-value (LTV) ratios of 50% using the fair value of the loan, or 54% using the nominal value.
- Our securitised mortgage loans and equity release portfolio of £10.0bn is mostly internally securitised with low average LTVs of 26%.
- Further detail is provided on page 6, and also in the supplementary slides available on the Group's website.

Outlook

- Aviva is uniquely placed to successfully navigate the prevailing economic environment, with its strong leadership positions and diversified product set. This, together with our Q1 performance, reinforces our confidence in the prospects, delivery of financial targets and outlook for the Group.
- We are on track to meet our cost reduction target (£750m by 2024) and to beat our own funds generation (£1.5bn p.a. by 2024) and cash remittance (>£5.4bn 2022-24) targets.
- We continue to see opportunities for further investment in the growth of our business, but we will remain disciplined in our approach to capital deployment.
- Our dividend guidance of c.£915m for 2023 with low-to-mid single-digit growth in the cash cost of the dividend thereafter, together with our intention for further regular and sustainable capital returns to shareholders, remain unchanged.

Pages 3-5 of the release cover Q1 2023 trading performance in further detail

1. Constant Currency ¦ 2. Sales for Insurance (Protection & Health) refers to Annual Premium Equivalent (APE). Sales for Retirement (Annuities & Equity Release) refers to Present Value of New Business Premiums (PVNBP). APE and PVNBP are alternative performance measures (APMs). Further information on APMs can be found in the 'Other information' section of the Results Announcement 2022. ¦ 3. Annualised ¦ 4. Comparatives have been restated for changes in COR following adoption of IFRS 17. Refer to page 6 for further information about changes related to the adoption of IFRS 17. ¦ 5. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 baseline.

Analyst call

An analyst call will take place at 0830hrs BST on 24 May 2023 and will be live-streamed via our website. A replay will be available after the event. www.aviva.com

Click on, or paste the following link into your web browser, to access our shareholder asset portfolio presentation: https://www.aviva.com/investors/q1-2023-update/

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Notes to editors

- 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 2023. The average rates employed in this announcement are 1 euro = £0.88 (Q1 2022: 1 euro = £0.84) and CAD$1 = £0.61 (Q1 2022: CAD$1 = £0.59). Where percentage movements are quoted on a constant currency basis, this is calculated by applying year to date average exchange rates to prior period.
- Growth rates in this announcement have been provided in sterling terms unless stated otherwise.
- All percentages, including currency movements, are calculated on unrounded numbers so minor rounding differences may exist.
- 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 2022 Results Announcement.
- We are one of the UK's leading Insurance, Wealth & Retirement businesses and we operate in the UK, Ireland and Canada. We also have international investments in India, China and Singapore.
- We help our 18.7 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 2022, we paid £23.2 billion in claims and benefits to our customers.
- Aviva is a market leader in sustainability. In 2021, we announced our plan to become Net Zero 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/about-us/our-people
- As at 31 December 2022, total Group assets under management at Aviva Group were £352 billion and our Estimated Solvency II shareholder capital surplus as at 31 March 2023 was £7.7 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