



# In Focus: Annuities, Equity Release and Asset Origination

29<sup>th</sup> June 2022



# Disclaimer

## 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.

This report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to who this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed

## As a reminder

Throughout this presentation 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 Full Year 2021 Results Announcement. All references to 'Operating profit' represent 'Group adjusted operating profit'.



# Agenda

## Welcome and introduction



**Amanda Blanc**  
Group CEO

---

## Annuities, equity release and asset origination update



**Doug Brown**  
CEO  
UK Life

---

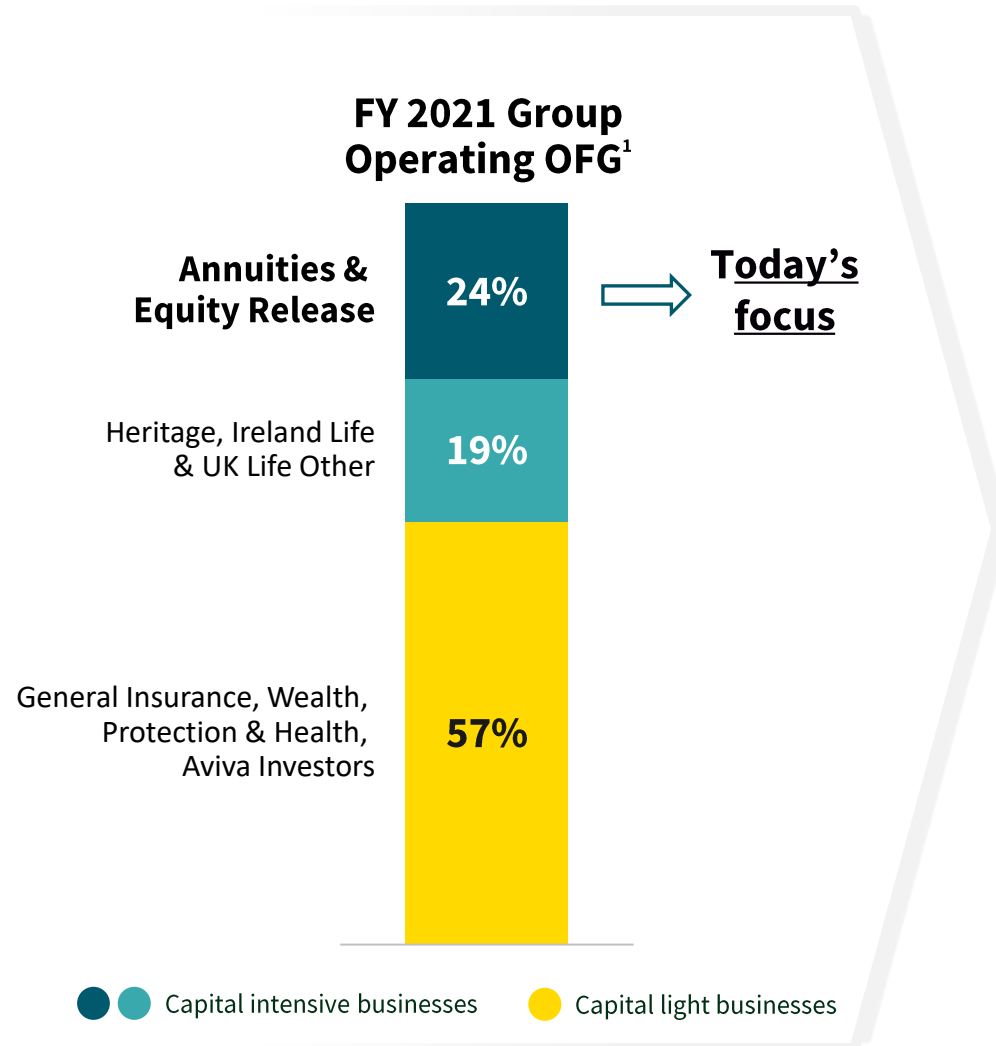


**Mark Versey**  
CEO  
Aviva Investors

---

# Q&A

# Annuities, equity release & asset origination are core strengths of Aviva



Annuities, equity release & asset origination **supports Aviva's customer franchise and social purpose**

**Key driver of long-term cash generation**

**Positive outlook for the business** given underlying trends and strong market positions

**Expect to grow** but with discipline, given competitive market conditions

1. Group own funds generation from continuing operations before International Investments, Corporate centre costs, Group external debt costs and other

# A scale player delivering long-term cash generation

**A key business for Aviva**, delivering **long-term cash generation** from business written on attractive terms

**£1bn**

Cash remittances  
over 2022-24

**A scale UK player with leading market positions** with a strong brand, serving over 1m retail customers through individual annuities and equity release in addition to our BPA customers

**1.3m**

Customers<sup>1</sup>

**Aim to maintain top 4 position in an attractive BPA market**, with pricing sophistication / risk management expertise giving us the capacity to compete for the most attractive deals

**£15-20bn**

Target BPA volumes  
over 2022-24

**Expertise from in-house asset origination**, enabling us to refine investment strategy and leverage the award winning ESG capabilities and scale of Aviva Investors to win new business

**£4.6bn**

of real asset origination  
in 2021

1. Includes members of both buy-outs and buy-ins

# Annuities & Equity Release is a key business for Aviva

**Annuities & Equity Release accounts for c.40% of UK Life total operating own funds generation**

## Wealth

Accumulation and management of pension and individual wealth assets



### Annuities & Equity Release

Stable and sufficient income in retirement

BPA  
Individual Annuities  
Equity Release

Market Position   Share	Customer numbers (FY2021)	AuM (£bn, FY2021)	Premiums (PVNBP £bn, FY2021)	Own funds generation (£m, FY2021)
#4   15% <sup>1</sup>	160k <sup>4</sup>	25	6.2	253
#1   26% <sup>2</sup>	1,100k	45	1.0	82
#3   15% <sup>3</sup>	140k	3	0.7	57
Total	1.3m <sup>5</sup>	73	7.9	392

## Protection & Health

Health and wellbeing protection and financial peace of mind

1. Based on 2019-21 BPA premiums, Source: Aon UK Risk Settlement Market Update. 2. FY 2021, Source: ABI; 3. Based on latest available company reporting data for 2021; 4. Includes members of both buy-outs and buy-ins; 5. Total number of customers has been de-duplicated to remove any multi-product holdings

# Individual annuities and equity release

For  
**325**  
years



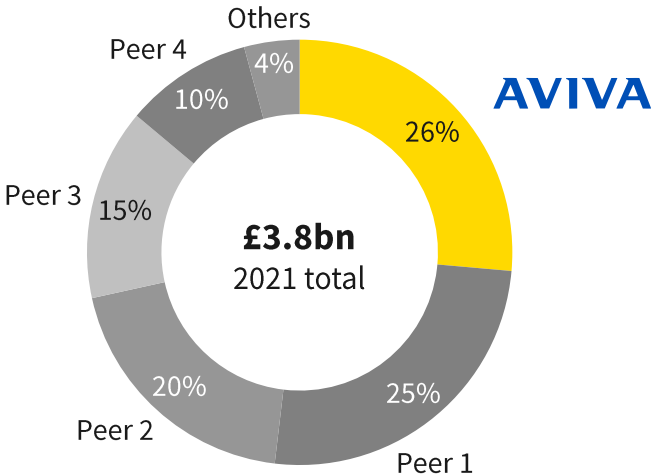
# Demand for individual annuities remains post-reforms



## Individual annuities

Provides customers with a secure lifetime retirement income

### New business premiums 2021



Aviva has continued to win new business, despite pension reforms and a low interest rate environment

**£45bn**

Assets under management

**£1.0bn**

2021 New business premiums

**£82m**

2021 Operating OFG

### Fundamental trends in the market

**>£40bn**

assets moving to retirement each year, with **c.£4bn of individual annuities on current penetration levels<sup>1</sup>**

**£450bn**

of defined contribution assets, **growing to £1.1tn by 2029**

**Single digit growth**

**forecast in the medium term<sup>2</sup>, following an 8% rebound in 2021**

**Mid-single digit growth**

CAGR in external sales forecast over 2021-24<sup>3</sup>

1. Based on estimated 10% penetration for individual annuities; 2.2021-24 CAGR; 3. Subject to market conditions



# Supporting pension customers and meeting Group ambitions

## Strategy

We aim to grow external volumes of individual annuities which will generate long-term value for a more sustainable business  
Customer retirement needs are constantly evolving; we are actively considering what new offerings support them

### Individual annuities enable us to best support our customers



**Addressing the needs of our pension customers**, providing them with options to meet their retirement needs



**Leveraging Aviva brand strength** to achieve a market leading position, **giving customers security** of a safe retirement income



Lifetime Care backs Aviva's cradle to grave ambitions and **supports the governments Social Care Reform agenda**



**Providing certainty to customers** with low-medium levels of savings / low risk appetite, of increased importance as they age

### And helps the Group meet its ambitions



**Strong contributor to Group cash remittances** supporting a sustainable dividend



Providing Individual Annuities to our pensions customers enables us to **retain assets as they approach retirement**



**Creates value Aviva** through optimising cost, originating assets and reinsurance, with **low teens IRR** and **3-4% capital strain**



Enables us to **invest in green assets** through market-leading sustainable expertise on our path to net-zero carbon

# The biggest lender in an attractive equity release market



## Equity release

Supplements customers retirement income, enabling customers to unlock housing equity in a tax efficient way

68

TNPS score



Best equity  
release lender

97%

Customer  
satisfaction

In Force  
Market Position

#1

£12bn

Size of  
loan book

£57m

2021 Operating  
OFG

£0.7bn

2021 New  
business lending

New Lending  
Market Position | Share

#3 | 15%

## Fundamental trends support long-term growth

£48bn

annual shortfall in pensioners' income<sup>1</sup>

£3.3tn

housing equity owned by over 55s<sup>2</sup>, of which c.£4bn is being released p.a.

12%

historic market growth<sup>3</sup>, with mid-high single digit growth forecast<sup>4</sup>

Double Digit Growth

per annum in lending by Aviva forecast over 2021-24

## And our business is well placed to capture this growth



Award-winning proposition, excellent customer outcomes and a strong brand



Established a direct offering to broaden our distribution reach



Investing in pricing capability and digital front-end to drive long term growth



Single product that flexes to a range of needs in a complex market of 400+ products

1. LangCat House Rules report, June 2022 ; 2. Source: ONS, January 2022; 3. 2017-21 CAGR; 4. 2021-24 CAGR

# Helping customers unlock housing equity in retirement

## Strategy

By leveraging Aviva's capabilities we are broadening our distribution reach and improving pricing capability

This will enable more of our customers to release value from their homes, giving them and their families a brighter financial future

## Equity release enables us to best support our customers



Helps customers to **live the retirement they want**, without having to leave their home or community



Supports **inter-generational wealth transfer**, helping younger generations thrive



**Provides peace of mind** to customers making a large, long-term financial decision with one of their most treasured assets



Helps unlock housing equity and release it back into the economy, providing **wider societal benefit**

## And helps the Group meet its ambitions



Loans secured today **enable Aviva to sustain profits** in the medium-long term



Supports Aviva's customer franchise and social purpose, as a **key product in retirement**



An asset class used to **back annuity growth and diversify the portfolio**



Enables us to **retain pension or annuity customers** with investment shortfalls but housing equity

# Bulk purchase annuities (BPAs)

For  
**325**  
years



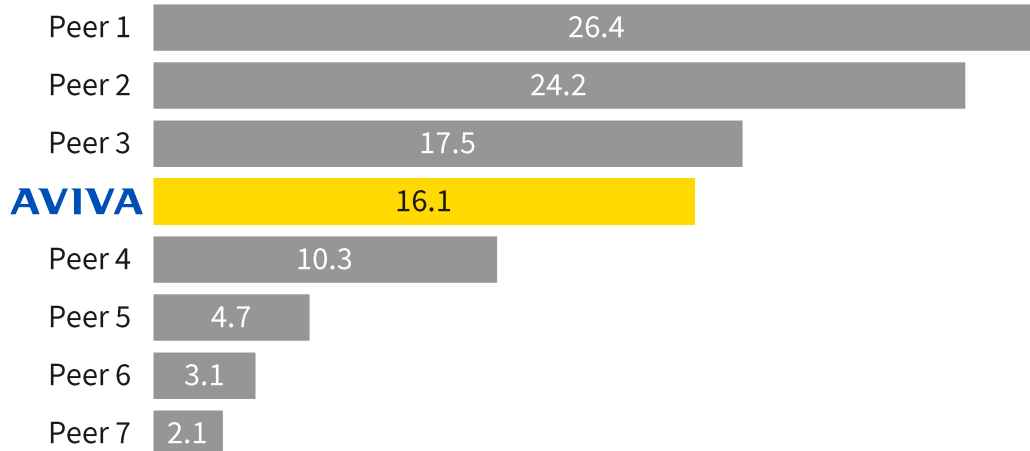
# Top 4 player in a competitive BPA market



## Bulk purchase annuities

Allows pension trustees to secure their future obligations to defined benefit scheme members

### BPA premiums<sup>1</sup> 2019-21, £bn



**£25bn**

Assets under management

**£6.2bn**

2021 New business premiums

**160k**

Customers<sup>2</sup>

**£253m**

2021 Operating OFG

## Fundamental trends in the market

**£2.3tn**

private sector DB liabilities, of which 13% has been de-risked to date

**23%**

CAGR in BPA market volumes over 2017-21<sup>1</sup>

**c.£100-150bn**

estimated volumes for the BPA market over 2022-24

**£15-20bn**

volume expected to be written by Aviva over 2022-24

1. Source: Aon UK Risk Settlement Market Update; 2. Includes members of both buy-outs and buy-ins



# Capability to compete for the best deals in the market



## Scale, reputation & brand

- **#1 brand awareness, #2 annuity asset portfolio** (by AuM)
- **Strong relationships** with top tier employee benefit consultancies



## Pricing discipline & capital allocation

- We have maintained **focus on pricing discipline**, writing schemes that **meet our financial goals**
- Supporting the **long-term cash generation of the Group**



## Risk management capabilities

- **Deep reinsurance relationships** for managing longevity and credit risk
- **Hedging expertise** for management of exposure to market risks we are not rewarded for



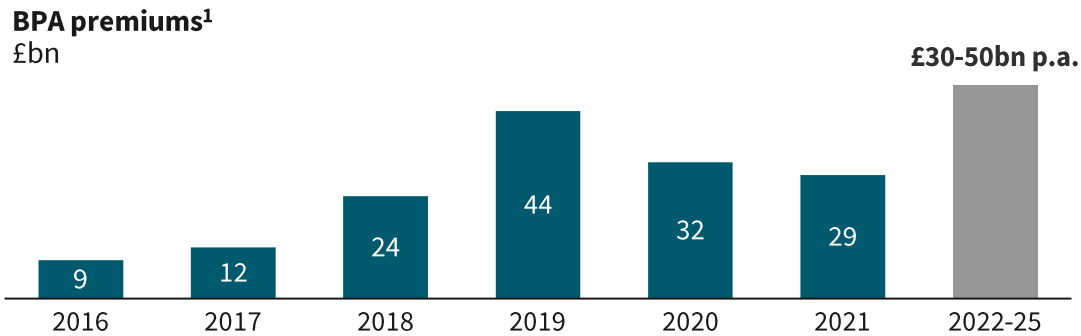
## Asset origination

- **Leading illiquid asset origination** with illiquids now representing c.50% of the annuity portfolio
- **Award winning ESG origination credentials** differentiates us, enabling us to win new business



# Disciplined growth in our BPA business since 2016

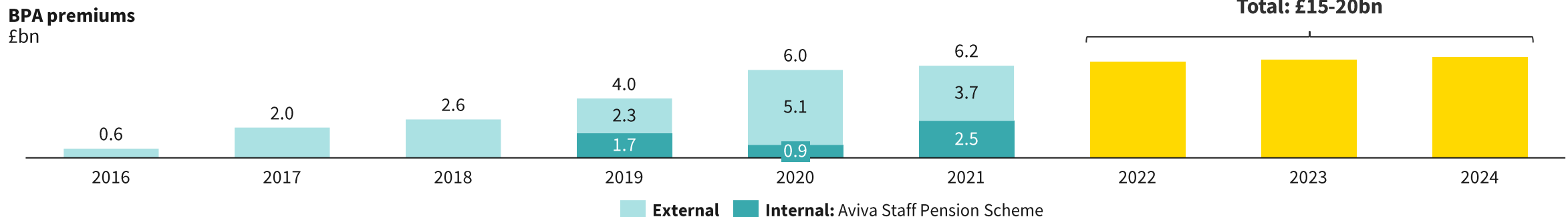
## The BPA market has grown rapidly in the last 5 years



## Supports long-term cash generation for the Group

- ✓ **Cash generative**  
Replenishing the run-off of internal individual annuities
- ✓ **Greater value chain capture**  
Sustainable advantage through Aviva Investors in-house asset origination
- ✓ **Expertise across the market**  
With growing expertise in larger deals, less appetite for jumbo deals

## Top 4 player, ambition to write £15-20bn over 2022-24



1. Source: LCP pensions de-risking report, October 2021; AON UK risk settlement market update April 2022



# Enabling us to grow the cash generated by the Group

## Attractive capital returns in BPA



**Cash is generated over time** from investment returns and the unwind of SCR and risk margin



**Initial strain<sup>1</sup> typically paid back after 4-6 years** with strong long-term cash generation thereafter



**Group returns materially higher** through profits recognised in equity release and Aviva Investors



**Volume targets are determined with alignment to our capital allocation framework**, given the capital strain from writing new business

**4-6 years**

New business payback period<sup>1</sup>

**Low Teens**

IRR<sup>1</sup>

**3-4%**

Initial capital strain<sup>1</sup>

**3-4x**

Return on invested capital<sup>1</sup>

1. Initial strain reflects SCR plus additional capital required to meet risk appetite

## Long-term cash generation



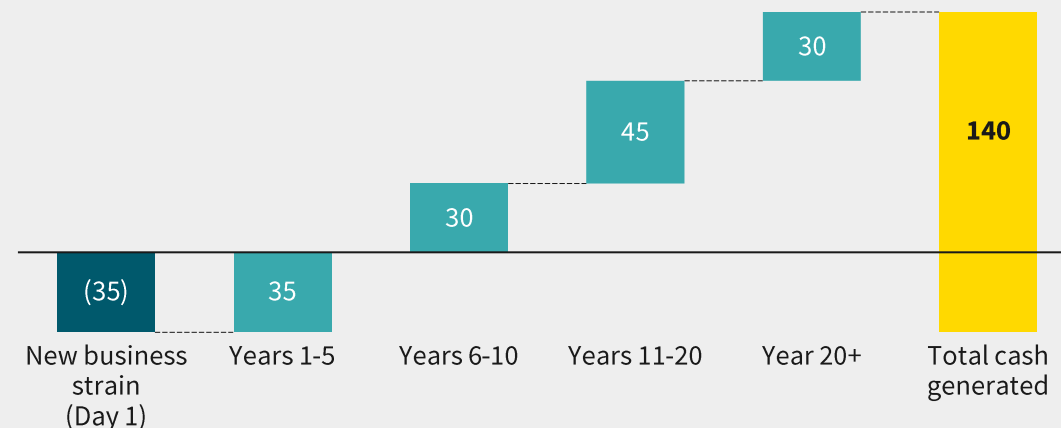
**BPAs support long-term cash generation** to invest in and grow our business / support Group cash generation objectives



Focus on growing assets, with BPA growth **off-setting the run-off of the maturing book** of individual annuities

### Illustrative cash generation profile, (£m)

Notional £1bn deal with 5 year payback and 3.5% capital strain





# Prudent approach to new business reporting

## Value of new business calculation

**£212m**

2021 VNB

**3.4%**

2021 new business margin

### VNB is reflective of actual asset mix in the reporting period

Reflecting the day 1 own funds impact from writing new business

### Current approach to calculating VNB is prudent

Does not give credit for all future shareholder profits

### No standard approach to reporting in the market

Some peers capture expected future profits in the VNB calculation

### Trend for improved margins as the year progresses

As reinsurance is sourced and the asset mix is optimised

## Resulting in positive OFG variances emerging over time



In addition to VNB reported in year, for a typical year's new business we would expect a further c.£30-40m annual OFG p.a.<sup>1</sup> as the prudence unwinds

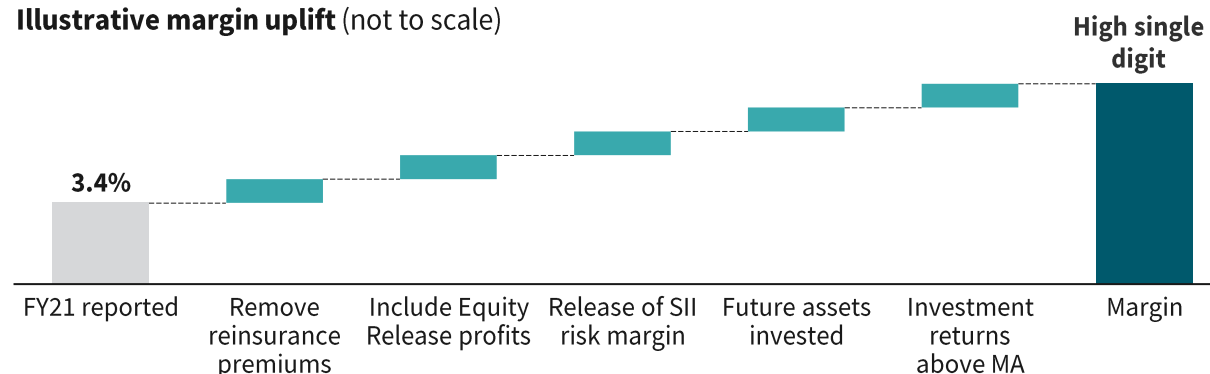


Positive variances generated on the back book through management actions e.g. reinsurance and back book re-risking in public and private credit assets

## VNB margin comparable to best-in-class on aligned basis of prep

Reported margin would increase from the reported 3.4% when adjusting the calculation to reflect the full present value of future shareholder profits

Illustrative margin uplift (not to scale)



1. £30-40m gross of tax (in line with approach to reporting VNB) for the first c.5 years, running off in line with the liabilities thereafter



# Risk management framework supports Group ambitions

## Reinsurance strategy for longevity risk



**High levels of longevity reinsurance on new business** using collateralised longevity swaps through key long-term relationships with global reinsurers



Aviva pays fixed reinsurance premiums in exchange for **reinsurance claims equal to the actual pension payments**



**Reinsurance reduces the capital strain from writing new business**, with strain c.65% lower than without reinsurance



**c.30bn+ of reinsurance transactions have been placed** across 220+ schemes<sup>1</sup>



**Pre-2016:** Majority of longevity risk exposure from individual annuities retained



**Current:** c.40% longevity risk reinsured<sup>1</sup>, with very high levels applied to new schemes



**Future:** Retained risk will reduce as BPAs grow and the individual book runs-off

1. Total longevity risk including individual annuities

## Disciplined management of credit risk



### Competitive advantage

Through Aviva Investors' asset origination and deploying our capabilities to win



### Supports long-term cash generation

Through investment returns in excess of the matching adjustment



### Diverse portfolio

To manage exposure to credit risk



### Asset reinsurance

When economically sensible to enhance asset origination and further reduce capital strain

## Limited appetite for inflation / interest rate risk

With hedging and ALM strategies in place to minimise exposure



# Asset strategy & portfolio quality

For  
**325**  
years

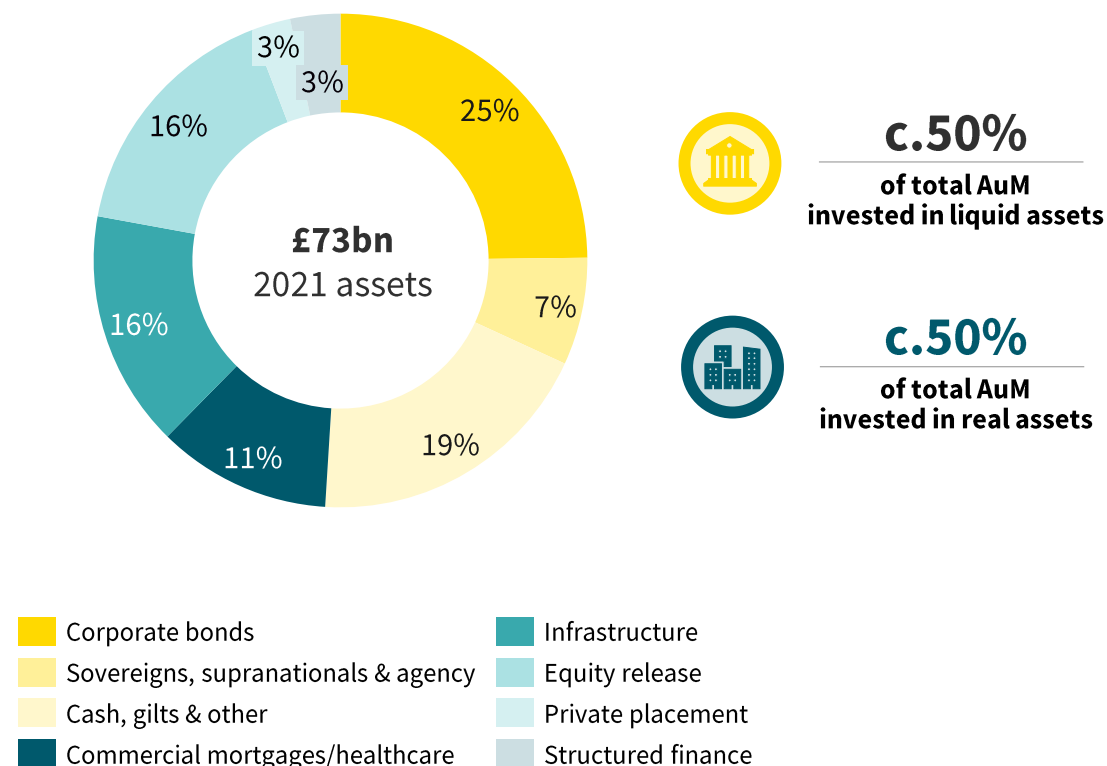


# Business underpinned by a well diversified asset mix

## Investment strategy key areas of focus

- 1 Cashflow management**  
Long-term annuity cashflows allow capture of illiquidity premium
- 2 Credit selection**  
High quality, in asset classes where we have a competitive edge
- 3 Dynamic**  
Adapting investment strategy to reflect changing market conditions
- 4 Diversification**  
Reducing risk and expanding opportunity-set over time
- 5 Sustainability**  
Capitalising on Aviva's unique long-term track record in ESG

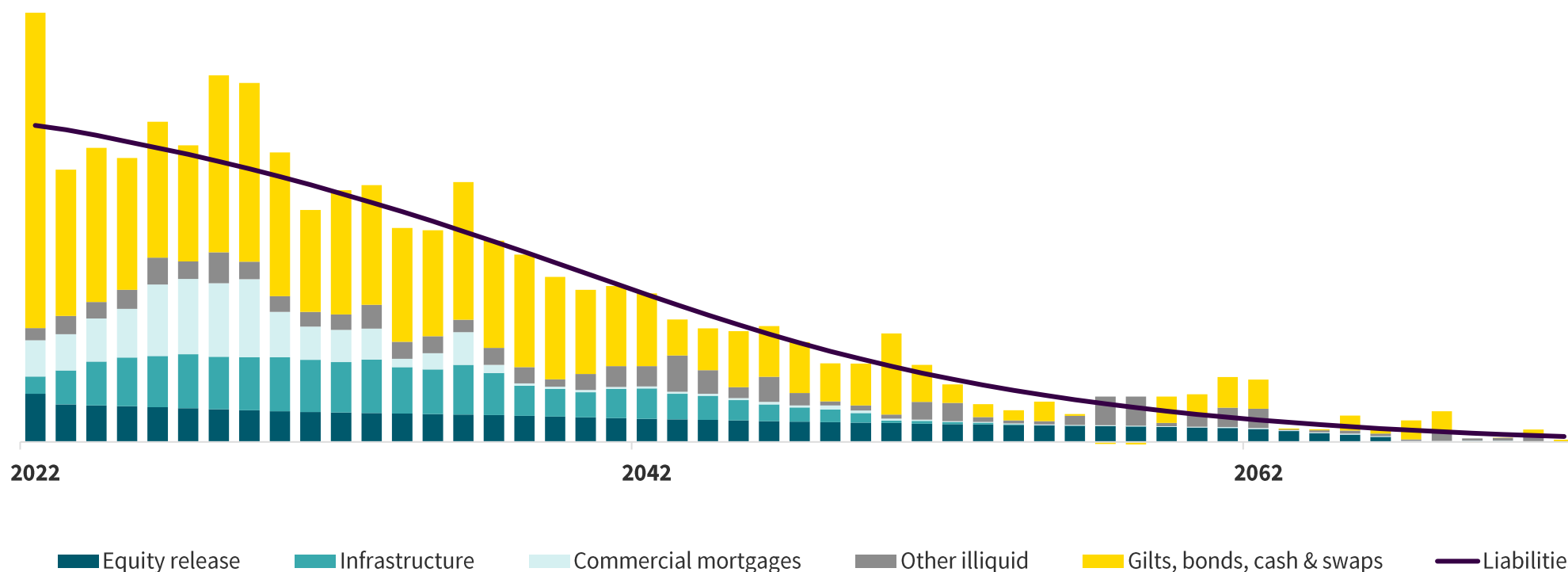
## Annuities & Equity Release - asset mix



# A cashflow matching investment strategy

Cashflow profile of the assets in the portfolio is well matched with the run-off of the liabilities

Asset & liability cashflows

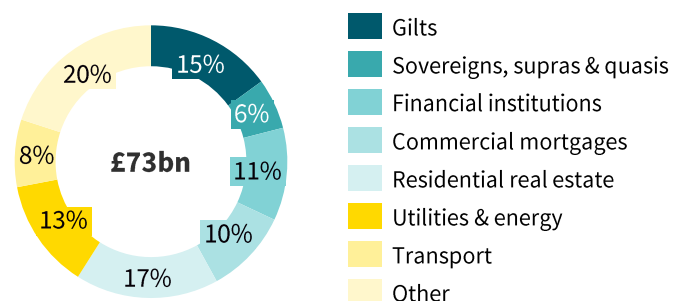


# A high quality portfolio with strong credit ratings

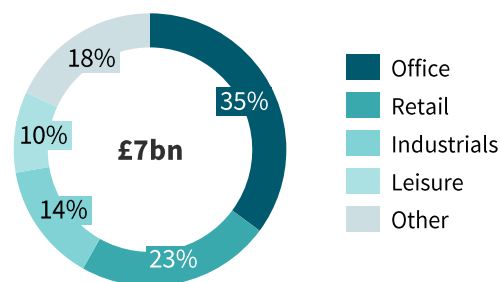
## Diverse mix of high-quality assets across a wide range of sectors with strong credit ratings

31 December 2021

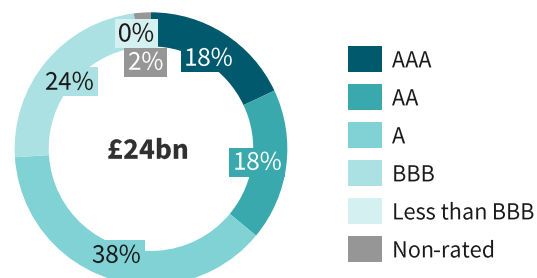
### Annuity & Equity Release assets



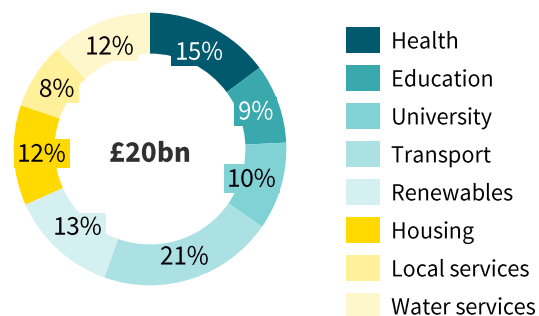
### Commercial mortgage assets



### Bond portfolio by rating



### UK social infrastructure assets



### Commercial mortgage expertise



#### Portfolio management

Aviva Investors has **managed our commercial mortgages for 30+ years**



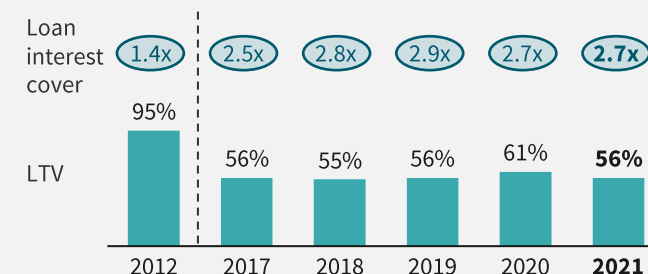
#### Low defaults

**Better than expected levels of defaults** highlighting the quality of investments



#### Improvement actions

Leading to a **reduction in LTV of the commercial mortgage portfolio to 56%**



# Diversified and agile investment strategy

## We have actively diversified the assets held

Recently invested £5bn in **non-Sterling assets**

Expansion of our capabilities in **emerging market debt**

Widening investment in **long-income real estate**

Extending investment in **US private and infrastructure sectors**

## Use of asset warehousing

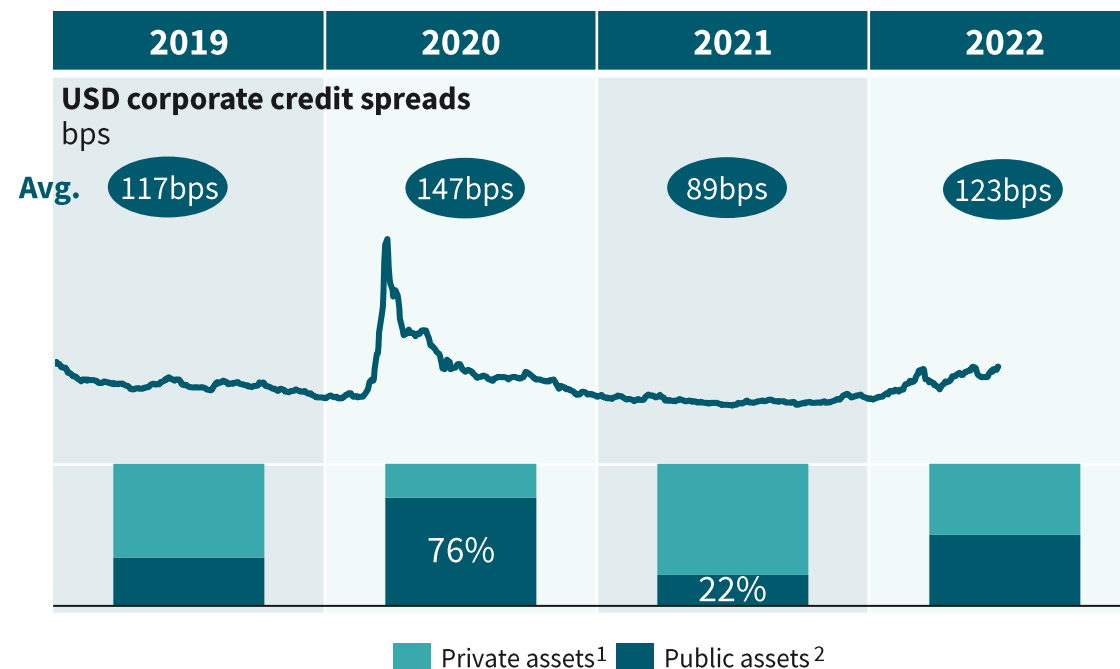
- ✓ We use 'asset warehousing' to **boost our supply of assets ahead of writing BPAs**
- ✓ This enables us to help **manage timing issues in achieving our target asset allocation**
- ✓ And **take advantage of market conditions** by investing when favourable

## Historic flexing of asset allocation

An adaptable investment strategy, to **ensure we are invested in the right assets**

2020 – high spread environment: increased investment in corporate bonds

2021 – low spread environment: asset allocation directed towards illiquid assets



1. Excluding equity release mortgages; 2. Excluding Government bonds and SSAs



# Asset origination

For  
**325**  
years



# A multi-award winning asset manager

Aviva Investors has won a number of prestigious insurance investment awards in recent times



**Climate Mitigation Investment Initiative of the Year**

2022 Insurance Asset Risk Awards



**Stewardship Initiative of the Year**

2021 Insurance Asset Risk Awards



**Real Asset Manager of the Year**

2021 Insurance Asset Risk Awards

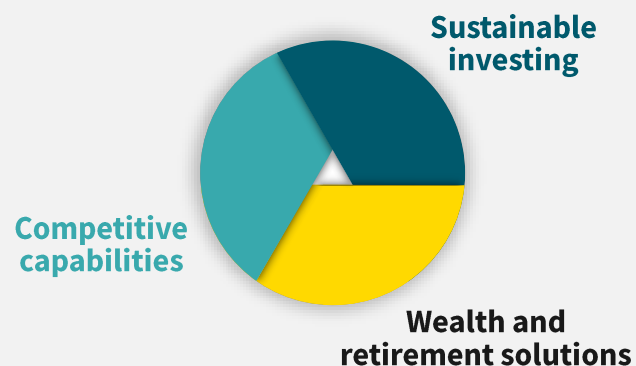


**Innovation Provider of the Year**

2021 Insurance Asset Management Awards

# One of the largest real asset investors in Europe

## Aviva Investors | A powerful intersect



**£250bn**

Aviva Investors AuM

-  Multi asset
-  Sustainable equity
-  Real assets
-  Credit

## Aviva Investors real assets

**£47bn**

Real asset AUM

**£26bn**

Size of  
loan book

**£4.6bn**

2021 real asset  
origination

**44%**

Deployment for  
third parties

**£1.9bn**

Third party  
net flows

## Fundamental trends support doubling of demand over next 5 years

**£312bn**

Raised for private real assets,  
3x over the last decade<sup>1</sup>

**17% p.a.**

Growth of European  
Real Assets forecast<sup>2</sup>

**1.8x**

Increase in European non-bank lending  
in the decade post-GFC<sup>3</sup>

**10% p.a.**


Expected growth in  
lending by 2026<sup>4</sup>

~200 employees located in London, Paris and Frankfurt to ensure a  
**strong market presence and deal pipeline**

**Leading infrastructure debt team** and the **largest team in real estate long income**


1. The big ideas shaping real assets, PERE and CBRE IM, 2022; 2. European Real Assets 2021-25 forecast growth rate, Prequin Investor Outlook: Alternative Assets H2 2021; 3. Euro assets held by the non-bank financial sector, The European Money and Finance Forum, 2019; 4. CAGR to 2026, <https://www.thebusinessresearchcompany.com/report/lending-global-market-report>

# Market leading origination across multiple asset classes

-  **Market leading franchise**
  - **Proven through the cycle expertise** with historical investment in commercial mortgages for 30+ years
  - Real assets AuM of £47bn represents a **market leading platform for origination**

-  **Multi-asset mindset**
  - Provides the **flexibility to invest in asset classes where the relative value is strongest**
  - Combined debt and equity capability **strengthens market presence and origination relationships**

-  **In-house advantage**
  - **Asset management charges are lower** and retained within the Aviva value chain
  - Agility supports **UK Life in optimising investment strategy**

-  **Sustainability**
  - **Market-leader in ESG** lending initiatives attractive to clients and borrowers with **£1bn of Climate Transition Loans**
  - Increasingly a **differentiator in winning BPA scheme buyouts**, including winning the Church of England BPA scheme



# Our scale unlocks better investment opportunities

The size of our real assets business gives us access to the widest range of investment solutions

## A direct investor with full control

- **Long and strong reputation** in the market
- **Direct relationship strength** facilitates wider deal flow and off-market transactions
- Access to **unique and attractive deal flow** reinforced by pan-real assets approach

## Flexible capital increases deal flow

- External capital helps **originate more deals to back BPA**
- Enables us to **win larger deals**
- Combined scale give us **lead underwriter status and volume**

## Scalable platform is supported by £24bn backbook

- Scale **supported by the breadth of asset class coverage**, a multi-asset approach
- **The retirement business represents broadly half of origination volumes**, giving us the relevance and **scale to source the best deals**

## Strength of credit quality

- **Disciplined credit approach** with book managed by independent credit team
- **Average whole book rating of BBB** with current NPL of 30bps (YE 2021)
- Superior performance with **very low credit losses** since 2015





# Delivering our clients' objectives



## Investment type: Real estate debt

£227m Sustainable Transition Loan secured on a portfolio of offices, hotel and retail assets in London for privately owned Romulus



**Date:** May 2022



**Investment:** £227m combining a term extension of an existing loan and £91m of new lending



**USP:** Due to an existing relationships with multiple capital sources, we were able to provide new lending and align as STL



**Sustainability:** Loan provides incentives for specific environmental improvements across the entire asset portfolio





# Multi-asset approach aligned to structural trends



**Multi-asset capabilities with four areas of focus;** Infrastructure Debt, Real Estate Debt, Real Estate Long Income and Structured Finance



Expertise in multiple asset classes provides the **flexibility to deal where the market is strongest with the best returns**



Agile allocation allows for investment in **key thematic drivers of real assets**



## Infrastructure Debt

Providing fixed, floating and inflation linked financing to a broad range of investment and sub-investment grade assets in the UK and EEA

**Examples:** Renewable energy (wind farms, offshore wind farms) and transport-related infrastructure (airports, ports, rolling stock)



## Real Estate Debt/Commercial Mortgages

Provide commercial real estate senior debt financing of short-to-long dated tenors on a fixed and floating rate basis. Extensive track record since 1984 with established borrower relationships

**Examples:** Commercial buildings in the office, industrial or leisure sectors



## Real Estate Long Income

A form of equity investment, where an asset is acquired or built on land owned by the investor, which is then leased to a tenant for a period of 20-50 years

**Examples:** NHS, local government, corporates and universities



## Structured Finance / Private Corporate Debt

Focus on illiquid cross asset opportunities with bespoke structured outcomes across credit ratings, tenor and currency in addition to private placements or direct loans

**Examples:** Structured finance deals based on underlying real estate, infrastructure or private corporate debt aspects, Private placements to corporate borrowers/issuers



# A leading institutional lender in infrastructure debt

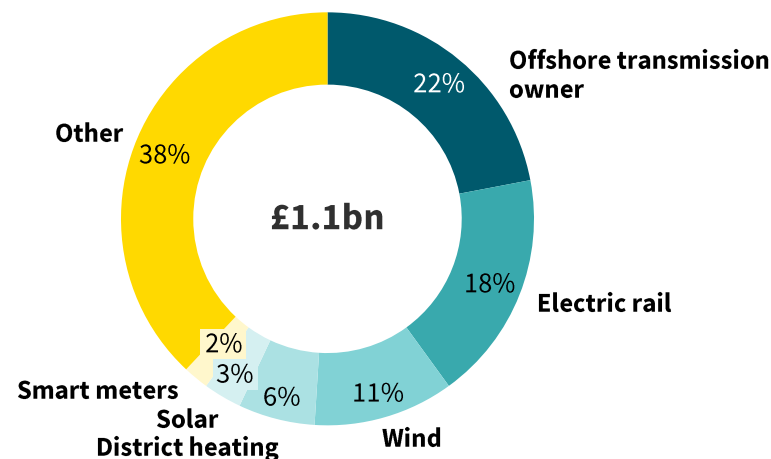
**£1.1bn**

2021 green investment  
in infrastructure debt

**6%**

Market share  
in infrastructure debt

c.85% of 2021 investment in infrastructure debt  
related to green assets



## Investment type: Infrastructure debt

£1.6bn refinancing of Thameslink rolling stock, the largest fleet in the UK serving the London north/south commuter market



**Date:** 2021



**Investment:** £202m (of £1.6bn total transaction)



**Scale:** Aviva provided the largest ticket, investing £202m of fixed rate debt



**Sustainability:** Transaction strongly supports the UK's net zero transport agenda with the fleet being fully electric

We are committed to **invest in the buildings and infrastructure to build a sustainable world** and **integrate ESG factors throughout our investment process** and across our funds and mandates, with a £2.5bn commitment in low carbon and renewable energy infrastructure and buildings by 2025



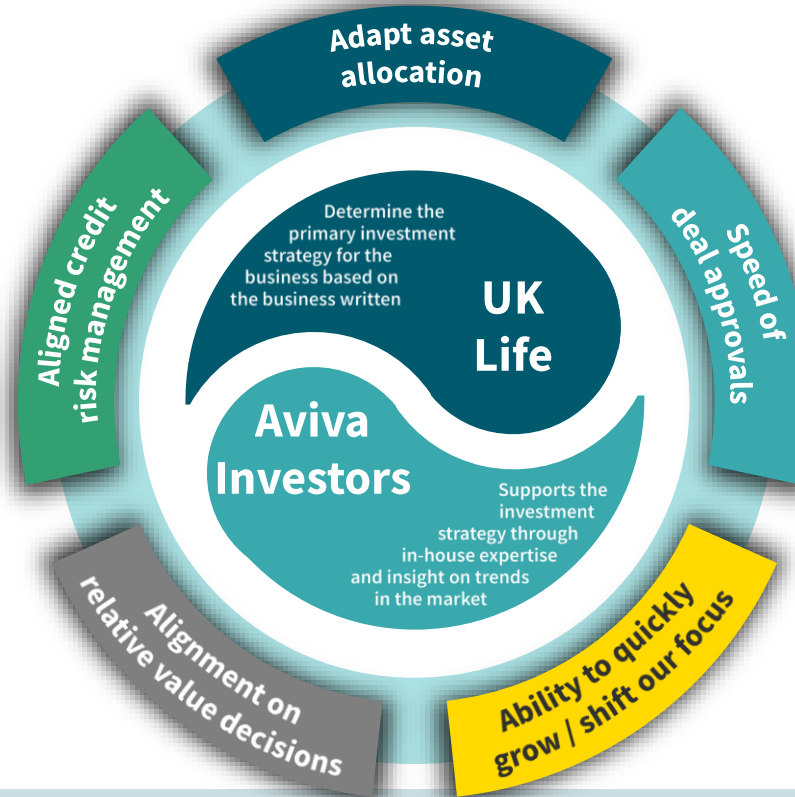
# In house asset manager optimises investment strategy

## Dynamic relationship between UK Life and Aviva Investors creates optimal investment strategies

**Warehousing assets boosts supply of illiquids** ahead of writing new business

Enables **UK Life to source liabilities to match assets** Aviva Investors originates

**Better value chain capture** compared with rates charged in the open market



Continuous assessment of value and **market insight within real assets**

Aviva Investors expanded emerging market debt capability **to meet UKL aims**

In 2021 Aviva Investors originated lower risk assets **in light of market conditions**

**Aviva Investors originates c.95% of the real assets supporting the annuity business<sup>1</sup>**

1. Excluding equity release assets sourced internally from UK Life



# Innovation in structured finance



## Investment type: Structured finance

£79m notional 30 year sustainable swap repack transaction with Associated British Ports



**Date:** April 2021



**Investment:** £79m notional swap repack facilitating bank de-risking



**USP:** Innovation. First SONIA-linked interest rate swap repack, and the first institutional repack transaction to have sustainability-linked key performance indicators (KPIs)



**Sustainability:** Swap repack provides rate incentives for independently verified environmental improvements, including emissions by 2030







# Sustainability helps us win new business

While others are focused on greenifying portfolios we have **taken a leading role in investing in ESG, which we will continue to do**

**£1bn**

Sustainable Transition Loans, meeting our 2025 target 3 years early

**£4.3bn**

UK infrastructure & real estate investment since 2020<sup>1</sup>

**£1.4bn**

Total investment in low-carbon and renewable infrastructure<sup>1</sup>

**£7.6bn**

Total investment in green assets<sup>1</sup>

**£3m**

Total energy cost savings from our smart buildings program<sup>1</sup>



## Better access to green assets

Through our track of record in green finance, with developed relationships enabling us to **better influence decarbonisation activity**



## Attractive solutions for borrowers

Sustainable Transition Loan offering in real estate debt has been **attractive to borrowers**, in addition to **allowing us to meet Group commitments**



## Helping borrowers become more sustainable

Lending in sustainable loans are **helping borrowers towards meeting their own sustainability commitments**



## Helping the environment

Encouraging borrowers to improve their buildings' sustainability credentials is **good for the environment**



## Stronger credit quality

**Sustainable buildings** underpin the value of our collateral



## Attractive solutions for trustees

With increasing ESG considerations **in decision making, evidenced by the recent Church of England BPA deal, won due to our ESG capability**



## New external mandates for Aviva Investors

Meeting the **increasing demand from institutional investors** to invest sustainably across the full range of assets

1. As at 31 December 2021

# Summary messages to leave you with

**A key cash generative business for Aviva**

**£1bn**

Cash remittances  
over 2022-24

**A scale UK player with leading market positions**

**1.3m**

Customers<sup>1</sup>

**£15-20bn**

Target BPA volumes over 2022-24

**Mid-single digit growth**

CAGR in external individual annuity sales 2021-24<sup>2</sup>

**Double digit growth**

p.a. in equity release lending over 2021-24

**Expertise through in-house asset origination from Aviva Investors**

**£4.6bn**

of real asset origination  
in 2021

1. Includes members of both buy-outs and buy-ins; 2. Subject to market conditions

# Q&A Session



**Amanda Blanc**  
Group CEO

---



**Doug Brown**  
CEO  
UK Life

---



**Mark Versey**  
CEO  
Aviva Investors

---



# Appendix

For  
**325**  
years



# Individual annuities: Overview

An **annuity** is an insurance policy that provides a regular guaranteed income. An annuity can be tailored to meet customer's specific needs (e.g. death benefits, payment frequency & increase, value protection, guaranteed period) with an amount paid determined by the annuity rate

## We offer three types of annuities:

- **Pension Annuity:** guaranteed income using the customer's pension pot. Former defined benefit pension schemes usually offered guaranteed annuity options (GAO) in the form of a guaranteed rate (GAR) or minimum amount of income (GMP)
- **Immediate Life Annuity:** guaranteed income purchased from savings, investments or inheritance (non-pensions), can only be bought through a financial advisor. We only offer standard rates (no medical underwriting). A niche market with only 2 UK providers
- **Lifetime care plan (immediate needs):** guaranteed monthly income to cover long-term care costs in a tax-efficient way. Optional additional protections against inflation or premium period but can only be purchased through a financial adviser. Niche market, only 4 UK providers

Aviva doesn't offer fixed-term annuities and closed its with-profit annuity (income changing in line with investment returns) to new business in 2019

- Aviva is the long term market leader in individual annuities; the majority of new business comes from maturing internal pensions
- We pay **£3.2bn in annuities** each year to **1.1m customers**

# Equity release: Overview

**Equity Release** is a way for customers to release cash from the equity value of their home. It is a long-term loan, repaid on customer's death or move into long-term care. There is no requirement to make any payments, including interest, during customers' lifetime

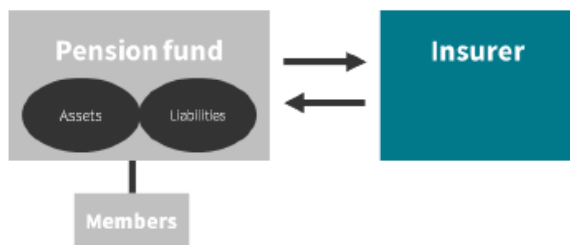
## We offer the following lifetime mortgage options:

- **Lifestyle Flexible Option:** customers borrow an initial lump sum from £10,000 and set up a cash reserve of at least £5,000 to draw money from when they choose. Interest is only paid on the money drawn from the cash reserve
  - **Fixed interest rate for life:** ability to port the loan to new property. No obligations to make repayments; voluntary repayments can be made (>£50). Early repayment charge free events – death, long-term care, repayment within 3 years when one applicant either dies or requires care
- 
- Aviva has been in the Equity Release market for more than 20 years
  - Aviva has been rated as the **Best Equity Release Lender in the market since 2013**
  - We are the only provider to offer a **unique interest rate** tailored to customers' situation. Uniquely competitive for over 55s
  - Our **No Negative Equity Guarantee** ensures we are never owed more than the reasonable value of the property obtained on its sale

# Bulk purchase annuities: Overview

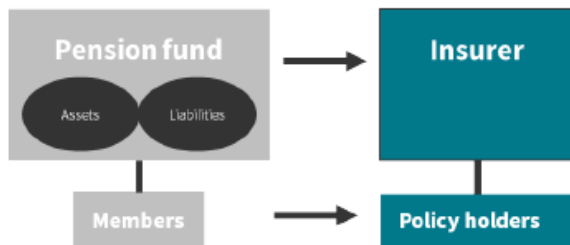
A **bulk purchase annuity** secures defined benefit member pension benefits. BPAs remove investment, inflation and longevity risk from the sponsoring employer responsible for the scheme

## Buy-in



- Under a buy-in the pension plan maintains the relationship with its members
- The insurer makes regular payments into the plan to meet the monthly pensioner payroll requirements

## Buy-out



- Buy-out solutions are suited to trustees wanting to permanently settle their pension liabilities, allowing the plan to be wound up
- The insurer takes on responsibility for the relationship with members who are issued individual policies
- All payroll and administration duties are taken on by the insurer

- Aviva has a strong BPA franchise which has grown significantly through increased competitiveness and underlying market growth
- Accelerating interest from DB schemes for de-risking solutions, creating highest growth opportunity in European insurance
- Estimated volume of c.£100-150bn for the BPA market over the next 3 years (£30-50bn p.a.)
- Aviva earns profits on this business principally through the pooling and efficient management of longevity, credit and other risks supported by investment freedom and economies of scale available from running a large book of annuity liabilities when compared to individual pension schemes