

Aviva plc
Shareholder asset
portfolio update
24 May 2023

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AVIVA



Disclaimer & important information

Cautionary statements

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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 national and international political and economic situation generally (including those arising from the Russia-Ukraine conflict and uncertainty over the US Debt Ceiling); market developments and government actions; 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; reduce the value or yield of our investment portfolio and impact our asset and liability matching; the impact of changes in short or long-term interest rates and 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 longer-term 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 customers 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; failure to continually attract and retain talented, quality financial advisers; 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 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, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities.

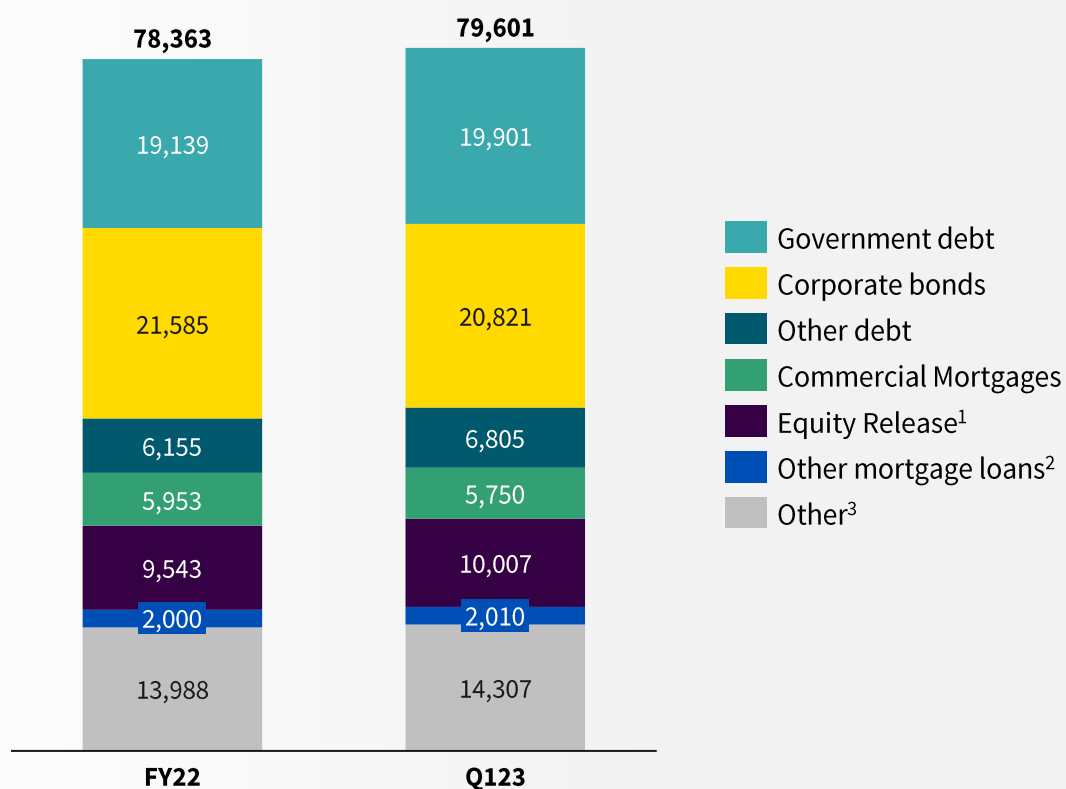
Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this report are current only as of the date on which such statements are made.

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Shareholder asset portfolio well positioned

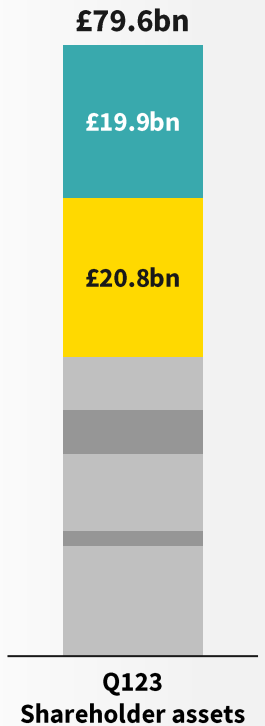
Shareholder assets by type

£m



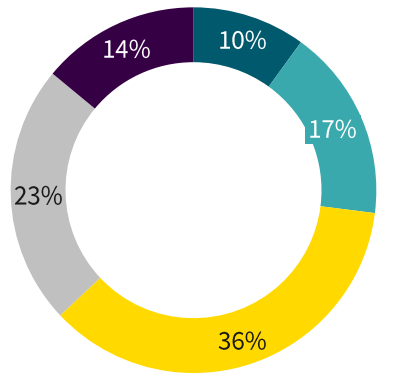
- ✓ **High-quality portfolio** continues to perform well
- ✓ **Defensive investment profile** - we have not chased growth
- ✓ **Low shareholder exposure** to equities, emerging markets sovereigns, and European peripherals

Corporate bonds and Government debt



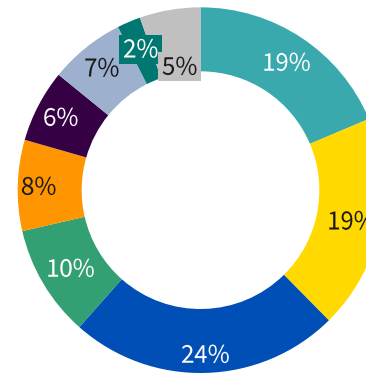
Government debt
Corporate bonds

Corporate bonds by rating



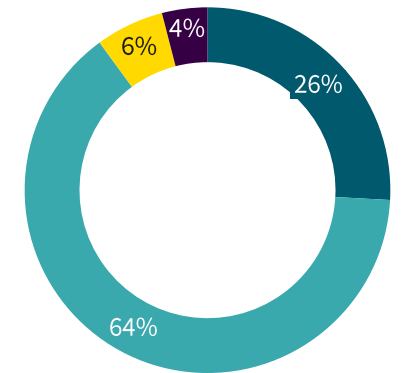
AAA BBB
AA Internally rated
A

Corporate bonds by industry



Financials - banks Communications Financials - other
Utilities Real estate Oil & gas
Consumer services Industrial Other

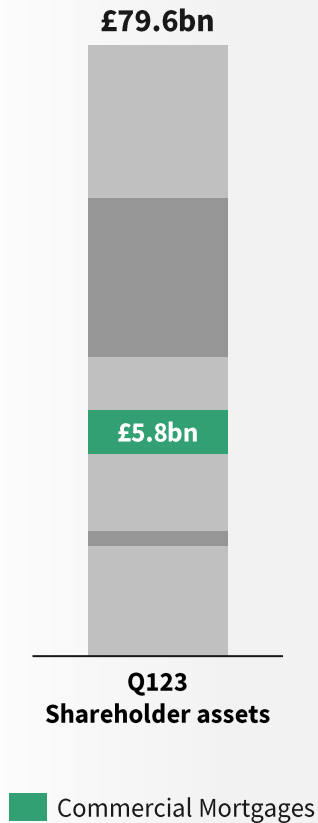
Government debt by rating



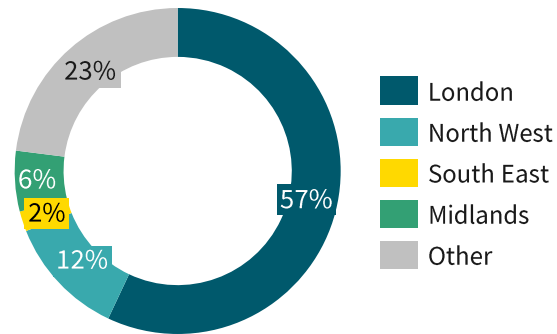
AAA BBB
AA Internally rated
A

- ✓ **Corporate bond portfolio** continues to perform well
- ✓ **<£20m of portfolio downgraded** to a lower ratings letter and **c.£280m upgraded** to a higher ratings letter
- ✓ **No corporate bonds downgraded** below investment grade

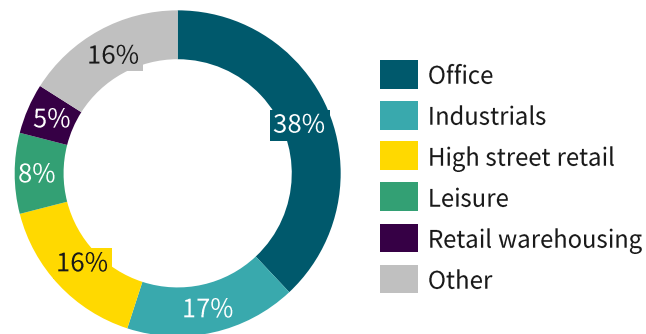
Commercial mortgages



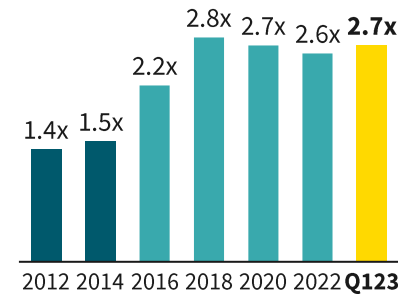
Commercial mortgages by geography



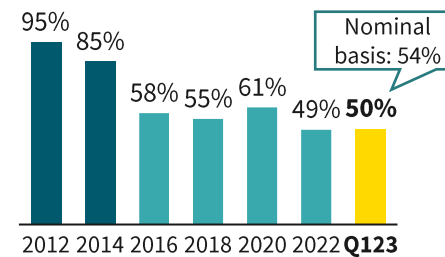
Commercial mortgages by industry



Loan interest cover

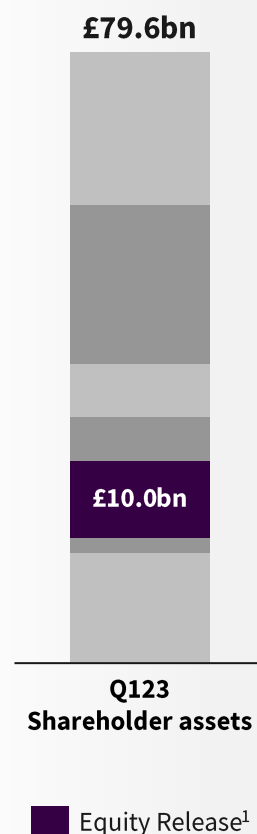


Loan-to-value ratio¹



- **Low average LTV** of 50% on a fair value basis and 54% on a nominal basis
- **Strong loan interest cover** leaving borrowers significant headroom to absorb lower rents or rental voids
- **Financial covenants in place on most contracts**, including all new lending to restrict maximum LTVs and minimum LICs with swift action taken to bring loans back in tolerance in the event of a breach
- **Loans are fixed rate** so interest volatility doesn't directly impact the interest cost for the borrower
- **Limited refinancing risk** over the short-term as only few maturities are upcoming
- Prioritise lending to **counterparties who have wider portfolios of properties** that can be used as security to minimise the risk of losses on default

Equity release mortgages



- Securitised mortgage loan and equity release portfolio of £10.0bn is mostly internally securitised with **low average LTVs of 26%**
- 90% of equity release loans have an **LTV <50%**
- **<£5m of losses** arising from ‘no negative equity guarantees’ since 2015
- Equity release **new business LTVs are actively managed**
- We remain a **conservative lender within the overall marketplace**
- **House price growth over recent years has reduced LTVs**, providing a headroom against short-term property price volatility