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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 on our business activities and 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 on our business activities and results of operations; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; regulatory approval of extension of use of the Group’s internal model for calculation of regulatory capital under the European Union’s 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 (including cyber attack); 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 fluctuations in share price as a result of general market conditions or otherwise; 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 government regulations or tax laws in jurisdictions where we conduct business, including decreased demand for annuities in the UK due to proposed changes in UK law; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact, integration risk, and other uncertainties, such as non-realisation of expected benefits or diversion of management attention and other resources, relating to announced acquisitions and pending disposals and 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 or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see ‘Other information – Shareholder Information – Risks relating to our business’ in Aviva’s most recent Annual Report. Aviva undertakes no obligation to update the forward looking statements in this presentation or any other forward-looking statements we may make. Forward-looking statements in this presentation are current only as of the date on which such statements are made.
Today’s speakers

Jason Windsor  
CFO, UK Insurance

Jason is the CFO for UK Insurance having previously been Chief Capital and Investment Officer, Strategy and M&A Director, and a member of the Aviva group executive

Tom Ground  
MD, DB Solutions

Tom Ground joined Aviva in August 2017. Prior to joining Aviva, Tom headed up L&G’s bulk annuity and longevity insurance business

Mark Versey  
CIO, Investment Solutions

Mark is a member of the Aviva Investors’ Executive team. He leads the Global Investment Solutions business and oversees the Private Debt business
## Aviva Defined Benefit Solutions
### Key messages

<table>
<thead>
<tr>
<th>Attractive market</th>
<th>Growing appetite</th>
<th>Core strengths</th>
<th>Low risk investment strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>c£15bn-£20bn pa(^1)</td>
<td>Total annuity book of c£51bn(^2), of which c£7bn is BPA</td>
<td>Proprietary access to key asset classes:</td>
<td>Investment grade portfolio</td>
</tr>
<tr>
<td>Opportunity to grow market share</td>
<td>BPA sales more than doubled in 2017</td>
<td>• Equity Release</td>
<td>Diversified with strong collateral in private debt</td>
</tr>
<tr>
<td>Market size sustainable for many years</td>
<td>Expanding BPA appetite into medium to large schemes</td>
<td>• Infrastructure</td>
<td>Conservative LTV ratios</td>
</tr>
<tr>
<td>Longevity, yields and DC transfers improving affordability</td>
<td>Investing in talent to support growth</td>
<td>• Commercial mortgage</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Large back book</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>UK corporate relationships</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Market size per annum from 2018.
\(^2\) Based on annuity reserves as at 31/12/2016.
Bulk purchase annuities
Context in Aviva Group Strategy

- Mid 2000s: Aviva enters BPA market
- 2011: Writes £1,075m BPA (49 deals)
- 2011: Aviva ICA Capital ratio 125%
- 2012: Withdraws from large BPAs
- 2015: Aviva acquire Friends Life (£13bn annuities)
- 2016: Writes £620m BPAs (41 deals)
- 2016: Aviva FY16 SII capital ratio 189%
- 2017: 2017 Hiring of new BPA leadership
- 2017: Aviva writes its largest bulk (c.£600m)
- 2014: Pension Freedoms reduces individual market
Our Bulk Purchase Annuity History
Historic focus on small to medium schemes

Aviva bulk annuity schemes (#)

<table>
<thead>
<tr>
<th>Year</th>
<th>#</th>
</tr>
</thead>
<tbody>
<tr>
<td>08</td>
<td>39</td>
</tr>
<tr>
<td>09</td>
<td>47</td>
</tr>
<tr>
<td>10</td>
<td>33</td>
</tr>
<tr>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>12</td>
<td>49</td>
</tr>
<tr>
<td>13</td>
<td>33</td>
</tr>
<tr>
<td>14</td>
<td>60</td>
</tr>
<tr>
<td>15</td>
<td>60</td>
</tr>
<tr>
<td>16</td>
<td>34</td>
</tr>
</tbody>
</table>

Aviva bulk annuity premiums

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>08</td>
<td>£826m</td>
</tr>
<tr>
<td>09</td>
<td>£176m</td>
</tr>
<tr>
<td>10</td>
<td>£873m</td>
</tr>
<tr>
<td>11</td>
<td>£1,075m</td>
</tr>
<tr>
<td>12</td>
<td>£187m</td>
</tr>
<tr>
<td>13</td>
<td>£379m</td>
</tr>
<tr>
<td>14</td>
<td>£873m</td>
</tr>
<tr>
<td>15</td>
<td>£984m</td>
</tr>
<tr>
<td>16</td>
<td>£620m</td>
</tr>
<tr>
<td>H1 17</td>
<td>£320m</td>
</tr>
</tbody>
</table>

H1 2017 annuity sales

- £320m
- £755m

End 2016 gross annuity reserves

- £7bn
- £44bn
Attractive financial returns

Operating profit

<table>
<thead>
<tr>
<th>Annuities &amp; equity release</th>
<th>HY16 £m</th>
<th>HY17 £m</th>
<th>Δ</th>
<th>HY16 % bps</th>
<th>HY17 % bps</th>
<th>Target range</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>88</td>
<td>109</td>
<td>24%</td>
<td>11%</td>
<td>8%</td>
<td>7.5-8.5%</td>
</tr>
<tr>
<td>Existing</td>
<td>158</td>
<td>200</td>
<td>27%</td>
<td>60bps</td>
<td>70bps</td>
<td>55-70bps</td>
</tr>
<tr>
<td>Total</td>
<td>246</td>
<td>309</td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Margin

<table>
<thead>
<tr>
<th>Driver</th>
<th>HY16</th>
<th>HY17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target range</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>HY16</td>
<td>HY17</td>
</tr>
<tr>
<td>818m (PVNBP3)</td>
<td>1,435m (PVNBP3)</td>
<td></td>
</tr>
<tr>
<td>53bn (Opening assets)</td>
<td>57bn (Opening assets)</td>
<td></td>
</tr>
</tbody>
</table>

Returns & payback

- Range, typically low-teens
- Payback 4 – 8 years
- Long-term value generator

New business strain

- 3%-6% of premium (including buffer)
  - Risk margin
  - Reinsurance
  - Deferreds vs immediates

Capital & Return
Our Asset Strategy

Aviva investment beliefs

• Long-term ALM approach: avoid short-term directional views
• All weather portfolio: focus on downgrade/default risk
• Responsible ESG investor
• Diversification: sector / geography / name
• Financial metrics: MA/capital, IFRS

UK annuity asset mix (HY17)

UK Life
Overall financial + risk accountability
Strategic asset allocation & limits
Equity release mortgages

Aviva Investors
Origination & credit review
Asset class expertise
Loan management
New asset classes

Aviva Investment Beliefs

- Long-term ALM approach: avoid short-term directional views
- All weather portfolio: focus on downgrade/default risk
- Responsible ESG investor
- Diversification: sector / geography / name
- Financial metrics: MA/capital, IFRS
Asset Portfolio Quality
High quality shareholder bond portfolio underpins annuity book

Breakdown by Sector (Nov 17):  
- Sovereigns: 27%
- Financials: 13%
- Telcos: 8%
- Quasi-sovereigns: 8%
- Consumer: 8%
- Industrials: 6%
- Utilities: 5%
- Other: 4%

Breakdown by Rating (HY17):  
- AAA-AA: 43%
- A: 30%
- Internally rated: 18%
- BB or below: 8%
- BBB: 1%

1. Shareholder assets
Asset Portfolio Quality
Commercial mortgage portfolio de-risked 2 years ago

Sector Distribution HY17
- Office: 36%
- Industrial: 13%
- Retail: 10%
- Leisure: 9%
- Other: 10%

Geographic Distribution Q4 2016
- Inner London: 2%
- Central London: 35%
- Outer London: 8%
- East Anglia: 6%
- South East: 3%
- South West: 4%
- Home Counties: 10%
- Midlands: 8%
- North East: 3%
- North West: 3%
- Scotland: 15%
- South East: 10%
- Wales: 2%

LTV rates
- FY12: 95%
- FY13: 83%
- FY14: 85%
- FY15: 61%
- FY16: 58%
- HY17: 58%

Loan interest cover
- FY12: 1.4x
- FY13: 1.4x
- FY14: 1.5x
- FY15: 2.1x
- FY16: 2.2x
- HY17: 2.4x
Aviva plc

BPAs – growing appetite, winning capabilities

Tom Ground
Bulk Annuity market is a significant growth opportunity for Aviva

£100bn of transactions since 2012
£60bn: buy-ins and buy-outs
£40bn: annuity back-book / corporate transactions

20% CAGR

£9.4bn
£5.0bn
£4.4bn
£11.0bn
£3.5bn
£7.5bn
£18.2bn
£5.0bn
£13.2bn
£18.3bn
£6.0bn
£12.3bn
£19.6bn
£9.4bn
£10.2bn
£12.5bn
£23.0bn
£10.5bn
£20bn²
£30.0bn
£10bn¹


Annuity back-books³
Buy-in / Buy-out

Continued growth expected…

Less than 5% of £2.0tn private sector liabilities insured

Pension risk legacy issue: schemes closed to new members, and increasingly to future accruals

SII changed many life companies’ business models. >£80bn+ of back-books could come to market

Very strong pipeline of opportunities for 2018

Sources:
1. JLT Buyout market watch year end 2017
2. LCP de-risking report 2018
3. Based on JLT market research and Aviva estimates. Includes With-Profit annuity business that came to market in 2017
5 capabilities to winning BPA...Aviva is well placed to win in all 5

<table>
<thead>
<tr>
<th>Lower cost of capital</th>
<th>Transaction expertise</th>
<th>Member recognition</th>
<th>Longevity risk management</th>
<th>Investment risk management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Only true Composite Global Insurer in BPA market</td>
<td>Corporate / trustee relationships • 6.6m policies • 4.5m individual policyholders</td>
<td>Strongest brand recognition Back-end digitisation (My Aviva) Advice</td>
<td>Superior insight With Quantum Reinsurance</td>
<td>#1 in volume of direct investments Leading equity release player</td>
</tr>
<tr>
<td>AA credit rating (Moody’s)</td>
<td>In BPA market since mid 2000s</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Well placed to win

### Transaction expertise

- Aviva now bidding on transactions of all sizes: 2018 pipeline of c£15bn
- Superior deal winning and origination skills
- Adding talent on BPA team
  - Strategic deals team (£500m+ case size)
  - Further strengthen pricing, investment, reinsurance, structuring & administration capabilities
- Strong corporate / trustee relationships: umbrella contracts to do phased de-risking programmes
  - Leverage Aviva franchise

### Member recognition

- Strongest brand recognition of any player in market
- At scale 1.4m annuity customers: back-end digitisation (My Aviva)
- No third-party administration, allowing flexible and responsive service delivery
- Further investment in automation for deferred customers
  - System upgrades to speed-up availability of transfer options
  - Detailed review of advice available
Excellence in Data & Analytics

Data analytics capability

- Superior insight with Aviva Quantum: world class data science capability (500+ strong team)

- Access to unparalleled data sources:
  - Aviva back-book & staff pension (1.5m people)
  - Aviva customers of other product lines (16m, incl. 5m corporate pensions)
  - Lexus Nexus, land registry (21m households)
  - 6m people: Club Vita dataset of DB pension schemes

Unique capability to price new business and better service existing customers

Longevity risk management

- Next generation post-code model to evaluate longevity
  - Multi-factorial predictive model of base and improver basis
  - Proactive searches of proportion married data
  - Profile of individuals most likely to transfer out of DB schemes (incl. liability management exercises)

- Understanding if members can be encouraged to use Aviva’s financial advice, pension platform, annuities & drawdown

- Reinsuring new BPA business when economically sensible
  - Significant & attractive reinsurance in 2017
  - 7 on reinsurance panel
  - Plan to extend numbers on panel during 2018
Investing to meet bulk purchase annuity liabilities

Mark Versey, Aviva Investors
Aviva Investors – European Private Debt Expert

Expertise
- Unrivalled market access
- Lending since 1984
- 170 Staff

Co-Investment model
- Externalising business
- Increased deal flexibility
- Lead underwriter

Multi-asset approach
- Broad asset coverage
- Relative Value
- Faster deployment

Scalable
- £22bn AUM
- UK & Lux platforms
- In-house legal & operations
£2.4bn Private Debt with sizes ranging from £1m to £355m
AIS 2017 Origination: Rating Analysis

Supply dominated by BBB issuance giving average spread c2%...all secured
AIS Origination: By Indexation Type

Borrowing mainly Fixed Rate but increasing volumes of Inflation Linked
AIS Origination: Benefits of multi-asset approach

33 deals across spread and duration with 13y WAL
Application: Bulk Annuity Investment Strategy

Illustrative example of a notional £1bn BPA deal

Good cash flow matching to liabilities
## Example – Real Estate Finance

<table>
<thead>
<tr>
<th>Investment</th>
<th>Senior Secured Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Portfolio of 70+ regional office and industrial assets</td>
</tr>
<tr>
<td>Investment size</td>
<td>c£75m</td>
</tr>
<tr>
<td>Tenor</td>
<td>10 years</td>
</tr>
<tr>
<td>Annualised all-in return</td>
<td>~215bps</td>
</tr>
<tr>
<td>Illiquidity premium (over public credit)</td>
<td>~100bps</td>
</tr>
<tr>
<td>Rating</td>
<td>BBB</td>
</tr>
<tr>
<td>Loan Terms</td>
<td>50% LTV</td>
</tr>
<tr>
<td>Investment date</td>
<td>2017</td>
</tr>
</tbody>
</table>

For illustration purposes only
## Example – Infrastructure Debt

<table>
<thead>
<tr>
<th>Investment</th>
<th>Senior Secured Loan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>Rolling Stock</td>
</tr>
<tr>
<td><strong>Investment size</strong></td>
<td>c£250m</td>
</tr>
<tr>
<td><strong>Tenor</strong></td>
<td>&gt;25 years</td>
</tr>
<tr>
<td><strong>Spread</strong></td>
<td>180-220 bps</td>
</tr>
<tr>
<td><strong>Iliquidity premium (over public credit)</strong></td>
<td>~120bps p.a.</td>
</tr>
<tr>
<td><strong>Rating</strong></td>
<td>BBB</td>
</tr>
<tr>
<td><strong>Investment date</strong></td>
<td>2017</td>
</tr>
</tbody>
</table>

For illustrative purposes only
2018 – Challenges & Opportunities

Supply
- Fiscal stimulus
- Bank demand
- Real asset demand

Demand
- Low yields
- Liability matching
- Increased external demand

Valuation
- Political tension
- Credit spreads
- Interest rates / XCY

Pipeline of > £19bn