Disclaimer

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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 difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local and international political, regulatory and economic conditions; market developments and government actions (including those arising from the outcome of the negotiations on the future economic 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 of our portfolio and impact our asset and liability matching; the impact of changes in short or long-term interest rates; 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 in 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; 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; 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 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 announcement 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.
Key messages

- Aviva’s high quality investment portfolio continues to perform well
- In our shareholder corporate bond portfolio, approximately 5% is invested in sectors most directly impacted by Covid-19, such as airlines, retail & leisure, and oil & gas
- In 2020 our shareholder corporate bond portfolio has had no defaults. Less than £10m of bonds have had credit ratings downgraded below investment grade at the end of Q1, while just 3% of the portfolio has been downgraded to a lower rating “letter”
- Our commercial mortgage loan portfolio has a low loan-to-value ratio and strong interest cover. We anticipate pressure on covenants for some borrowers, however, at the present time this has not translated into any meaningful impact on debt service
- Defensive investment profile – we have not chased growth
- Low shareholder exposure to equities, emerging market sovereigns and European peripherals
- Robust secured loan portfolio supporting critical UK infrastructure assets
Total managed assets

Assets by liabilities covered

31 December 2019: £401,025m

- Participating fund assets
  Total: £134,952m
  Comprises UK style (£53,123m) and European style (£81,829m) with-profits funds

- Policyholder assets
  Total: £172,368m
  Policyholder bears risk of change in asset values

- Shareholder assets
  Total: £93,705m
  Assets to which there is exposure for shareholders
**Shareholder assets by type**

![Shareholder assets chart]

**Corporate bonds**
- Less than BBB rated: £305m
- Internally rated*: £3,456m (*of which >90% rated investment grade based on internal ratings)

**Government debt by geography**
- UK: £11,082m
- Europe: £7,774m
- North America: £4,164m
- Asia Pacific & other: £1,045m

Shareholder exposure to peripheral European countries**: £0.8bn

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**Notes**

- **AAA**: AAA-rated debt.
- **BBB**: BBB-rated debt.
- **AA**: AA-rated debt.
- **<BBB**: Below BBB-rated debt.
- **A**: A-rated debt.
- **Internally rated**: Internally rated debt.
- **Other**: Other debt categories.

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**Greece, Spain, Italy, Ireland and Portugal**
Shareholder assets – corporate bonds

Q1 view of corporate bonds by industry

- Financials - Banks: 21%
- Financials - Insurance & other: 22%
- Utilities: 7%
- Consumer services: 8%
- Communications: 9%
- Industrial: 7%
- Oil & gas: 2%
- Other: 4%

1Q 2020

Very low exposure to sub-sectors most directly impacted by Covid-19

- **Airlines**
  - Less than 0.5%, non-material exposure comprising two positions, the larger of which is receiving government support and is AA rated

- **Retail and leisure**
  - 3% of portfolio, c99% of which is rated investment grade, including c70% rated AA

- **Oil & gas**
  - 2% of portfolio, all investment grade, and of which c.60% is rated AA-. The majority of investments are with "majors" more resilient to stress

**Q1 experience**

- Limited ratings migration experience so far
  - Ratings downgrades to a lower letter totalled just 3% of the portfolio
  - Ratings downgrade to below investment grade of <£10m
- No defaults within the shareholders' corporate credit book

Note: an adjustment has been made to previously disclosed analysis by sector which has been refined since FY19 presentation to exclude structured securities. Ratings referenced at Q1 are presented using counterparty ratings, which differs from the FY19 analyst pack disclosures but aligns to the treatment within the internal Solvency II model.
Shareholder assets – Loans

Commercial mortgages (FY19: £7,640m)
- Average LTV 56%, with loan interest cover of 2.9x
- The commercial loan portfolio is split across the following sectors

<table>
<thead>
<tr>
<th>Office</th>
<th>Retail</th>
<th>Industrial</th>
<th>Student</th>
<th>Leisure</th>
<th>Warehousing*</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>33%</td>
<td>24%</td>
<td>11%</td>
<td>11%</td>
<td>11%</td>
<td>4%</td>
<td>6%</td>
</tr>
</tbody>
</table>

- c50% of UK office exposure is central London and a further c30% relates to other major UK cities
- c50% of UK retail exposure is central London
- Portfolio has been de-risked significantly in recent years and had healthy metrics going into the current environment:

- Loans & advances to banks (FY19: £3,129m)
  - Primarily relate to loans of cash collateral received in stock lending transactions and are therefore collateralised by other securities

Healthcare, infrastructure & PFI loans (incl. mortgage loans) (FY19: £9,345m)
- Loans secured against infrastructure, healthcare, education, social housing and emergency services related facilities which receive government support and are at low risk of default

Equity release (FY19: £10,990m)
- Internally securitised and rated equity release loans of £8.6bn, with an average rating of A. Average LTV is 28.2%
- £2.4bn are securitised loans with any cash shortfall borne by securitised note holders
Participating fund and policyholder assets

- UK style with-profits funds of £53,123m
- European style with-profits funds of £81,829m

- These assets are invested for policyholders, who bear the risk of changes in asset values.
- While there is no direct exposure to shareholders, there would be an associated impact on fee income arising from changes in value