

# Mergers & Acquisitions: Curse or Cure?

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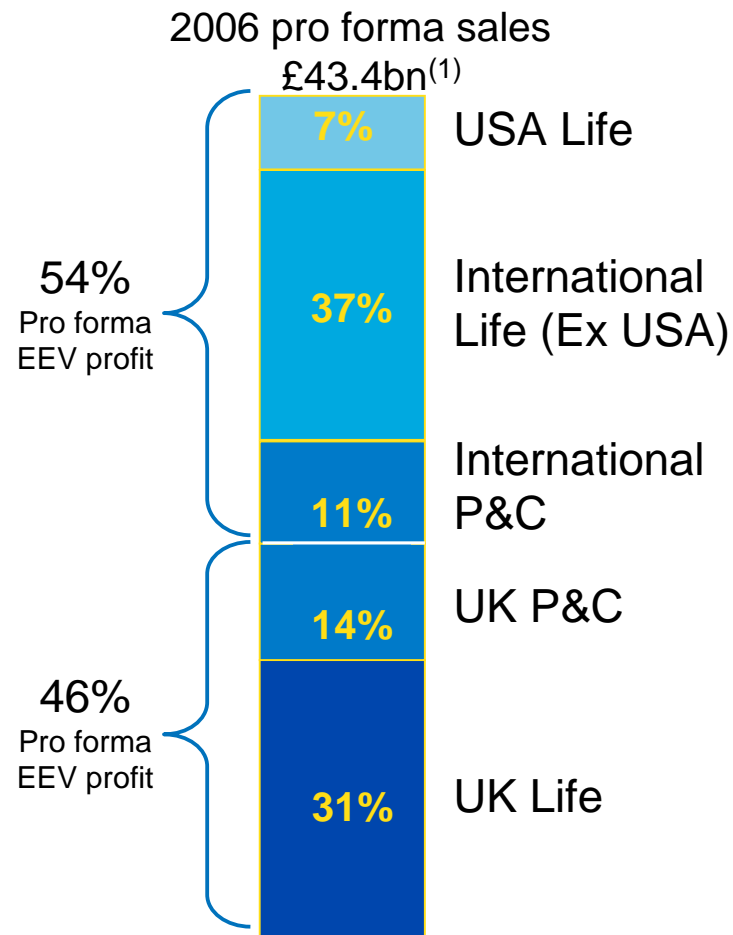
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# Agenda



1. Overview of Aviva
2. M&A & organic growth
3. The international perspective
4. The UK perspective
5. Q&A

# Aviva – who are we?



## An international company...

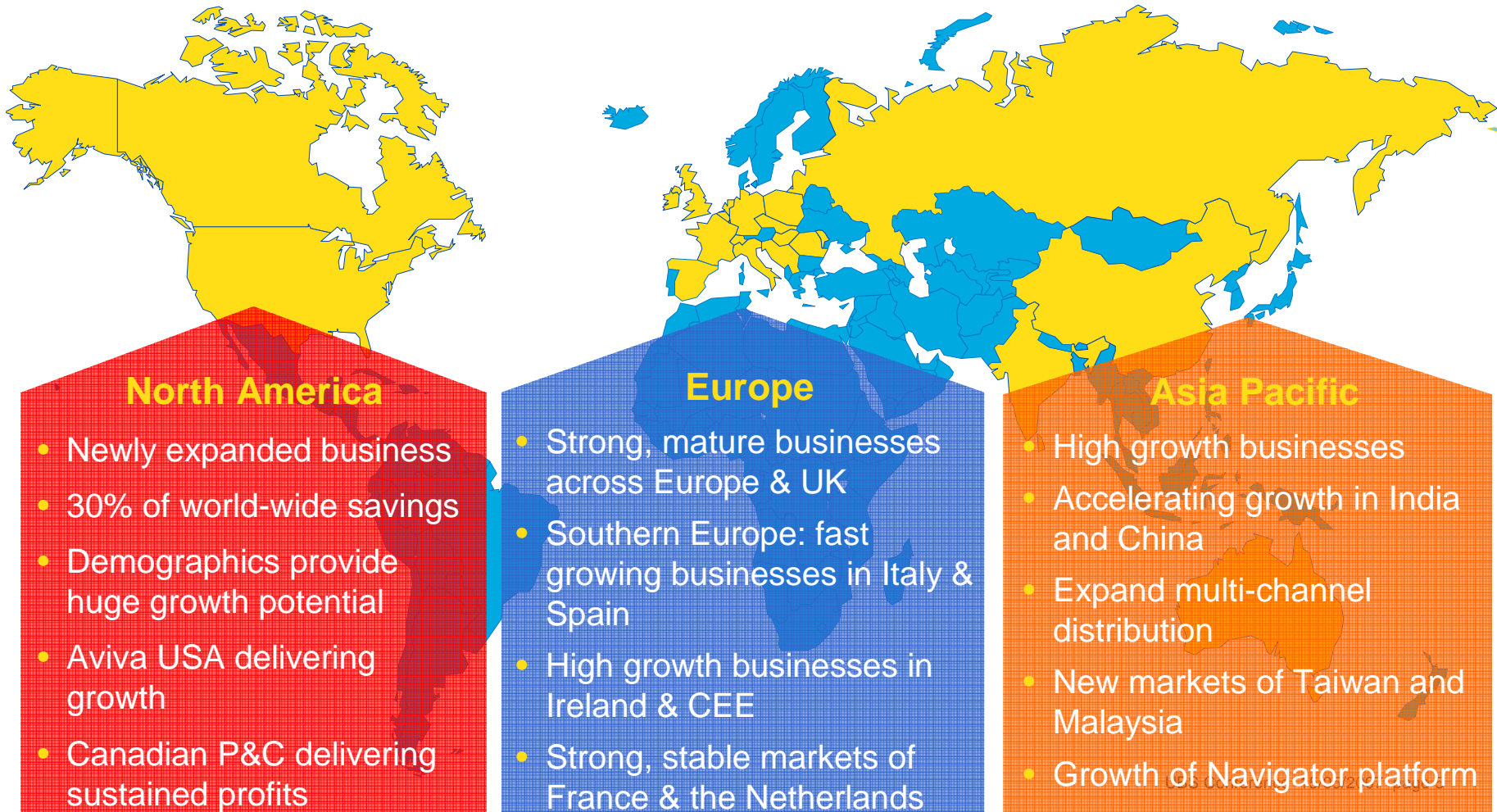
- European portfolio growing ahead of the market
- 2006: 91% growth in the Asian portfolio
- Position in America has been strengthened

## ...with leading positions in its home market

- Strong property & casualty profits
- Positive UK life and pensions outlook

<sup>(1)</sup> 2006 total long-term savings new business sales and P&C and health net written premiums including 12 months of AmerUs sales

# The Aviva portfolio: scale & diversification



# Profitable growth across the portfolio

Full year 2006 unless otherwise stated



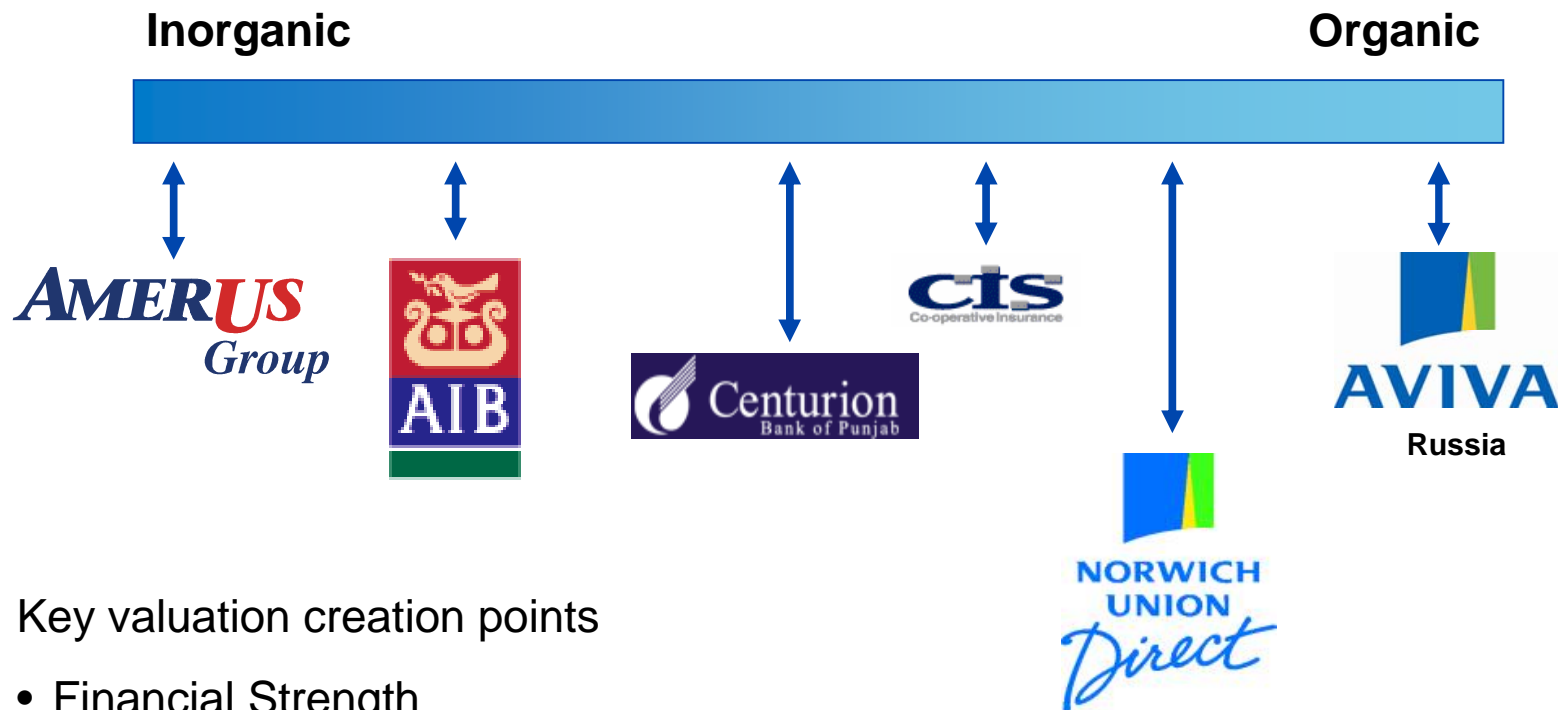
Operating profit: EEV basis <sup>(1)</sup>	£3,245m	5yr CAGR of 17.2%
Operating profit: IFRS basis <sup>(1)</sup>	£3,110m	5yr CAGR of 26.4%
Property & Casualty COR	94%	more than 20% ROE
Dividend per share	30.0p	+10% increase on 2005
Q1 2007 total long term savings sales	£9.2bn	+18%
Q1 2007 new business contribution	£271m	+17%

<sup>(1)</sup> Stated before adjusting items

\* EEV basis

All operating profit is from continuing operations

# The growth spectrum: M&A & organic growth



Key valuation creation points

- Financial Strength
- Brand
- Excellence in integration

# The international perspective



# The 2006 AmerUs acquisition



- **Acquired**

- Number 2 in Equity Indexed Annuities
- Number 1 in Equity Indexed Life
- Scalable IT platform
- Strong management team



- **Terms**

- Consideration of \$3.1 billion
- \$45 million annual pre tax cost savings from 2008
- 10% return on investment by 2009
- IFRS / EEV operating EPS accretive in 2007 / 2008

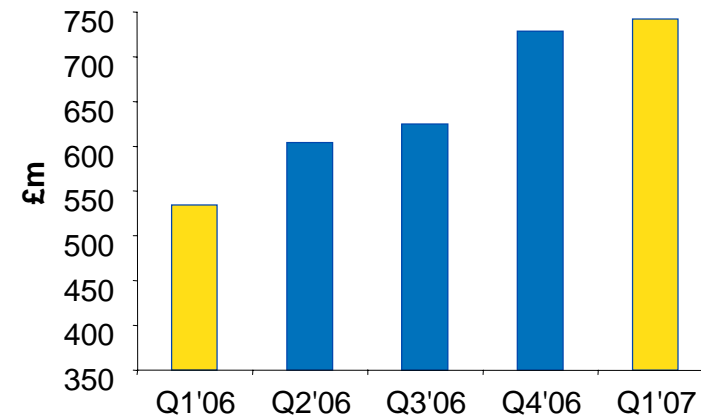


# Aviva USA: the star performer



- Exceptionally strong life & pensions sales of £837m, up 67% on a pro forma basis
- Margins strong at 3.3%
- Indexed annuity product gaining market share
  - Product enhancements & marketing campaigns
  - Wider distribution with 3 new IMO's in 2007
  - Anticipated credit rating changes

Aviva USA pro-forma quarterly sales growth\*



***Confident of at least 20% new business growth in 2007***

\* Excluding funding agreement sales of £330m in 2006 and £95m in Q1 2007

# Aviva

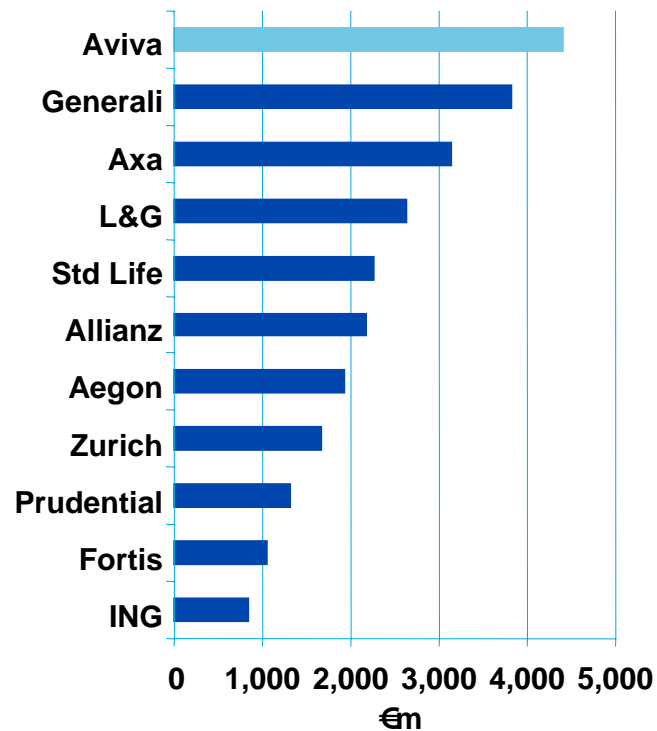
## Building our brand in the USA



# Aviva: largest new business provider in Europe



European Insurers' APE Sales in Europe  
Full Year 2006



- Record quarter for Europe with total sales up 7% to £7.6bn<sup>(1)</sup>
- Margins increased to 3.5% from 3.4%<sup>(1)</sup>
- Excellent organic growth
  - Ireland up 80%
  - Italy up 13%
  - Spain up 22%
- Outperforming many of our major European markets

Source: corporate websites & Aviva analysis

(1) 3 month total life new business sales for Continental Europe & UK

## Europe: M&A playing a part alongside organic growth



### M&A

- **Turkey:** discussions with Aksigorta & Akbank to form new L&P business
- **Netherlands:** Acquisition of Erasmus
- Other ongoing discussions

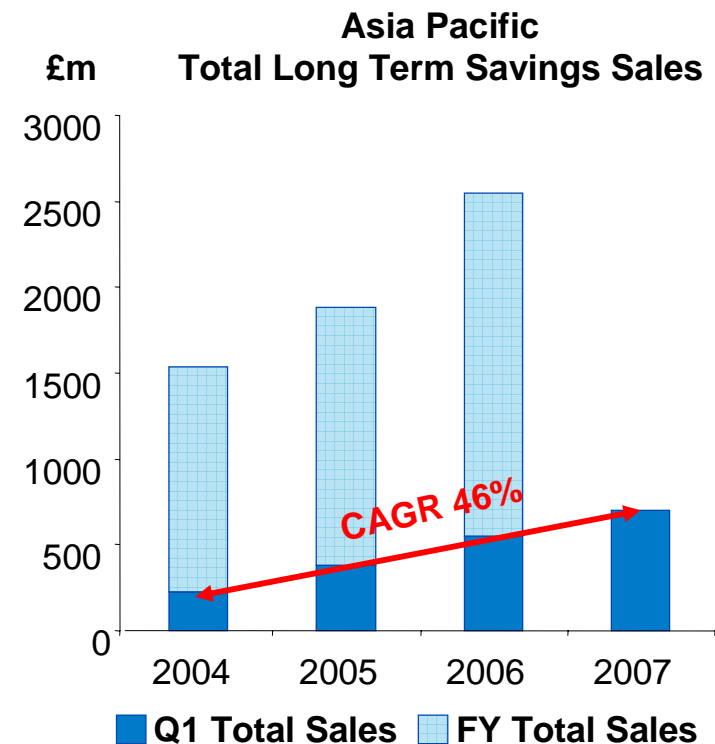
### Organic

- **Russia**
  - Achieve top 5 market position & 10% market share in 5 years
  - Provider of life insurance to over 200 companies
  - Partnerships with 3 leading retail banks
  - Launching Moscow-based DSF

# Asia Pacific: M&A playing a part alongside organic growth



- Q1 2007 total sales up 34% to £700m
- Particularly strong performance from Hong Kong, India & China
- **China**
  - New branch licence in Shijiazhuang
  - Operations in 17 cities
- **Malaysia**
  - MOU signed to purchase 49% of life & takaful bancassurance business
  - Exclusive distribution to 4.5m customers
- **Taiwan**
  - JV agreement signed with First Financial
  - Access to 5m retail customers



# The UK perspective

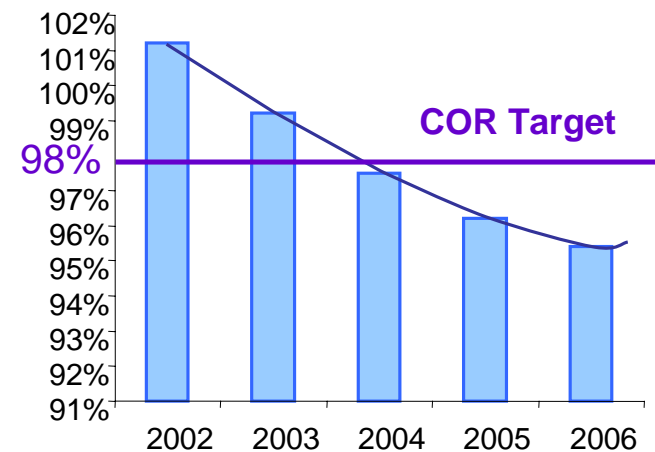


## UK P&C: control & discipline



- Confident of meeting or beating 98% COR
- A highly competitive business model
  - Brand
  - Financial strength
  - Operational excellence
- New joint venture with HSBC
  - Effective 1 July 2007
  - Access to over 8m customers for the sale of Property & Casualty products

UK P&C Combined Operating Ratio



## UK P&C: good acquisition track record



- RAC acquisition
  - Consideration of £1.1 billion
  - £130 million cost savings from 2008
  - £220 million contribution to profit by 2008
  - On track to deliver 18.8% return on capital employed



### Momentum in 2007

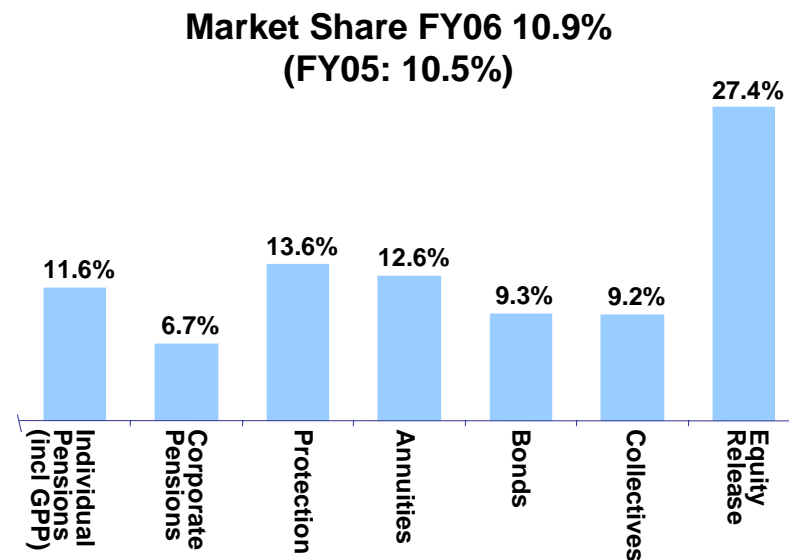
- 3 year roadside assistance contract for HBOS customers
- 7 year roadside assistance contract with Motability
- 3 year roadside assistance contract with VW commenced March 2007



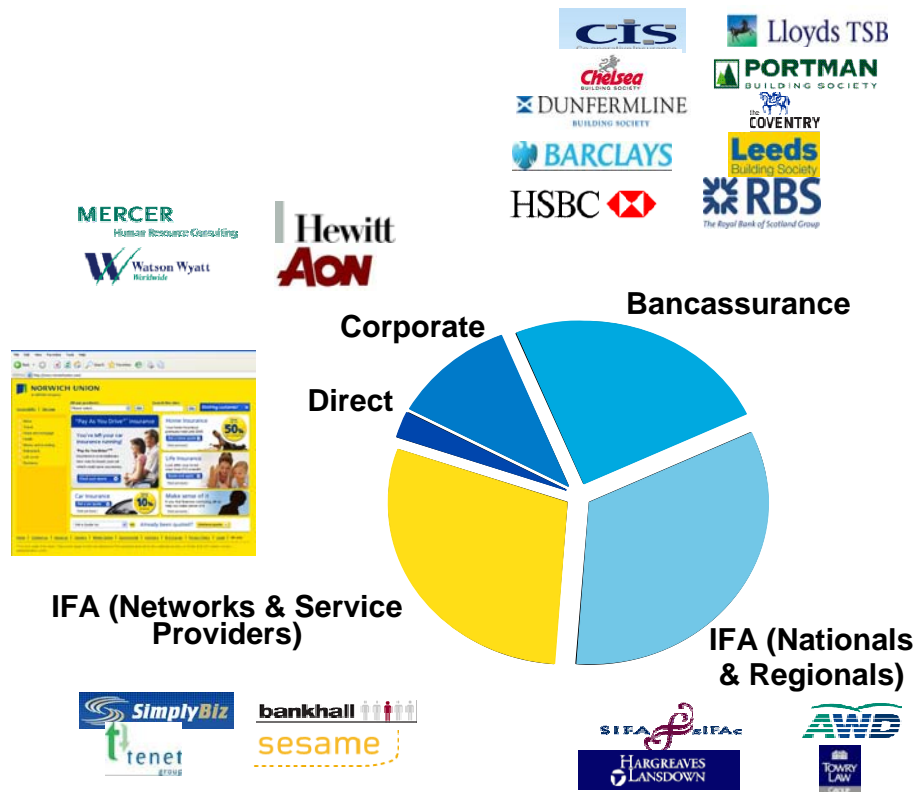
# UK Life: brand, product & distribution



- Total sales up 9% in Q1 building on the 34% growth in Q106
- Margins increased to 3.0% from 2.8%
- Waterfront product range gives mix flexibility
- Expecting 5 – 10% market growth in 2007
  - Aviva expects to grow at least in line with the market with no detriment to profitability

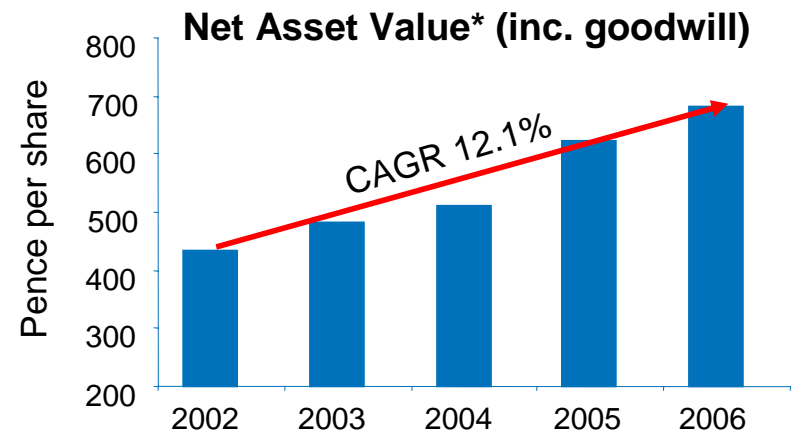
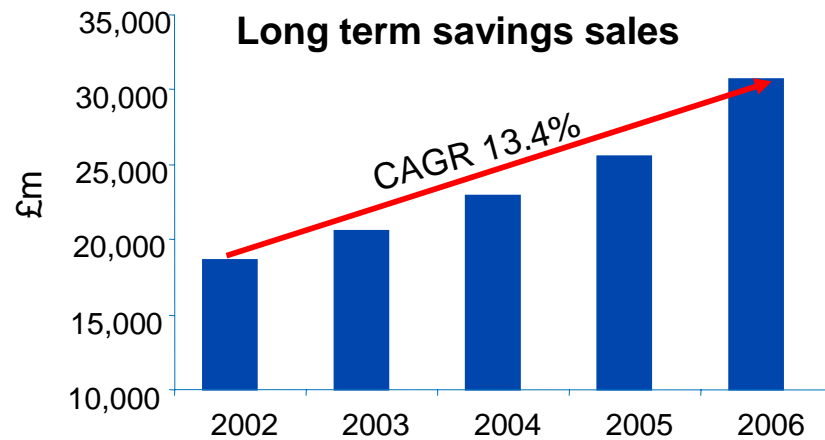
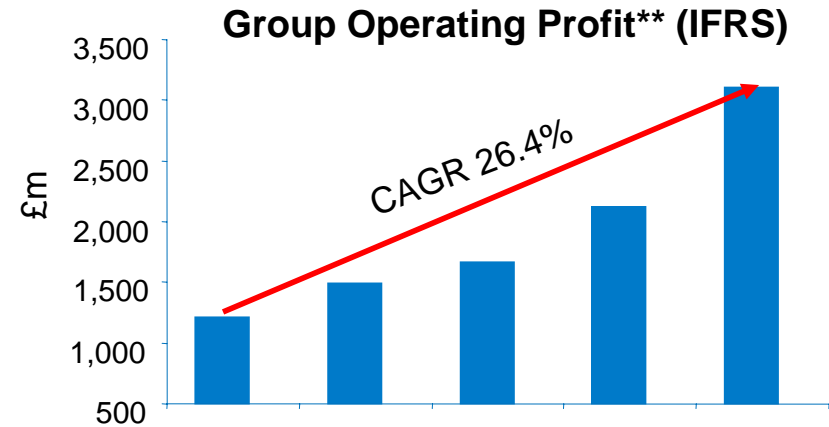
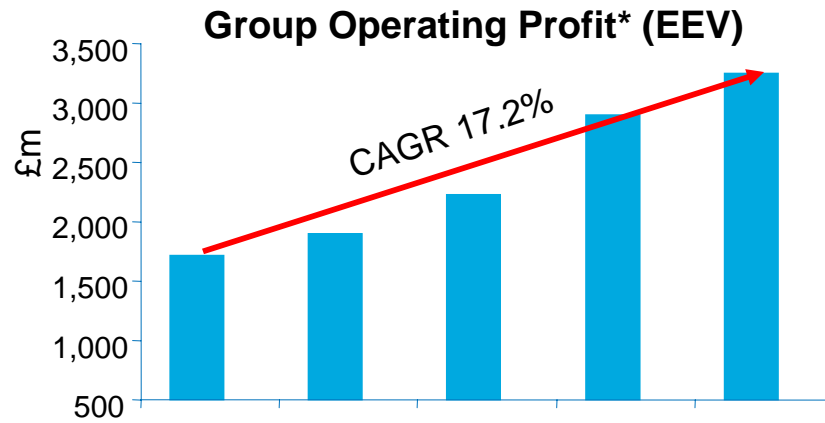


# UK Life: brand, product & distribution



- No.1 in the adviser market with 12.1% market share
- Leading provider to banks, building societies and the top 4 networks and service providers
- On 22 of 28 multi-tie panels
- Expanding our direct channel e.g launch of new simplified life cover

# Consistently strong growth over time



\* 2002 - Achieved Profits Basis, 2003 - 2006 EEV Basis

\*\* 2002 - 2003 MSSB Basis, 2004 - 2006 IFRS Basis



**AVIVA**