

AVIVA plc
2003 Interim Results

31 July 2003



Richard Harvey
Group Chief Executive

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Agenda

- Overview Richard Harvey Group Chief Executive
- Financials Mike Biggs Group Finance Director
- Q&A
- ABN Amro Niek Hoek Chairman, Delta Lloyd
 bancassurance
- Q&A

Management team from 1 August 2003



Richard Harvey
Group Chief Executive



Philip Scott
Group Executive Director

Life International



Patrick Snowball
Group Executive Director

General Insurance



Philip Twyman
Group Executive Director

Asset Management



Mike Biggs
Group Finance Director



Gary Withers
Chief Executive
Norwich Union Life

UK Life

Results highlights

- Group operating profit¹ £828m
 - MSSB operating profit² £638m
 - Profit before tax £850m (2002: loss £462m)
 - ROCE 11.0% (12m 2002: 9.7%)
 - Life and pensions sales maintained at £1.2bn APE
 - Margins maintained at 24.5%, after improved Q2
 - General insurance COR of 101% (99% excl Pilot)
 - Dividend 9.0p +2.9%
- } Effect of lower investment returns on lower opening asset base

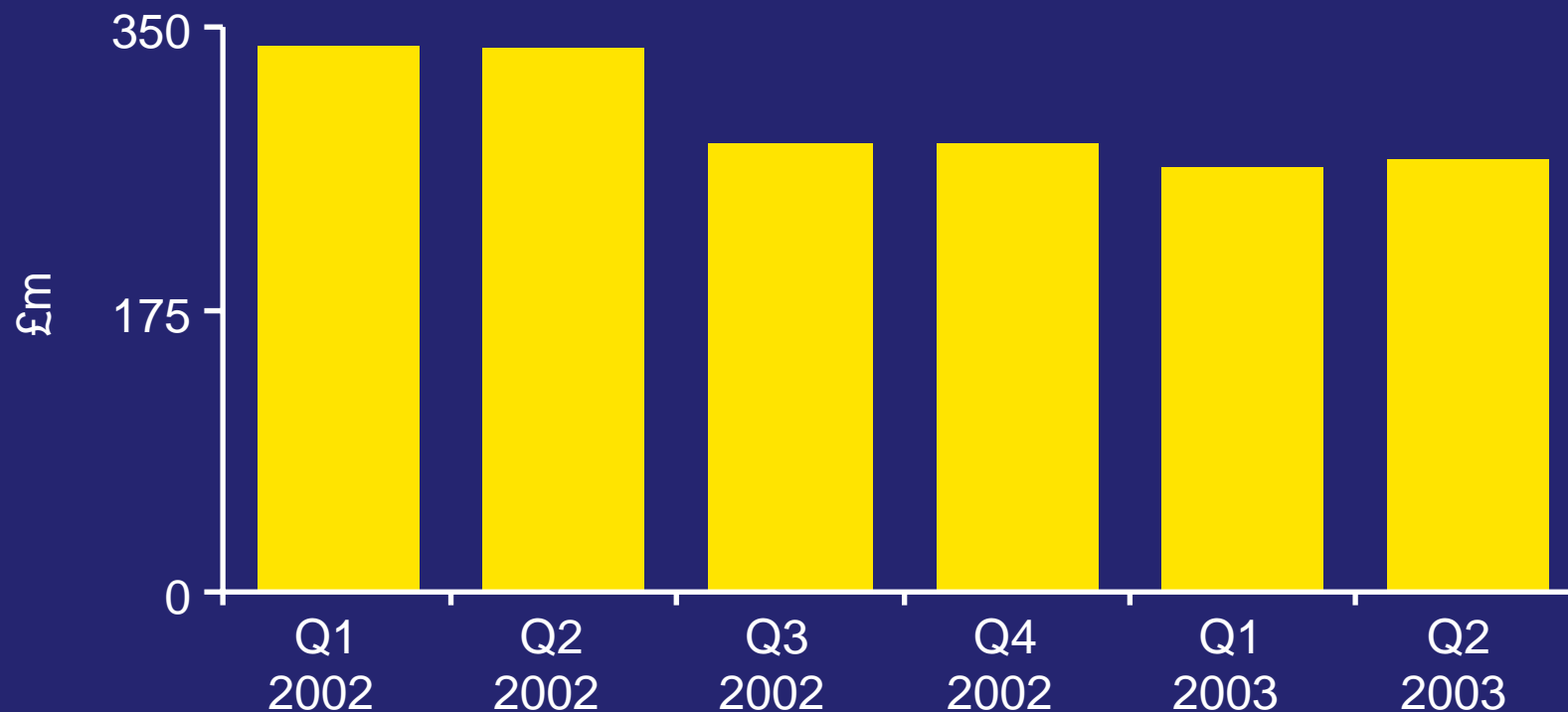
(1) Including life achieved operating profit and stated before tax, amortisation of goodwill and exceptional items and including the results of continuing operations.

(2) Stated before tax, amortisation of goodwill, amortisation of acquired value of inforce long-term business and exceptional items and including the results of continuing operations.

UK life resilience from broad product range

- Market following re-pricing leadership
- With-profit bond sales now 6% of UK life & pensions

Norwich Union life & pensions new business
(discrete quarter APE)



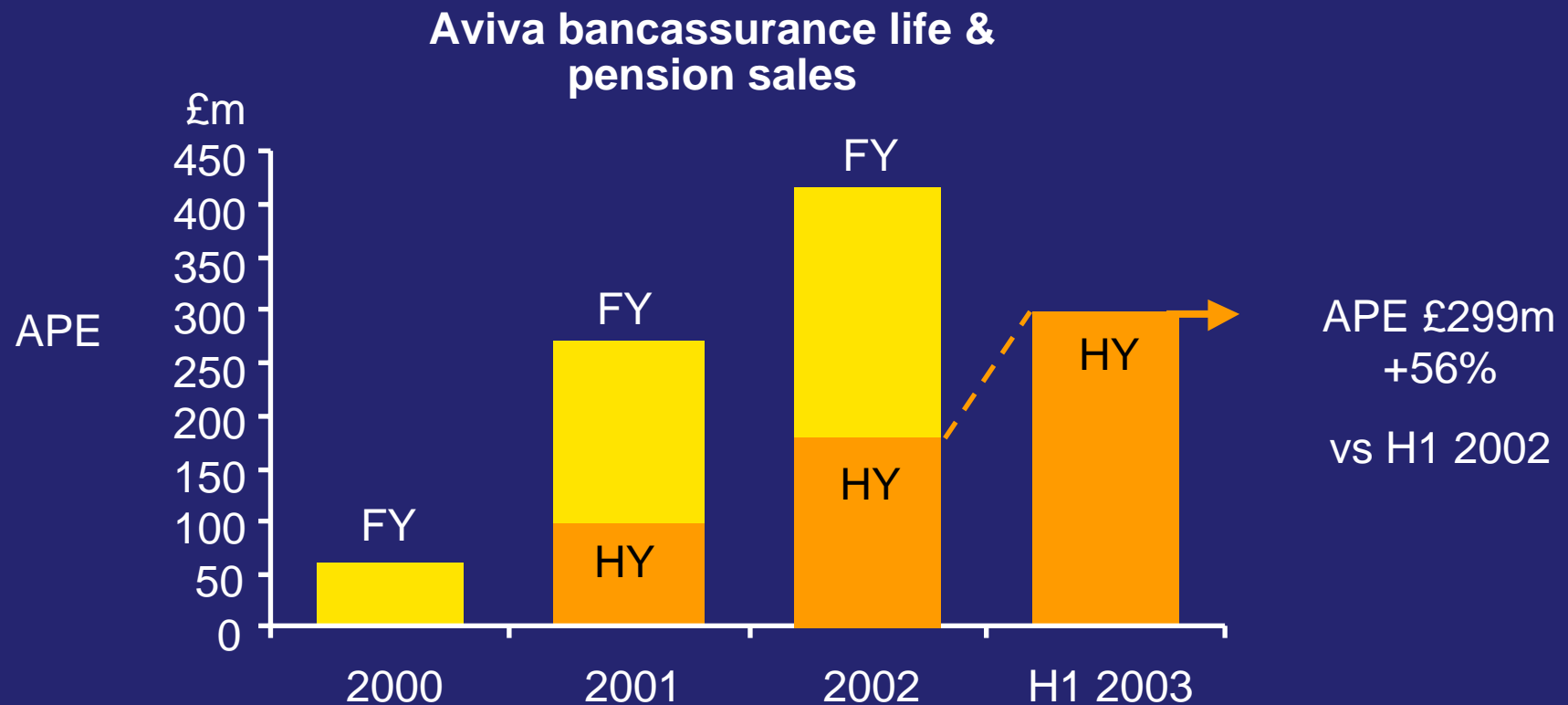
UK regulatory reviews

- Charging structure:-
 - must provide for economic distribution and product manufacture
 - is key to bridging savings gap
 - 1% insufficient for new “Sandler” style products

Aviva bancassurance

(25% of total life & pensions sales)

- Early phase of development (most deals post 2000)
- Margins 35.5%..... vs group average of 24.5%
- Encouraging statutory profits of £24m (2002: £13m) from Spain



Strong general insurance performance

% of total* GI premiums		Combined operating ratios 6 months		
		2003	2002	
58	UK	99%	101%	
7	France	100%	100%	
7	Ireland	97%	100%	
7	Neths	98%	102%	
13	Canada	115%**	103%	(** Pilot added 13pp)
	Group*	101%	101%	
	Group (excl Pilot)	99%		

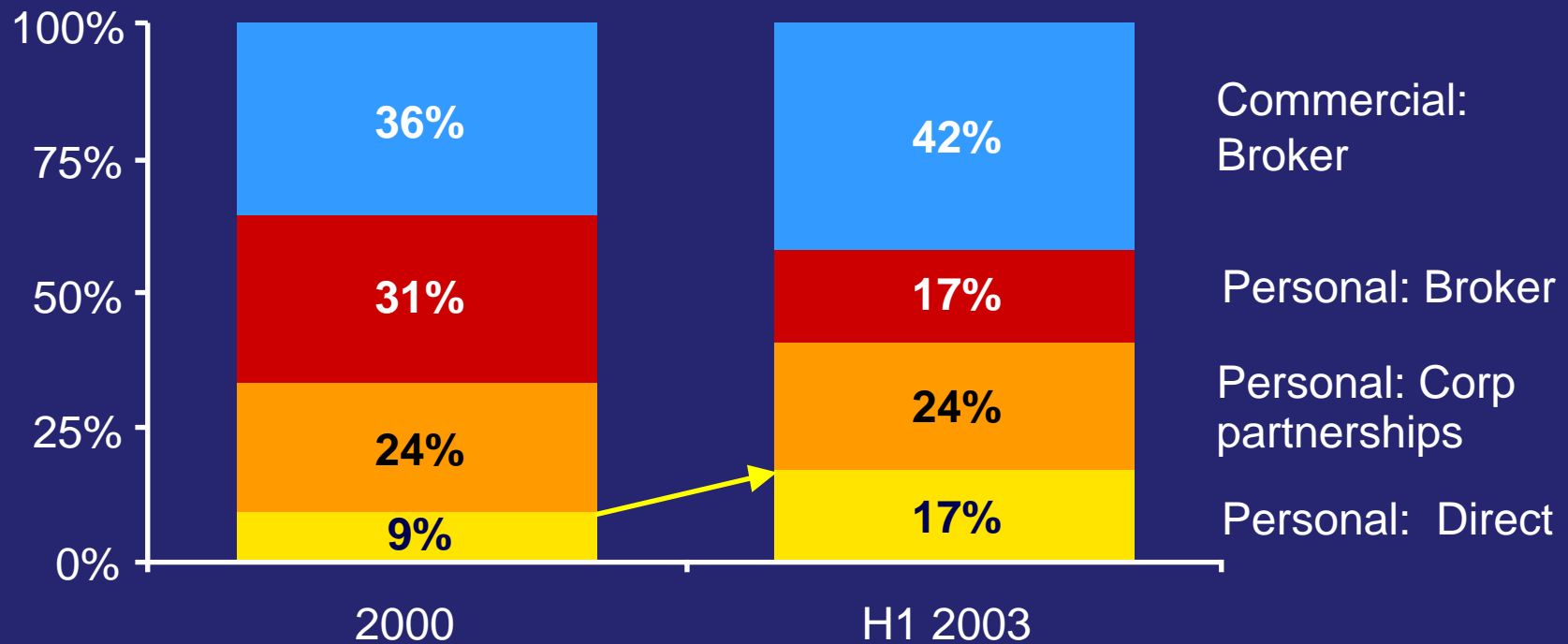
- Expense ratio* 10.9% (2002: 11.1%, 2001: 11.8%)

*Continuing operations

UK general insurance: multi-channel

- Growing direct personal lines business
- Over 40% of personal lines “direct”

Net written premium % by channel



Cost saving initiatives

- Estimated P&L benefit of £30m in H1 2003
 - including 700 UK job reduction
- Full year 2003 estimated P&L benefit £60m
 - after £30m charge for recently announced 900 UK job reduction
 - after incremental investment of £50m in GFTP & offshoring
- Estimated full year 2004 P&L gross benefit of £175m
 - will be offset by inflation and £40m incremental GFTP spend

Outlook

- UK life
 - sales stabilising
 - market consolidating to larger players
- Product innovation to meet changing consumer demand
- Substantial bancassurance opportunity
- Strong general insurance earnings
- Drive cost efficiencies
- Seek further improvement in ROCE



Financial and capital review

Mike Biggs

Group Finance Director

Group headline results

- Group operating profit¹ of £828m (2002: £955m)
- On MSSB basis operating profit at £638m (2002: £733m) for continuing operations
- Operating EPS¹ at 22.5p (2002: 26.7p)
- Net asset value² at 468p (31 Dec 2002: 433p)
- Post-tax return³ on capital of 11.0% (31 December 2002: 9.7%)

¹ Including life achieved operating profit before amortisation of goodwill and exceptional items and including the results of continuing operations

² After adding back equalisation provision

³ Continuing operations

Delivering stable new business margins

	2003		HY 2002	FY 2002
	Contribution £m	Margin	Margin	Margin
UK	117	22.0%	24.3%	23.6%
France	35	29.3%	31.0%	30.9%
Ireland	11	28.5%	25.7%	28.2%
Italy	27	23.0%	23.3%	24.9%
Netherlands	22	21.5%	15.8%	13.3%
Spain	68	49.0%	52.3%	45.9%
Other countries	17	10.4%	9.7%	13.9%
Group	297	24.5%	24.0%	24.4%

New business internal rate of return of 15% (HY 2002: 16%)

Life achieved operating profit

	H1 2003 £m	H1 2002 £m	
UK	339	424	<ul style="list-style-type: none"> • Impact of lower embedded value and economic assumptions at start of 2003 - £56m
France	90	111	
Ireland	31	37	
Italy	33	30	<ul style="list-style-type: none"> • Increasing benefits from bancassurance arrangements in Spain and Italy
Netherlands	69	87	
Poland	40	47	<ul style="list-style-type: none"> • Minimal operating assumption and experience variances in 2003
Spain	71	38	
Other Europe	2	-	
International	30	22	
Total	705	796	

Good results in challenging conditions

Life modified statutory result

	H1 2003 £m	H1 2002 £m
UK		
– with profit	64	122
– non profit	229	245
France	80	71
Ireland	18	17
Italy	14	19
Netherlands	29	70
Poland	41	28
Spain	24	13
Other Europe	(7)	(6)
International	23	(5)
Total	515	574

- UK: with-profit – impact of falling bonus rates
- UK: non-profit – fall in annual management fees
- Delta Lloyd – impact of provision for guarantees

General insurance results

Operating Profits	H1 2003 £m	H1 2002 £m
UK	313	303
France	15	25
Ireland	43	21
Netherlands	12	11
Other Europe	16	28
Canada	(33)	39
Other International	21	29
	<u>387</u>	<u>456</u>

- Impact of lower LTIR of £65m
- Strong results across Europe benefiting from better than expected weather-related claims of £40m
- Group COR 99%, excluding impact of prior year reserves in Pilot in Canada; including impact of Pilot COR is 101%

Underlying Group COR of 99%

Other financials

- Fund management result of £10m (2002: £3m)
- Non-insurance: loss of £47m (2002: loss of £28m)
- Investment variances: profit of £0.3bn (full year 2002: loss of £3.5bn)
 - non-life variances: £0.1bn
 - life variances: £0.2bn
- Adverse impact of economic assumption changes of £217m as a result of lower interest rates
- Assets under management up to £229bn (31 December 2002: £208bn)

Corporate costs

	H1 2003 £m	H1 2002 £m	FY 2002 £m
Central costs and Sharesave schemes	82	86	192
GFTP	12	10	26
	<hr/> 94	<hr/> 96	<hr/> 218
Allocation to BU operating profit	<hr/> (38)	<hr/> -	<hr/> -
	<hr/> 56	<hr/> 96	<hr/> 218

Reallocation of deferred bonuses, profit shares, LTIPs to BU operations:

- UK general insurance - £23m
- Overseas general insurance - £1m
- Life holding and service companies - £14m

Global finance transformation programme (GFTP)

- To build a common infrastructure over next 3 years
- Satisfies increasing EU regulatory demands
- Builds IAS reporting capability
- Enhances corporate governance, capital and financial management capability
- Provides a platform for future cost savings
- Half year costs of £12m; total 2003 costs of £60m
- 2004 costs anticipated to be up to £100m

Movement in equity shareholders' funds

(after adding back the claims equalisation provision)

	£m	NAV
31 December 2002	9,783	433p
Operating profit post-tax	507	23p
Post-tax non-operating items		
– Goodwill, P/L on sale and other exceptional items	(61)	(3p)
– Impact of investment markets and economic assumption changes	106	5p
Dividends	(203)	(9p)
Foreign exchange	429	19p
30 June 2003	<u>10,561</u>	<u>468p</u>

Capital at a group level

- Equity shareholders' funds at 30 June of £10.2bn
(31 December 2002: £9.5bn)
- Capital employed in our businesses at 30 June of £18.5bn
(31 December 2002: £17.3bn)
- EU Directive Group solvency basis
 - 31 December 2002 £0.7bn excess
 - estimate at 30 June 2003 £0.7bn excess
 - excludes the strength of the UK and Irish life funds
- Capital generative operating model after current levels of new business

Strong and resilient capital base

Strong capital bases in operations

- Strong regulatory capital position in our operations
 - Excess solvency cover
 - CGUII plc 4.3 times cover (2002: 4.2 times cover)
 - CGUII Group 1.7 times cover (2002: 1.7 times cover)
 - NU Insurance 3.1 times cover (2002: 2.2 times cover)
- GI & health capital –RBC requirement 36% of NWP is £3.3bn; £3.1bn capital available to support overseas life businesses - 1.7 times cover
- UK life with-profits
 - Free asset ratio: 14.0%; 10.0% excluding implicit items (31 December 11.8% ; 7.7% excluding implicit items)
 - Orphan estate £4.5bn: (£4.3bn at 31 December 2002)

Strong and resilient capital base

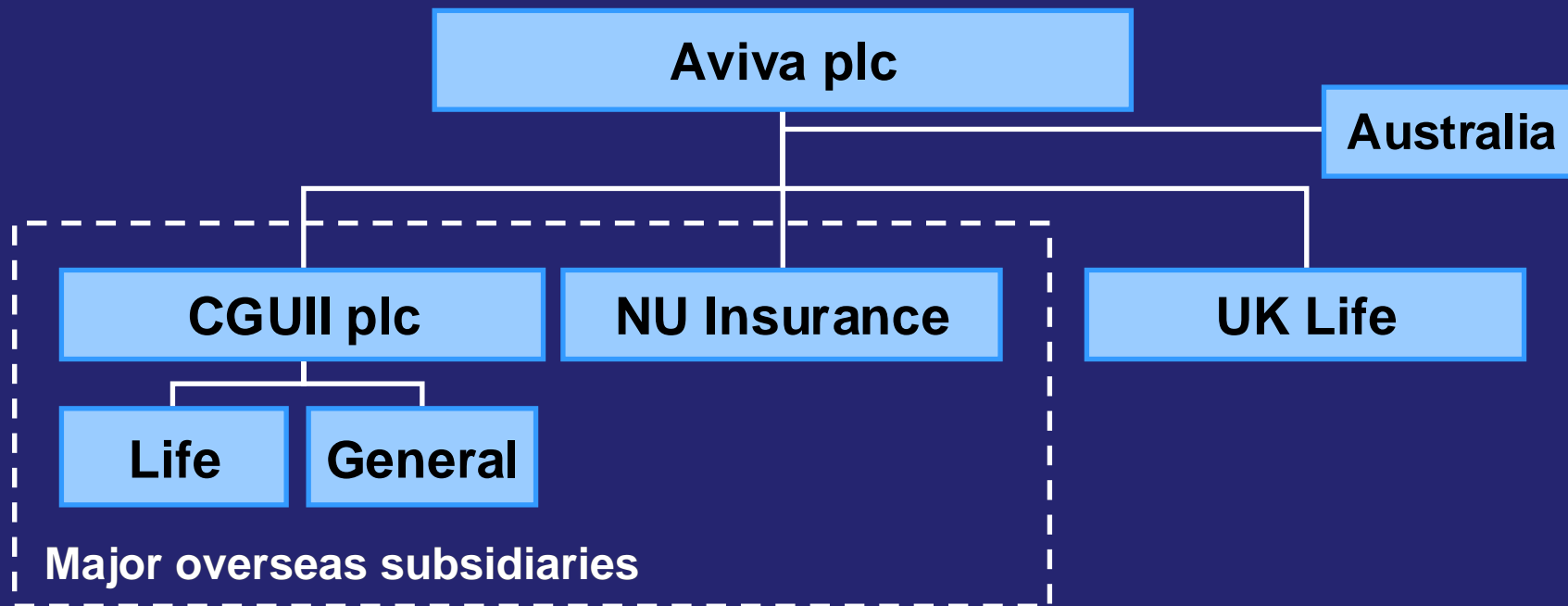
Questions and answers



AVIVA

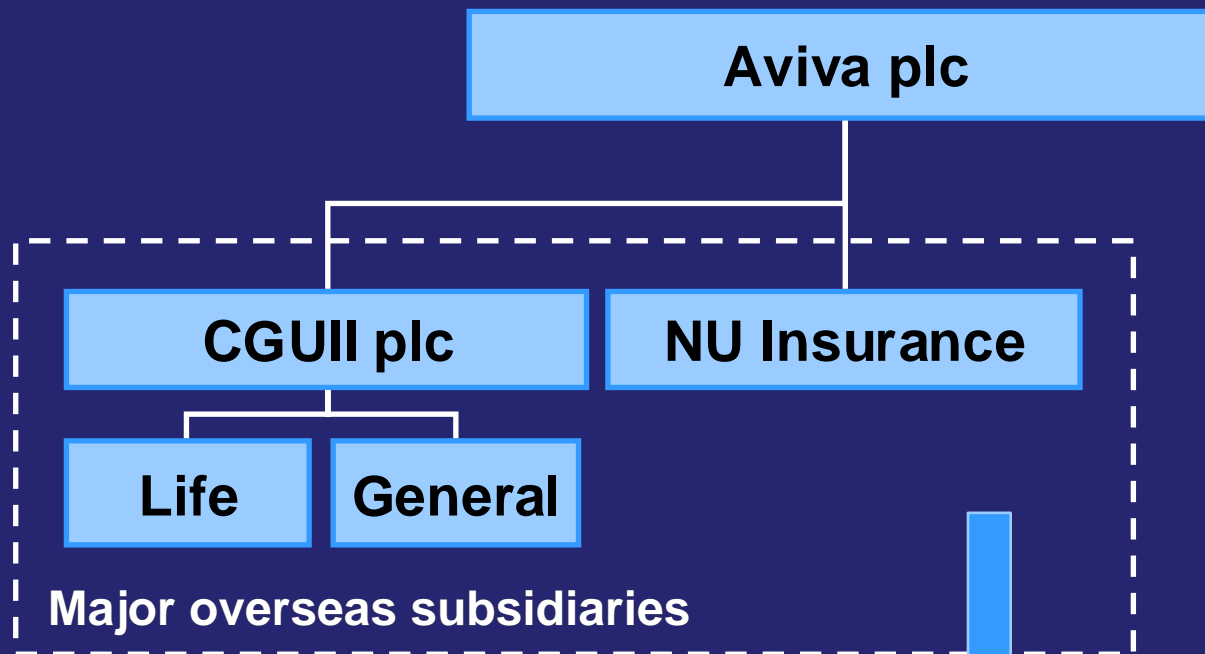
Appendices

Operational capital Group structure



Regulatory measure – operational capital

Excess solvency over required minimum margin



XSM*

31 Dec 02

30 June 03 (est)

£1.9bn

£2.1bn

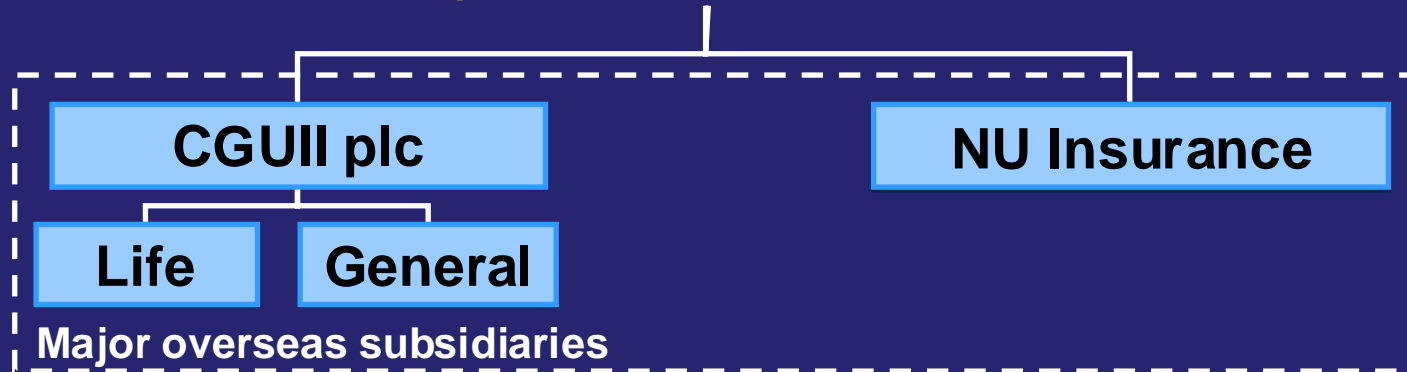
£0.3bn

£0.6bn

* XSM represents excess solvency capital over required minimum margin.

Regulatory measure – operational capital

Excess solvency over required minimum margin



	<u>CGUII plc</u>	<u>CGUII group</u>
Available assets	£2.7bn	£5.2bn
Required minimum margin	£0.6bn	£3.1bn
XSM* – 30 June	£2.1bn	£2.1bn
Cover	4.3x	1.7x

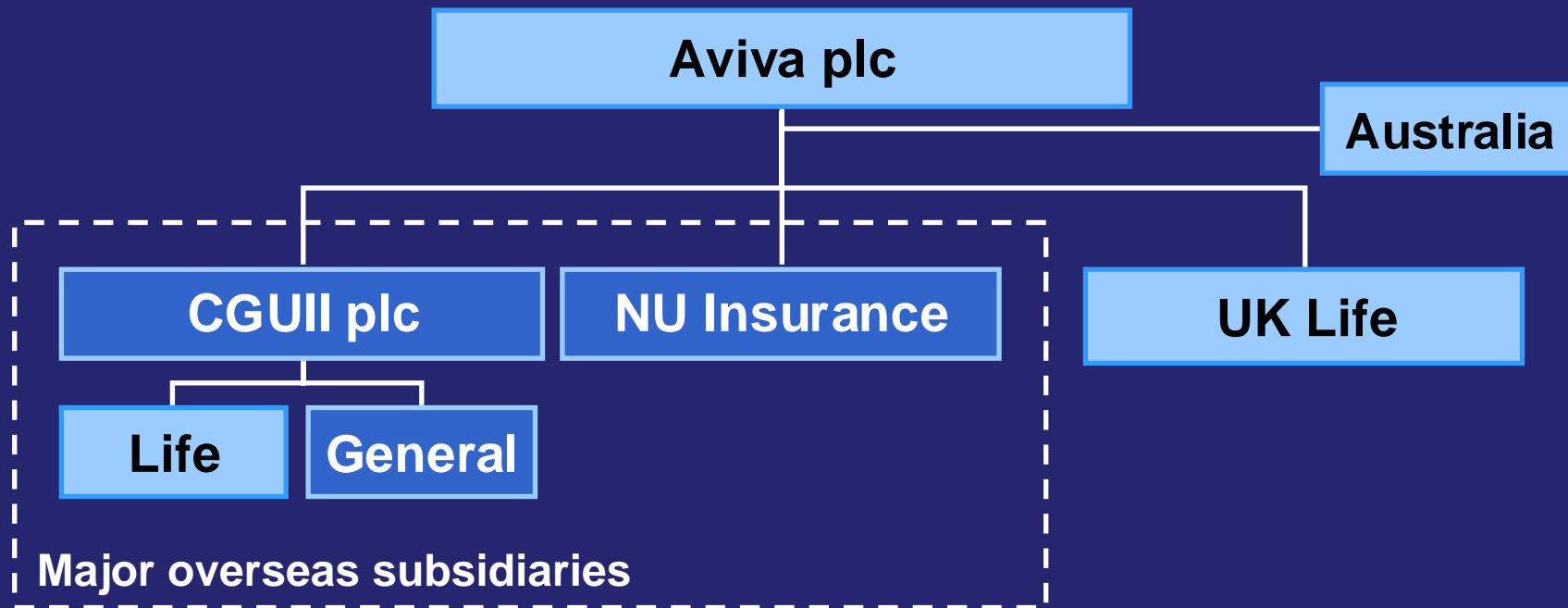
	<u>NU Insurance</u>
Available assets	£0.9bn
Required minimum margin	£0.3bn
XSM* – 30 June	£0.6bn
Cover	3.1x

* XSM represents excess estimated solvency capital over required minimum at 30 June 2003.

Efficient structure provides regulatory capital strength

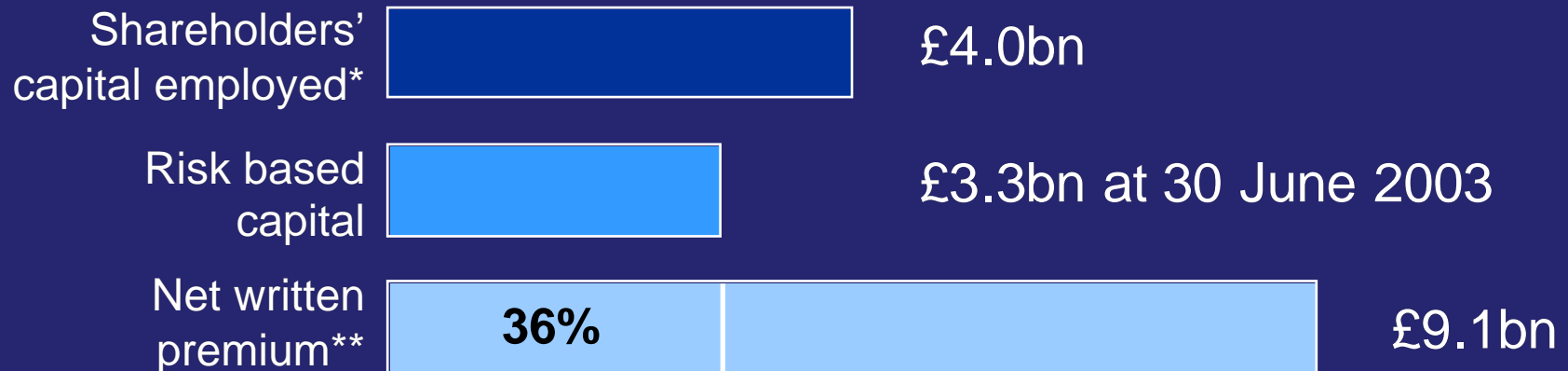
Realistic measure – operational capital

Risk based capital – worldwide GI & health



Risk based capital

Worldwide general insurance and health



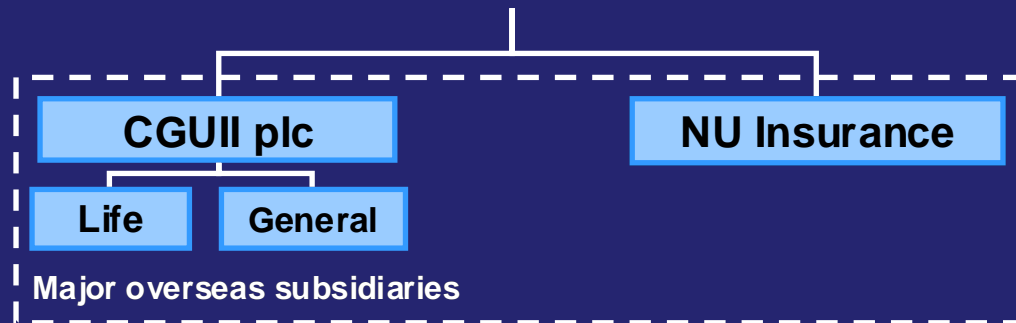
* Excluding goodwill of £401m and after adding back the equalisation provision of £342m.

** net written premium represents 12 month rolling average excluding premiums from disposed businesses.

- RBC stochastic model factors in market, credit, underwriting and reserve tail risk
- 99% confidence of meeting statutory solvency margin over a 5 year period, after allowing for planned business growth
- Capital requirement of £3.3bn or 36% of net written premium

Exceeding GI risk based capital requirements providing further flexibility for financing growth

General insurance: operational capital strength



- RBC requirement
36% of NWP is £3.3bn
- Strong solvency
- Resilience to equity market movements
- £3.1bn available to support overseas life businesses (equivalent to over 1.7x minimum solvency requirement)

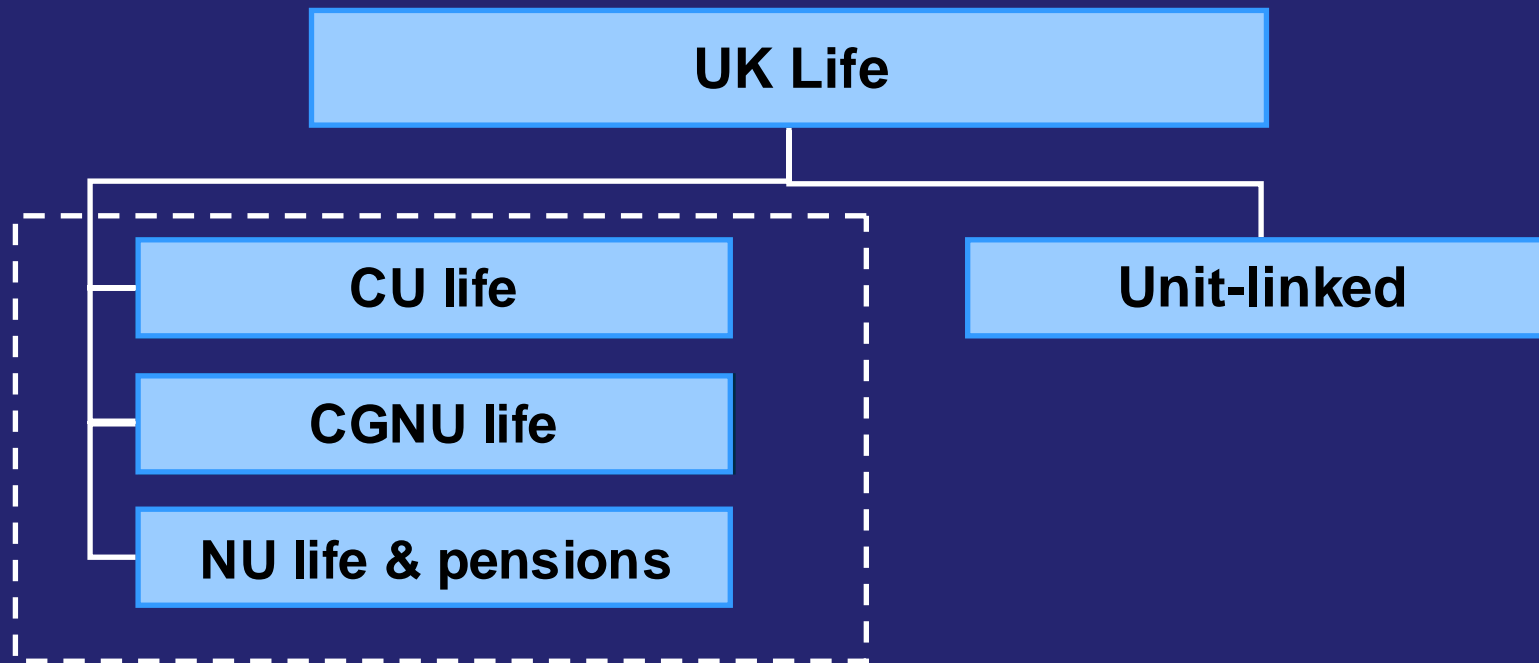
Regulated available assets* – 30 June	£6.1bn
Add: equalisation provision	£0.3bn
Less:	
GI & health RBC requirement	(£3.3bn)

Capital available to support overseas life businesses £3.1bn

* Represents aggregate available assets of CGUI group £5.2bn and NU Insurance £0.9bn

Exceeding GI risk based capital requirements providing sufficient capital for growth

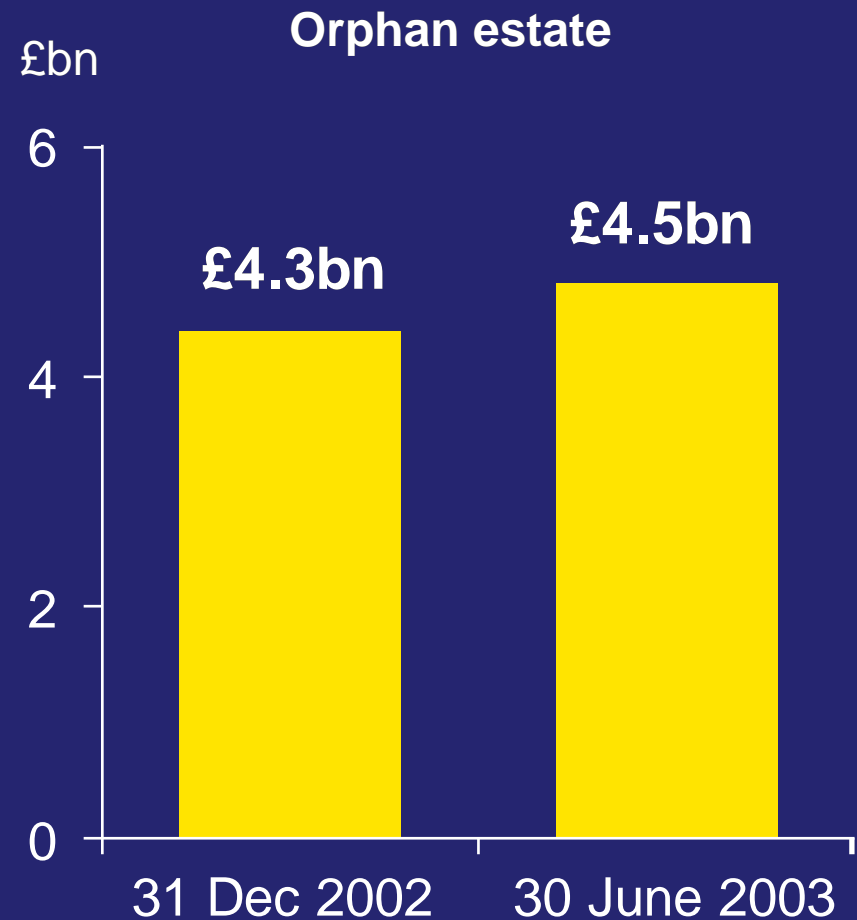
Operational capital - regulatory UK life structure



UK Life – capital strength

Free asset ratio

	30 June 2003	31 Dec 2002
Including implicit items	14.0%	11.8%
Excluding implicit items	10.0%	7.7%



Resilient capital base

Self financing model

Post-tax statutory operating profits
£bn

	2001 Actual	2002 Actual	2003 Actual 6 months
Profit from in-force business	1.4	1.4	0.6
Cash strain from new non-profit business	(0.6)	(0.7)	(0.2)
Life statutory profits	0.8	0.7	0.4
GI & health	0.6	0.6	0.3
Corporate / other	(0.1)	(0.1)	(0.1)
Borrowing	(0.3)	(0.3)	(0.2)
Post-tax operating profits	1.0	0.9	0.4
Dividend	(0.5)	(0.5)	(0.2)
Retained to fund growth	0.5	0.4	0.2
Additional required solvency margin	(0.1)	(0.3)	(0.2)
Retained after solvency margin	0.4	0.1	-

With-profit asset mix – 30 June 2003

