

Aviva plc

2002 Interim Results

1 August 2002

Agenda

- Business review
- Financial review
 - Results
 - Capital update
- Questions & answers

Richard Harvey

Mike Biggs

Highlights

- Group operating profit¹ at £979m (2001: £977m)
- On MSSB basis operating profit at £757m (2001: £728m)
- Long-term savings new business up 9% on APE basis
- New business contribution² up 6% to £289m
- General insurance profit of £480m with worldwide COR of 101% (2001: 103%)
- Interim dividend of 8.75p (2001: 14.25p)
- Net asset value³ at 511p (31 Dec 2001: 524p, restated)
- Strong financial position in worldwide group and UK life
- AA rating (“very strong”) reaffirmed by S&P

¹ From continuing operations including life achieved operating profit before amortisation of goodwill and exceptional items

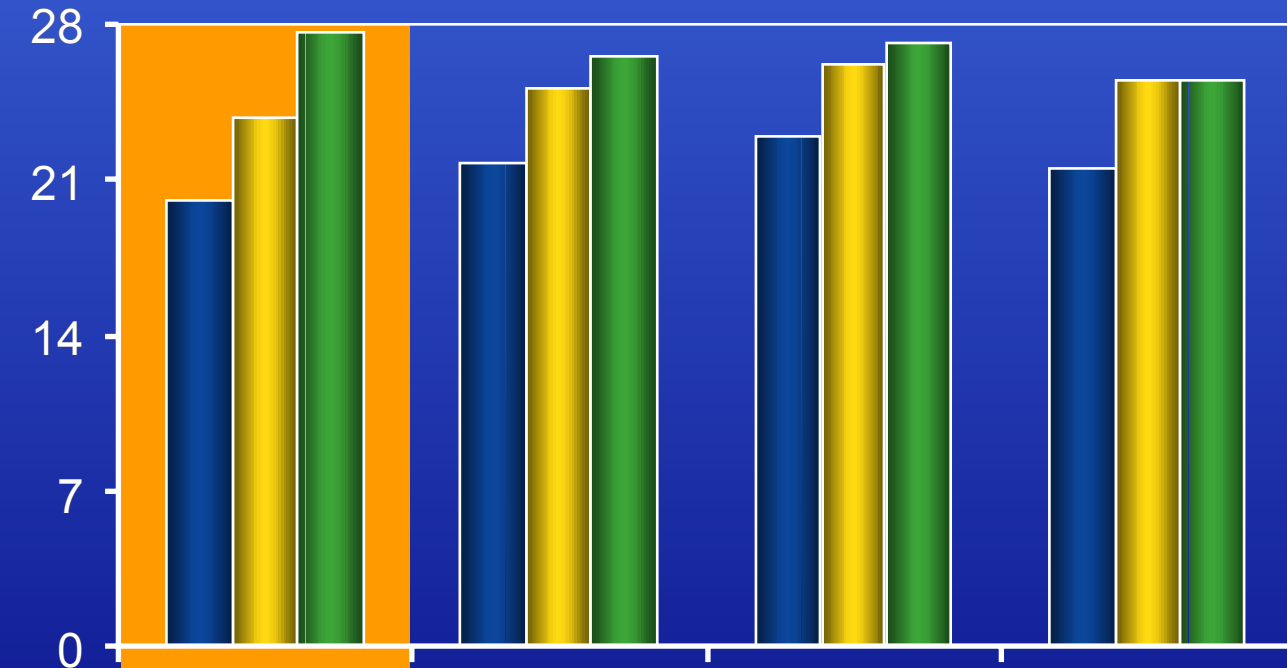
² Before the effect of solvency margin

³ After adding back equalisation provision

Aviva the largest life & pensions provider to Europe



GWP
(€ bn)



- European strategic focus
- Strong market positions

| Rank | Aviva | Allianz | Axa | Generali |
|------|-------|---------|-----|----------|
| 2001 | 1 | 3 | 2 | 4 |
| 2000 | 4 | 3 | 1 | 2 |
| 1999 | 4 | 2 | 1 | 3 |

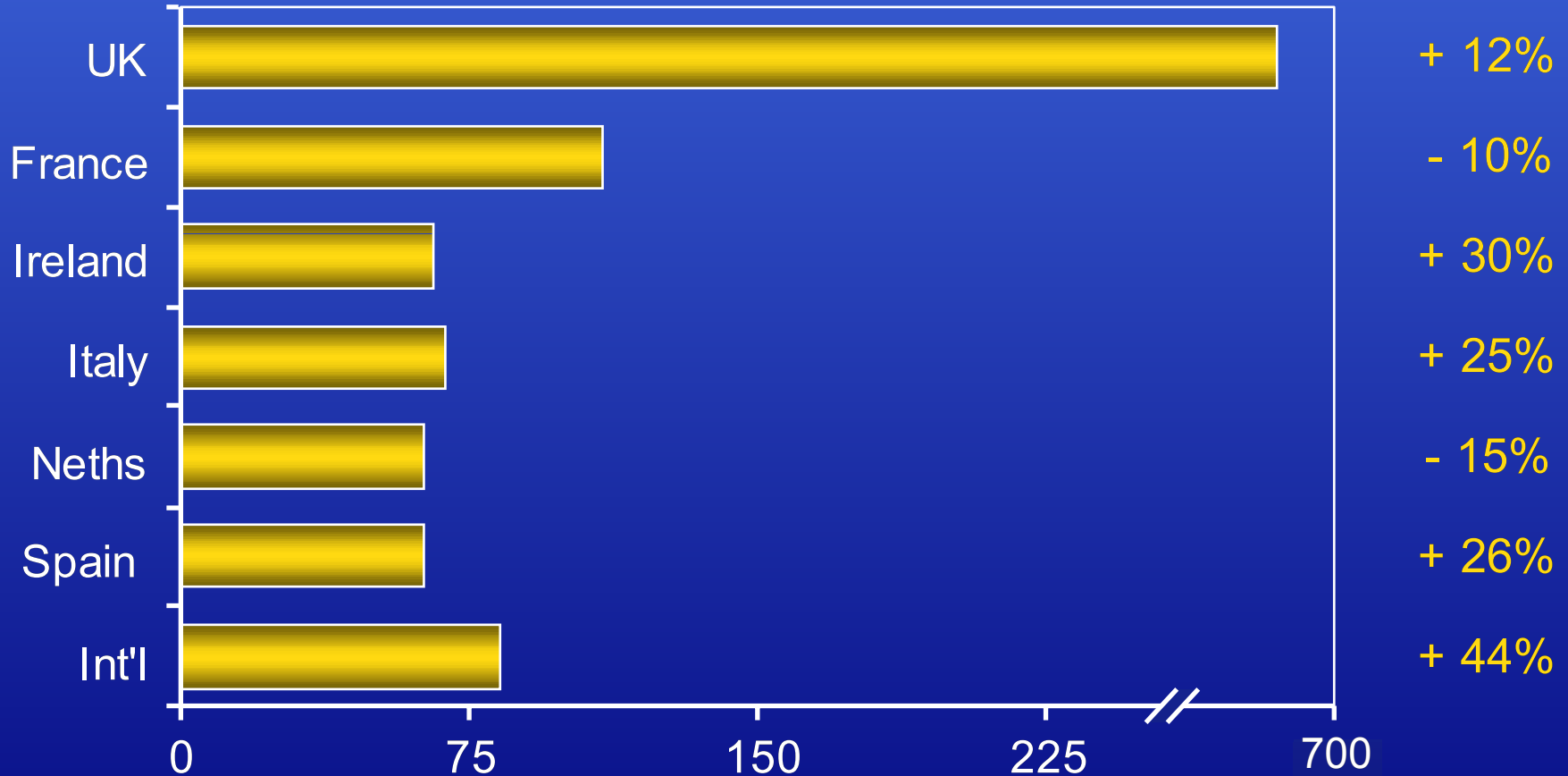
Source: Company accounts, Morgan Stanley

Life & pension new business up 11%



Life and pension sales - APE £m

APE growth



Strong growth from geographical diversity

Bancassurance sales doubled

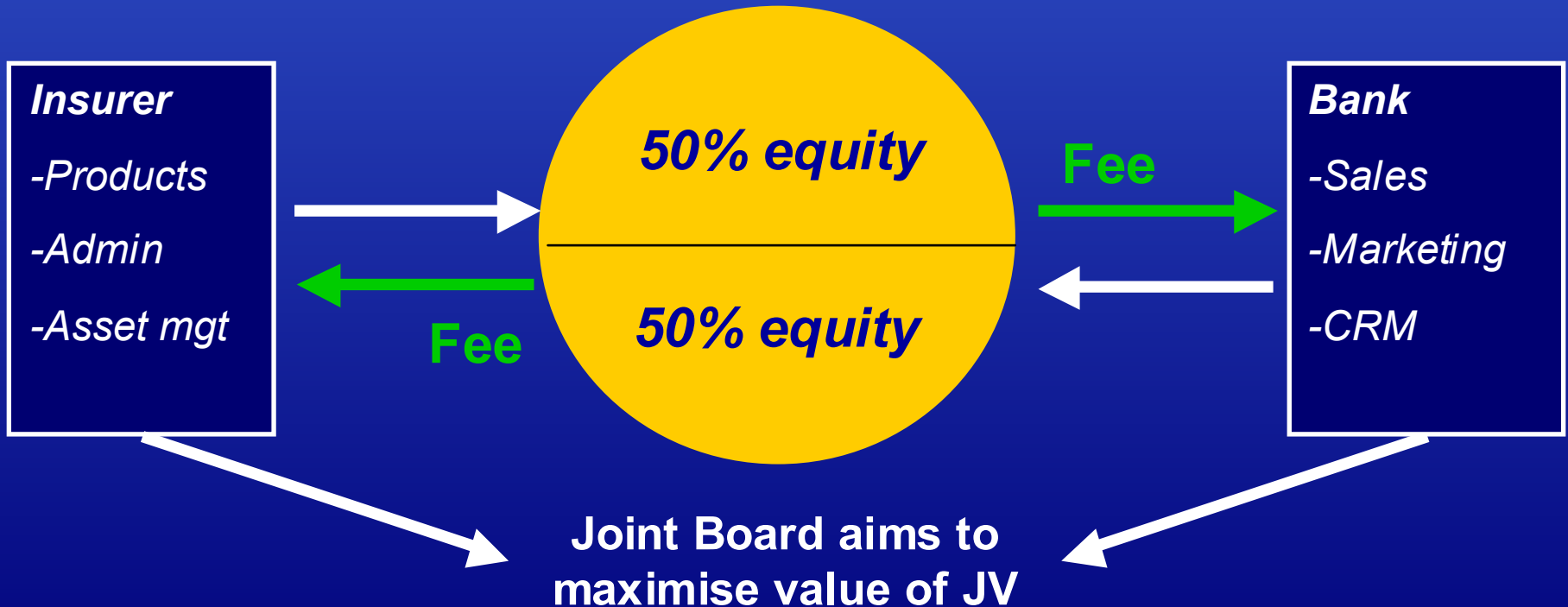


| | Total sales £m | Increase in sales |
|--------------------------------|-------------------|----------------------|
| ■ Royal Bank of Scotland Group | 391 | 339% |
| ■ Italy | 504 | 87% |
| ■ Spain | 352 | 31% |
| ■ DBS (Singapore) | 97 | n/a |

Bancassurance accounts for 20% of Group life & pension sales

Value from bancassurance

- Structured to meet IRR
- Incentivise bank sales
- Structure according to markets



Assessing shareholder value in a Sandler environment



- Recognition of need to stimulate savings
- Principles favour providers with scale, brand and operational efficiencies
- Examination of the viability of the new stakeholder product proposals
- Assessment of the attribution of the inherited estate

Benefiting from refocused general insurance



| COR* | 2002 | 2001 |
|--------------|-------------|-------------|
| | % | % |
| UK | 101 | 103 |
| France | 100 | 103 |
| Ireland | 100 | 104 |
| Netherlands | 102 | 104 |
| Aust & NZ | 102 | 103 |
| Canada | 103 | 104 |
| GROUP | 101 | 103 |

- Excellent results
- Improving risk profile
- Profit not volume
- Strongly capitalised and cash generative businesses

* Combined operating ratio

Best general insurance results amongst European insurers



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Financial Review

Group financials

- Group operating profit¹ maintained at £979m
- New business contribution² up 6% to £289m
- General insurance profit of £480m with worldwide COR of 101% (2001: 103%)
- On MSSB basis operating profit at £757m (2001: £728m)
- Operating EPS¹ at 27.4p (2001: 27.5p)
- Net asset value³ at 511p (31 Dec 2001: 524p, restated)
- Post-tax return on capital of 11.0% (FY 2001: 9.7%, restated)

¹ From continuing operations including life achieved operating profit before amortisation of goodwill and exceptional items

² Before the effect of solvency margin

³ After adding back equalisation provision

New business profitability



| £m | Group | UK | France | Spain | Italy |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| New business contribution | 289 | 164 | 34 | 33 | 16 |
| Annual premium equivalent | 1,202 | 676 | 110 | 63 | 69 |
| New business margin | 24.0% | 24.3% | 31.0% | 52.3% | 23.3% |
| <i>New business margin - FY 2001</i> | <i>25.5%</i> | <i>25.8%</i> | <i>33.9%</i> | <i>46.5%</i> | <i>22.2%</i> |

Life achieved operating profit

| | 2002 £m | 2001 £m |
|---------------|------------|------------|
| UK | 424 | 465 |
| France | 111 | 110 |
| Ireland | 37 | 37 |
| Italy | 30 | 24 |
| Netherlands | 87 | 93 |
| Poland | 47 | 44 |
| Spain | 38 | 31 |
| Other Europe | - | 28 |
| International | 22 | 17 |
| Total | 796 | 849 |

- UK: Impact of lower embedded value
- Benefits from bancassurance partnerships in Spain, Italy and DBS in International
- Minimal operating assumption and experience variances in 2002

General insurance result

- Operating profit¹ up £53m to £480m
- Underwriting result¹ improvement of £74m
 - UK + £34m
 - Other + £40m
- Improved COR¹ ratio at 101% (2001: 103%)
- Longer-term investment return¹ down £21m at £558m

¹ From continuing operations



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Capital

Strong and resilient capital base

- AA rating (“very strong”) reaffirmed by S&P
- GI & health capital - £1.3bn in excess of risk based requirement
- £3.2bn capital available to support overseas life businesses
- UK life with-profits
 - Free asset ratio: 14.1% at 30 June
10.1% excluding implicit items
 - Orphan estate of £4.7bn at 30 June
 - Strong relative position
- Cash generative operating model after current levels of new business

Agenda

- Capital at group level
- Operational capital strength
- Financing growth

Capital at group level

Capital at group level

- AA rating (“very strong”) reaffirmed by S&P
- EU Directive Group solvency basis
 - 31 December 2001 £1.7bn excess
 - estimate at 30 June 2002 £1.5bn excess
 - excludes strength of UK with-profit fund
- Equity shareholder funds at 30 June of £11.3bn
- Capital employed in our businesses at 30 June of £18.1bn

Strong and resilient capital base

Operational capital strength

Regulatory

Realistic

Operational capital strength



**Regulatory
perspective**

**Realistic
perspective**

CGUII Group

XSM* / solvency cover

-

NU Insurance

XSM* / solvency cover

-

**Worldwide
general insurance
and health**

-

Risk based capital

UK life

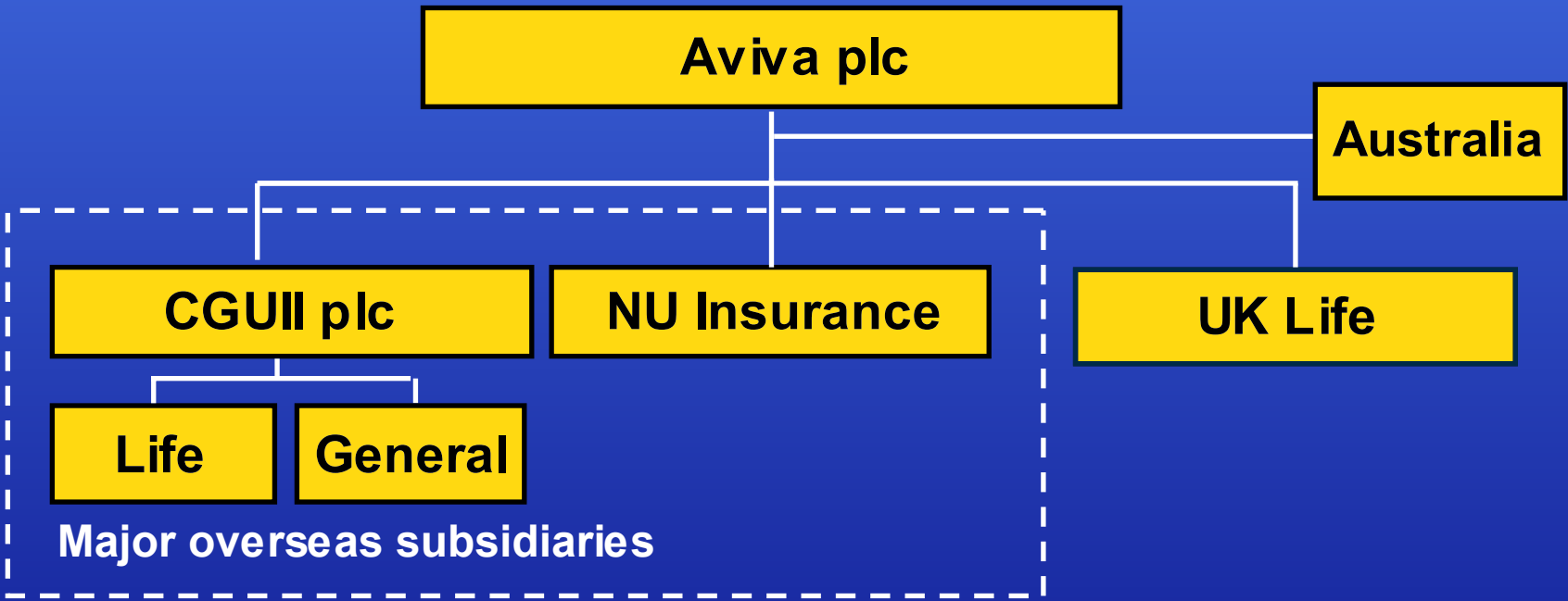
Free asset ratio

Orphan estate

* XSM represents excess solvency capital over required minimum margin

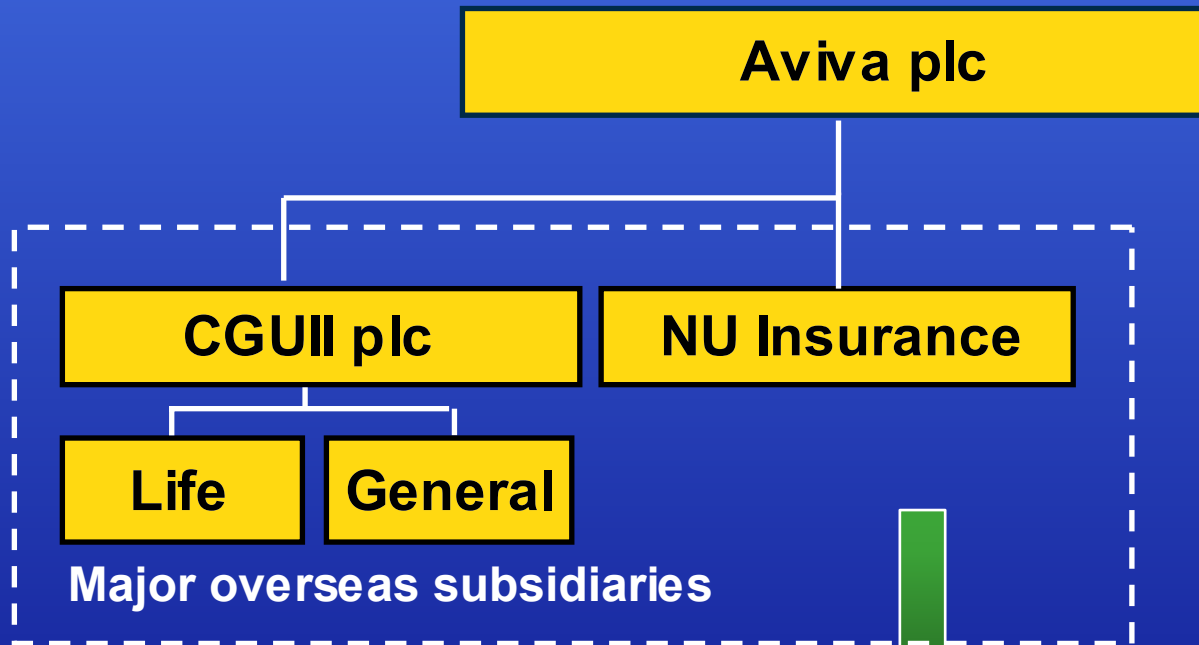
Operational capital - regulatory

Group structure



Operational capital - regulatory

Excess solvency over required minimum margin



XSM*

31 Dec 01

£2.7bn

£0.4bn

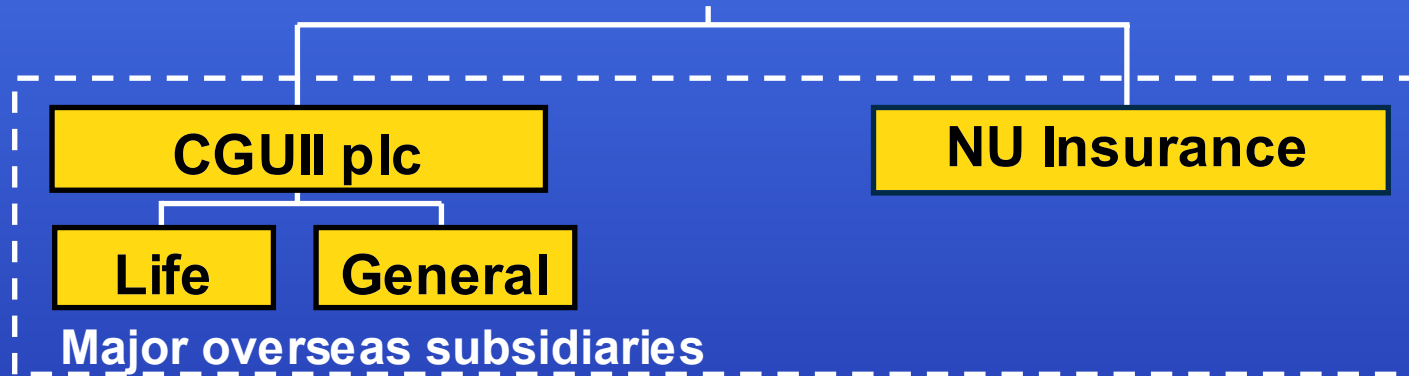
30 June 02 (est)

£2.7bn

£0.4bn

* XSM represents excess solvency capital over required minimum margin

Operational capital - regulatory



| | <u>CGUII plc</u> | <u>CGUII group</u> |
|-------------------------|------------------|--------------------|
| Available assets | £3.1bn | £5.2bn |
| Required minimum margin | £0.4bn | £2.5bn |
| XSM* - 30 June | £2.7bn | £2.7bn |
| Cover | 7.3x | 2.1x |

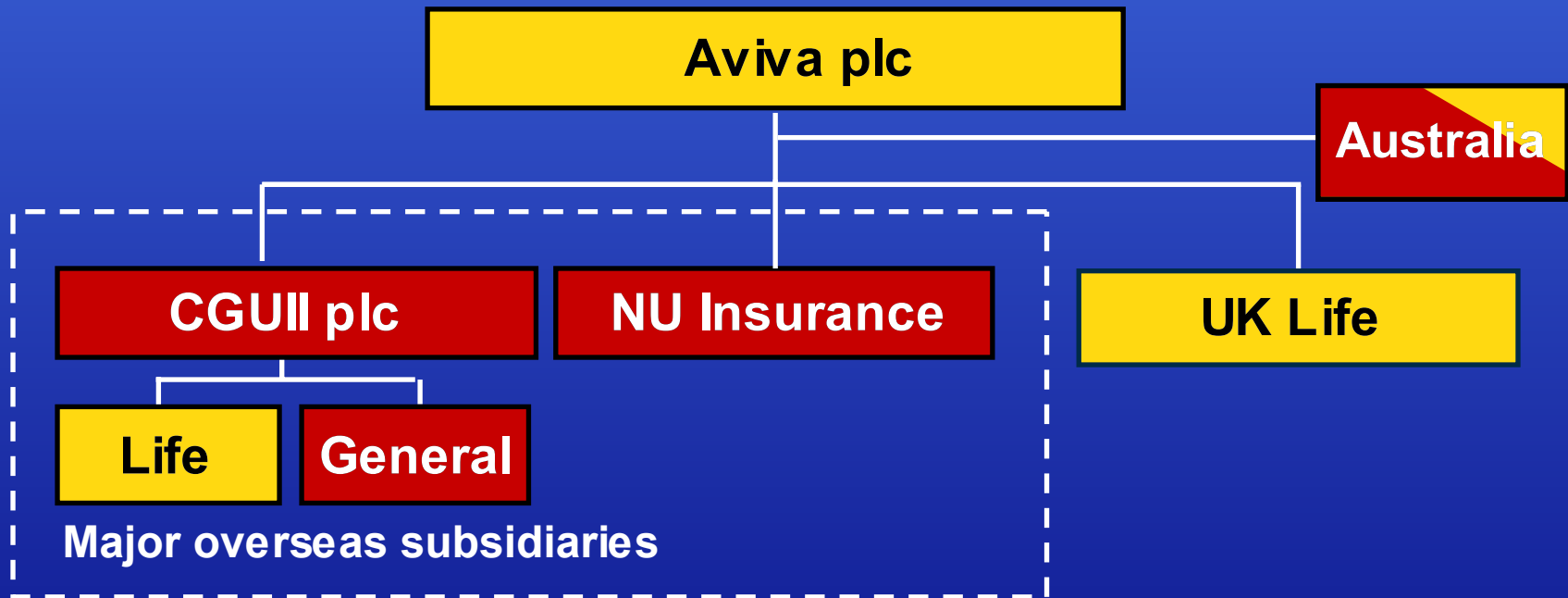
| | <u>NU Insurance</u> |
|-------------------------|---------------------|
| Available assets | £0.8bn |
| Required minimum margin | £0.4bn |
| XSM* - 30 June | £0.4bn |
| Cover | 2.0x |

* XSM represents excess estimated solvency capital over required minimum at 30 June 2002

Efficient structure provides regulatory capital strength

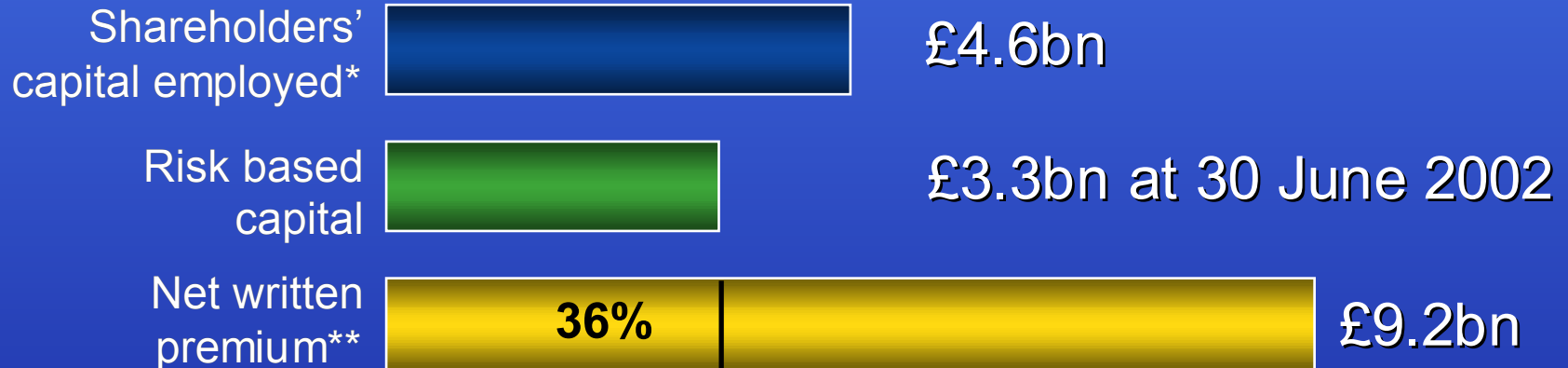
Operational capital - realistic

Risk based capital - worldwide GI & health



Risk based capital

Worldwide general insurance & health



* excluding goodwill of £0.3bn and after adding back the equalisation provision of £0.3bn

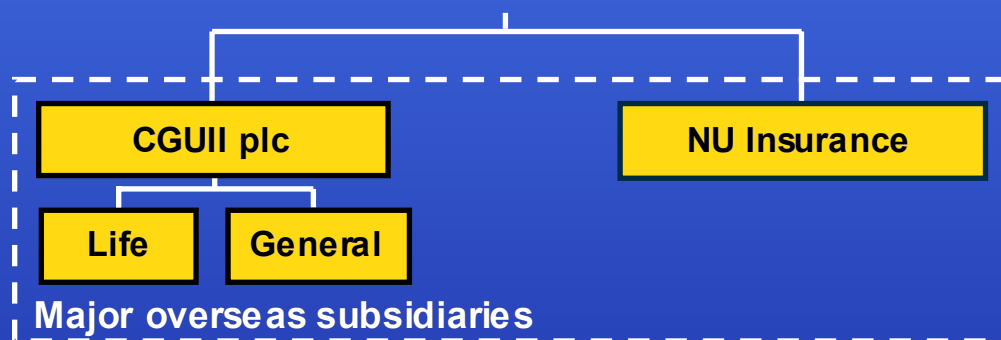
** net written premium represents 12 month rolling average excluding premiums from business disposed, CGU Courtaige

- 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

Operational capital strength

Summary so far...



■ Efficient structuring

■ Strong solvency

■ Resilience to equity market movements

■ £3.2bn available to support overseas life businesses (equivalent to over 2x minimum solvency requirement)

Regulated available assets* - 30 June £6.0bn

Add: equalisation provision £0.3bn

Less:
GI & health RBC requirement** (£3.1bn)

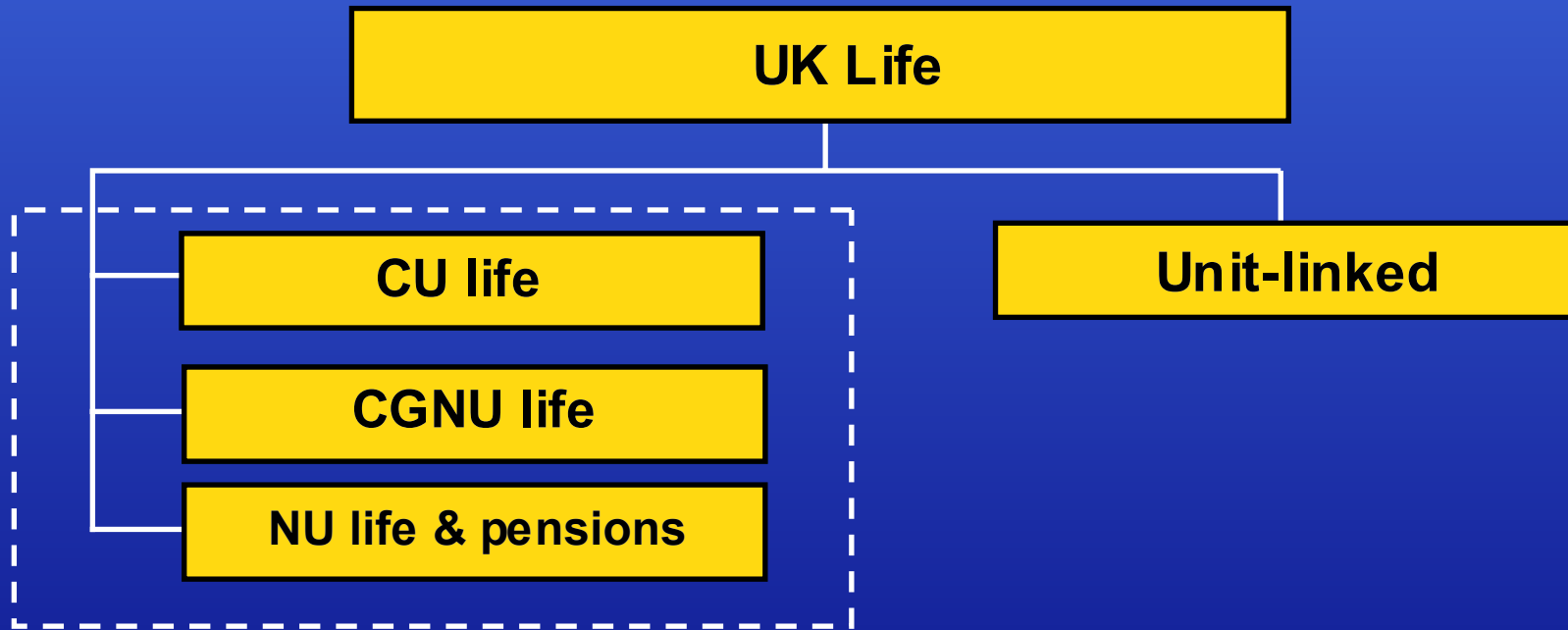
Capital available to support overseas life businesses £3.2bn

* Represents aggregate available assets of CGUII group £5.2bn and NU Insurance £0.8bn

** Worldwide risk based capital requirement of £3.3bn less Australia GI risk based capital requirement of £0.2bn

Operational capital - regulatory

UK life structure



UK life free asset ratio



Free asset ratio of 14.1% at 30 June

| <u>Free asset ratio</u> * | Including implicit items | Excluding implicit items |
|---------------------------|--------------------------|--------------------------|
| 31 Dec 2001 | 14.7% | 10.8% |
| 30 June 2002 | 14.1% | 10.1% |

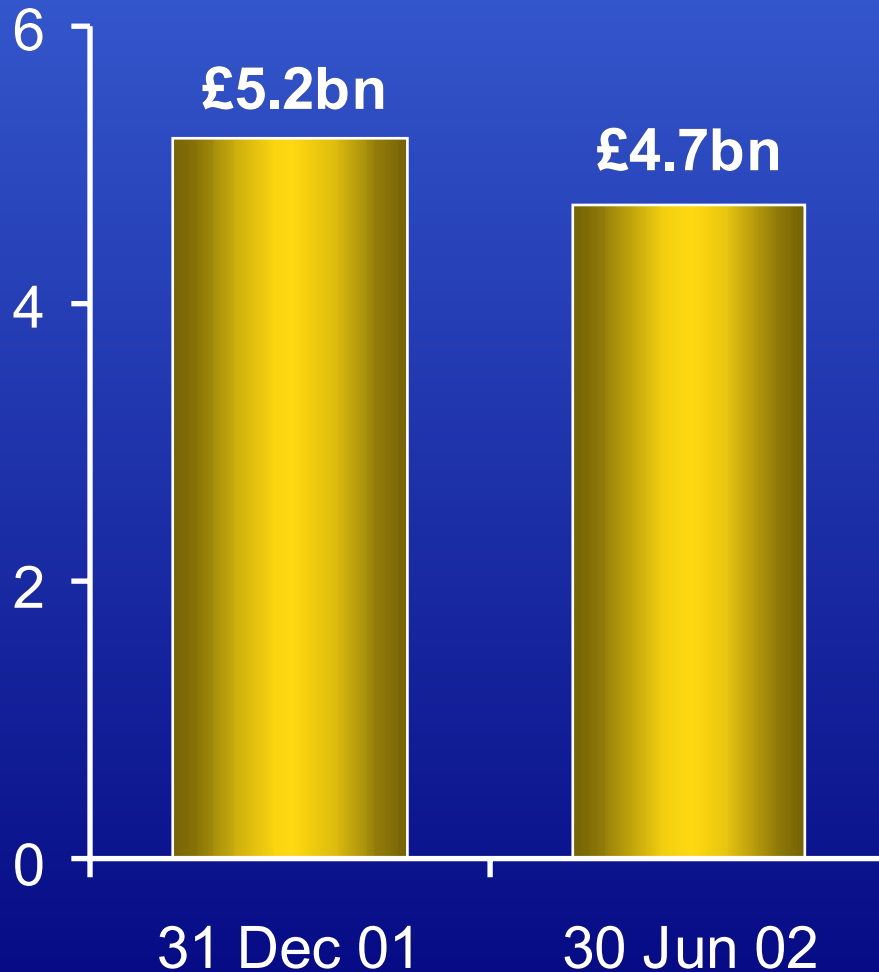
* incorporating resilience rules as at 30 June 2002

Free asset ratio definition: total assets less total liabilities / total liabilities

Operational capital UK with-profit - orphan estate



£bn



- Represents realistic measure of with-profit strength
- After a realistic estimate of policyholders' reasonable expectations
- With-profit funds of £48bn at 30 June

Financing growth

Internal capital generation



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

Pro forma 2001 capital generation of £0.4bn as a result of dividend cut

Strong and resilient capital base

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Summary

- Solid results despite environment
- Capital strength
- AA rating (“very strong”) reaffirmed by S&P
- Driving performance out of each business

A resilient and well-diversified business



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Questions & Answers



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