

**Goldman Sachs European Financials Conference**  
***“Navigating the Sea of Change”***

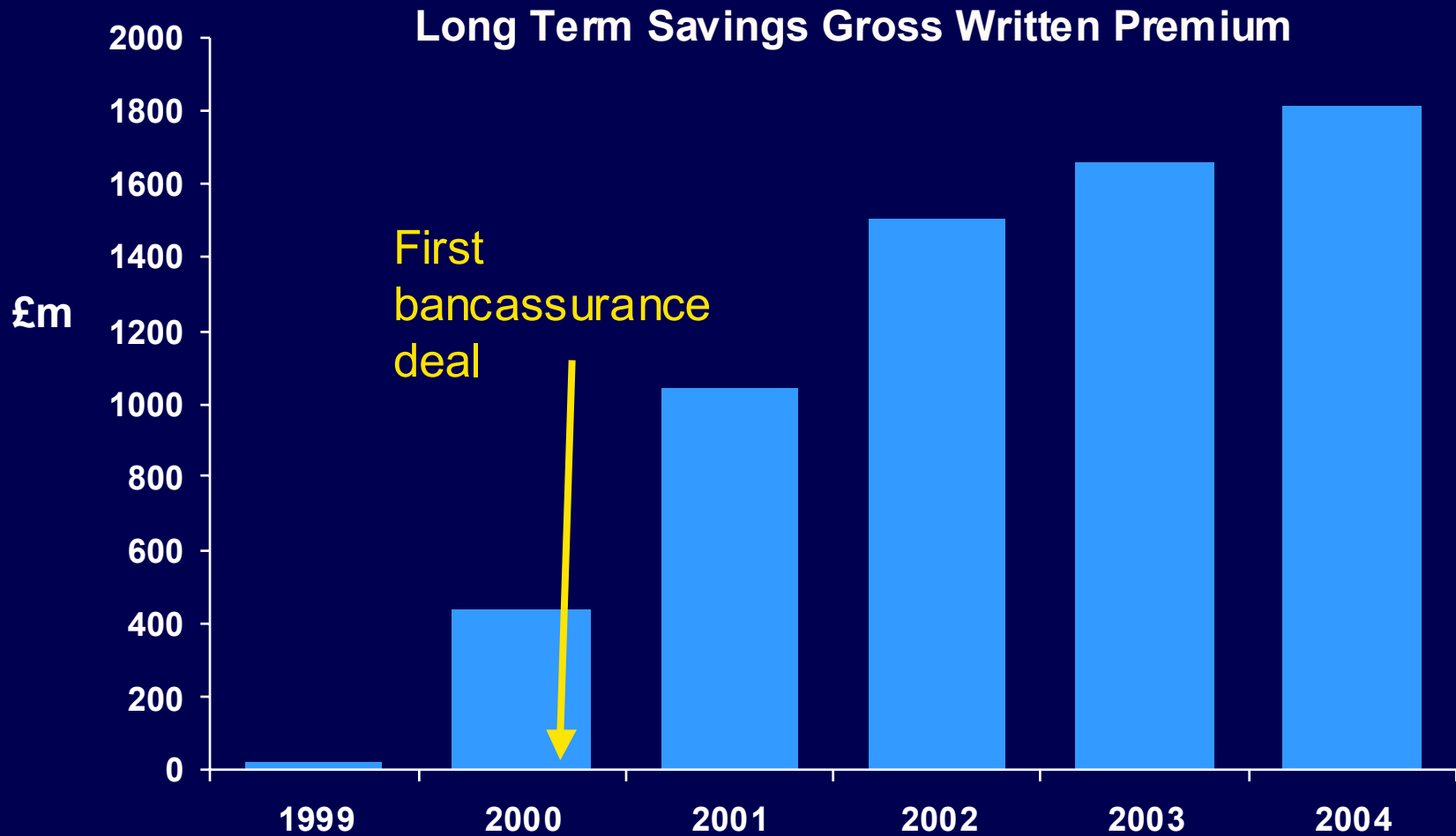


**8 June 2005**

**Aviva in Spain – also-ran to market-leader in four years**

Philip Scott, Group Executive Director, Life International

# Transforming Aviva's Position in the Spanish Market



## Aviva in Spain, 1999-2000

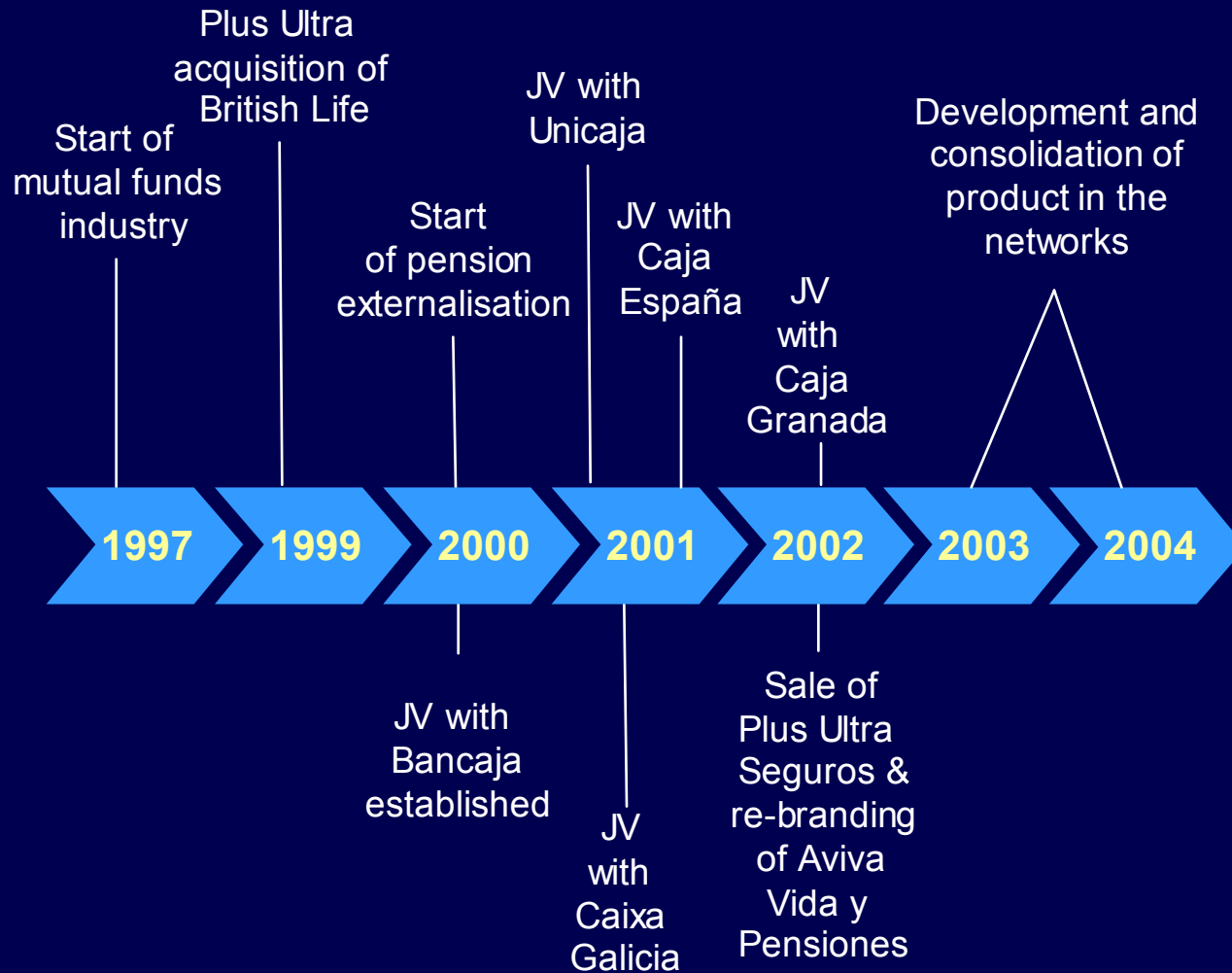
- Long-standing but sub-scale composite business
- Aviva's market view:
  - No prospect of market leadership or exceptional returns in GI
  - Profitable growth in Life and Savings, but...
  - ... bank distribution required in regional markets
- Implications of market view and Group strategy:
  - Bancassurance partnership
  - GI withdrawal

# Aviva's bancassurance strategy

Key strategic elements	Partnerships with savings banks	Multiple small / mid-sized partnerships	Partnership structure
Perceived risks	<ul style="list-style-type: none"><li>• Strength of business model</li></ul>	<ul style="list-style-type: none"><li>• No single transformational deal</li></ul>	<ul style="list-style-type: none"><li>• Cannibalisation</li></ul>
Benefits	<ul style="list-style-type: none"><li>• Strong regional franchises</li><li>• First acquired JV was a first-class operation</li><li>• Customer penetration upside</li></ul>	<ul style="list-style-type: none"><li>• Economies of scale, not available individually</li><li>• Limited direct competition between partners</li></ul>	<ul style="list-style-type: none"><li>• Interests aligned – equity in JVs and earn-outs</li><li>• Re-use of systems, processes and products</li></ul>

**Genuine opportunity for Aviva to add value**  
**Excellent distribution franchise across most of the country**

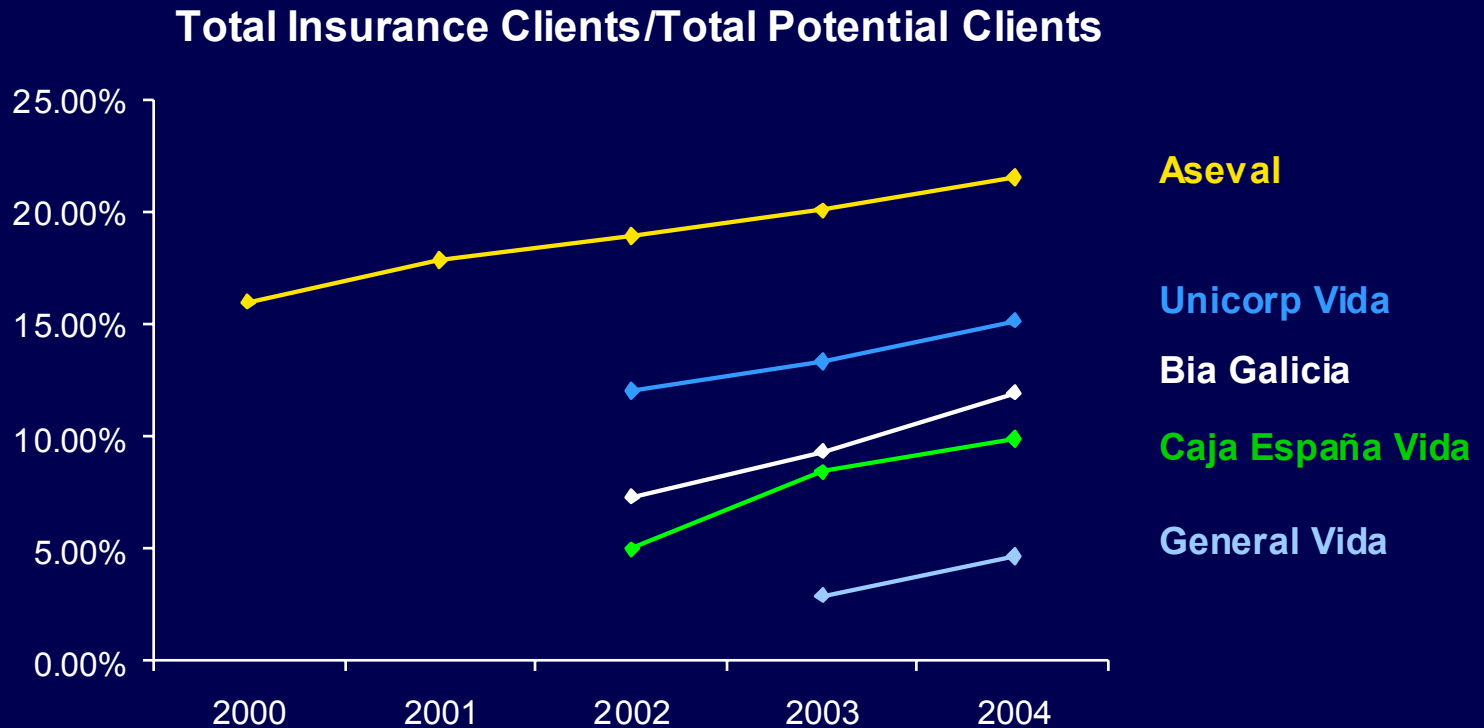
# Development of Aviva's Spanish business



# Making the transactions work

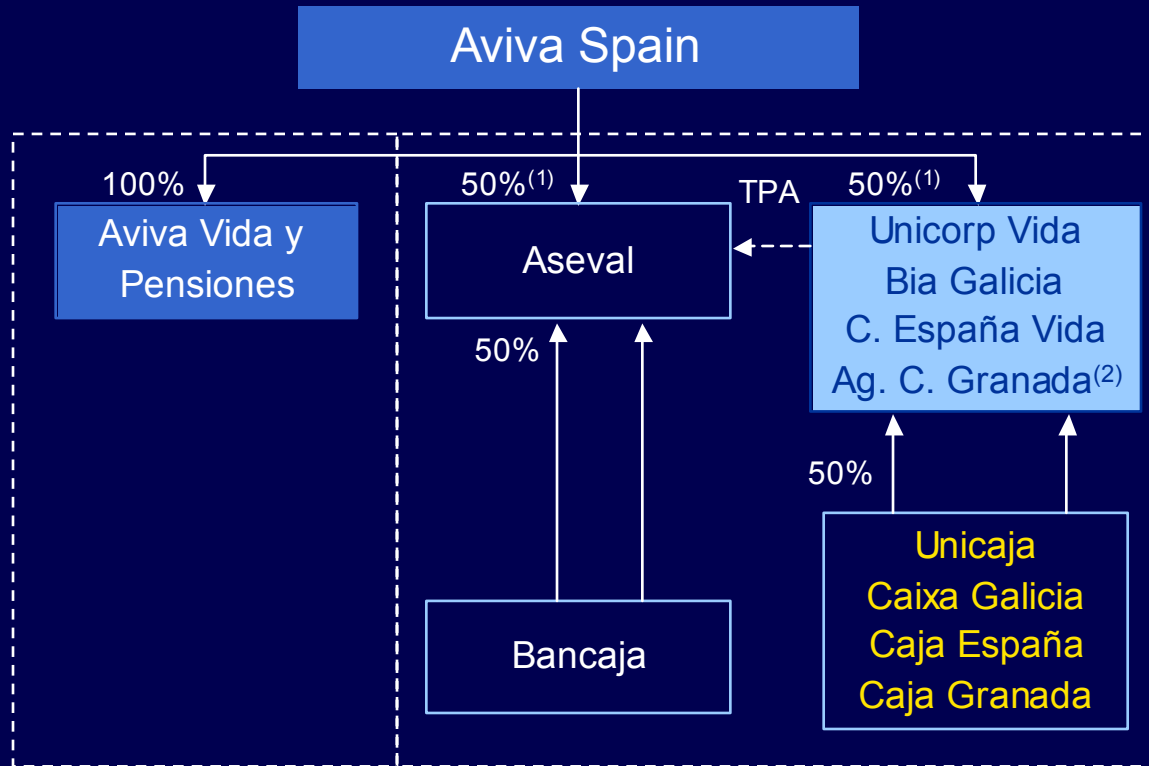
- Deal Criteria
  - Strong franchise
  - Cultural fit
  - Willingness to adopt Aviva model
- Managing the Integration
  - Relationship management
  - Migration to Aseval platform
  - Adoption of Aseval products, processes and procedures

# Realising the upside: increasing penetration



**Further Potential For Growth**

# Aviva in Spain – business model



Agents, specialised life sales force and brokers

Bancassurance

(1) 50% + management control

(2) In the case of Agencia Caja Granada 50% stake is owned by Unicorp Vida. Aviva has, therefore, 25% economic exposure

—→ Exclusive and perpetual distribution agreements

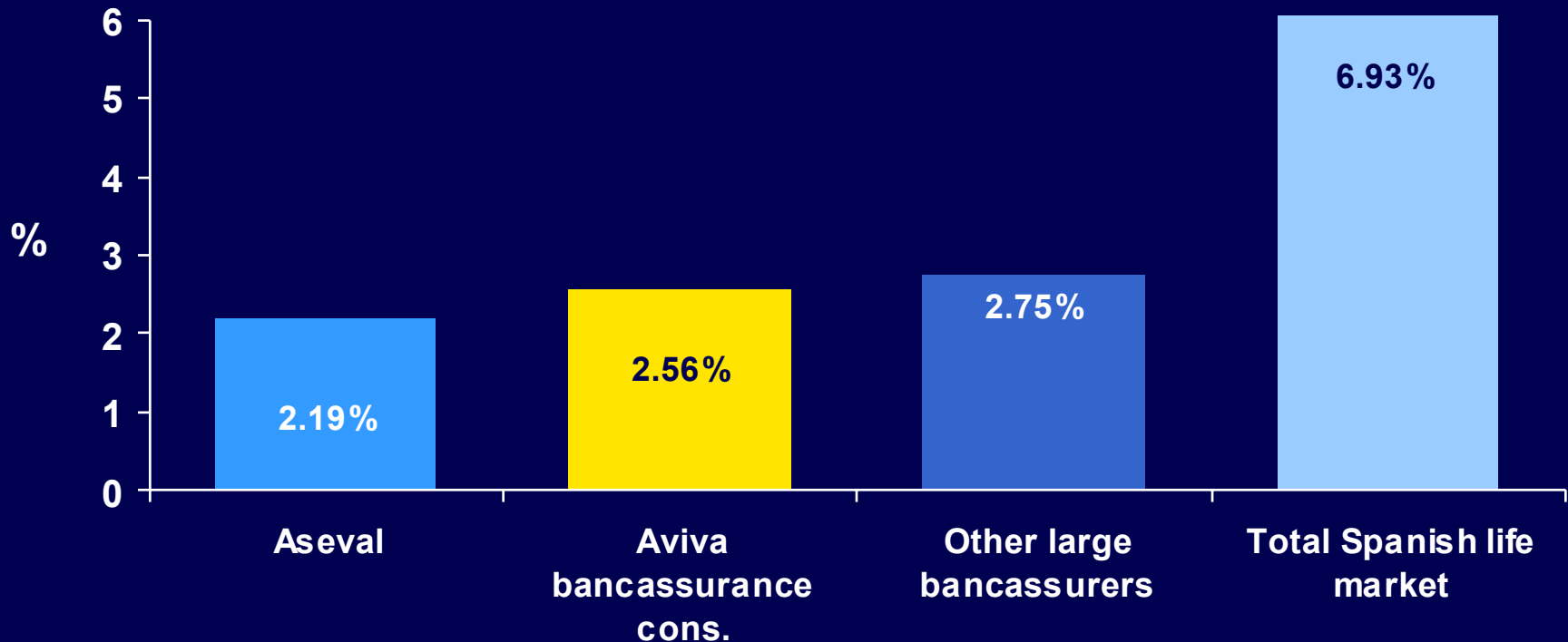
- - -→ Third party agreements

## Key features

- Management control
- Exclusive and perpetual distribution agreements
- One “factory” 91 people
- Innovative non-bancassurance channels

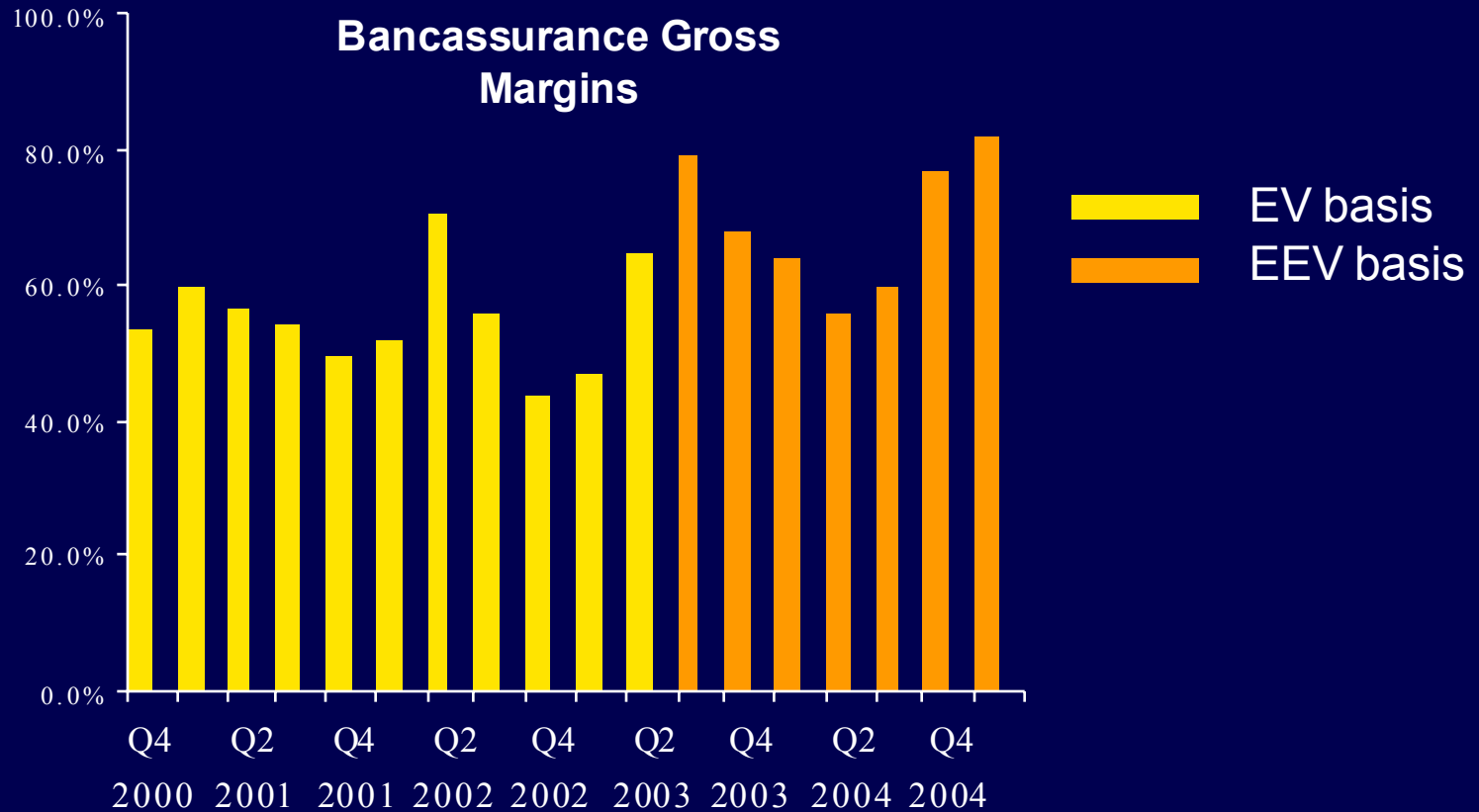
# Continued low costs underpin attractive margins

Acquisition and administration costs (% of premium, 2004)



Increased competitive advantage against the market

# Strong Margins Supported by Pricing – Low Expenses and Scale Advantages



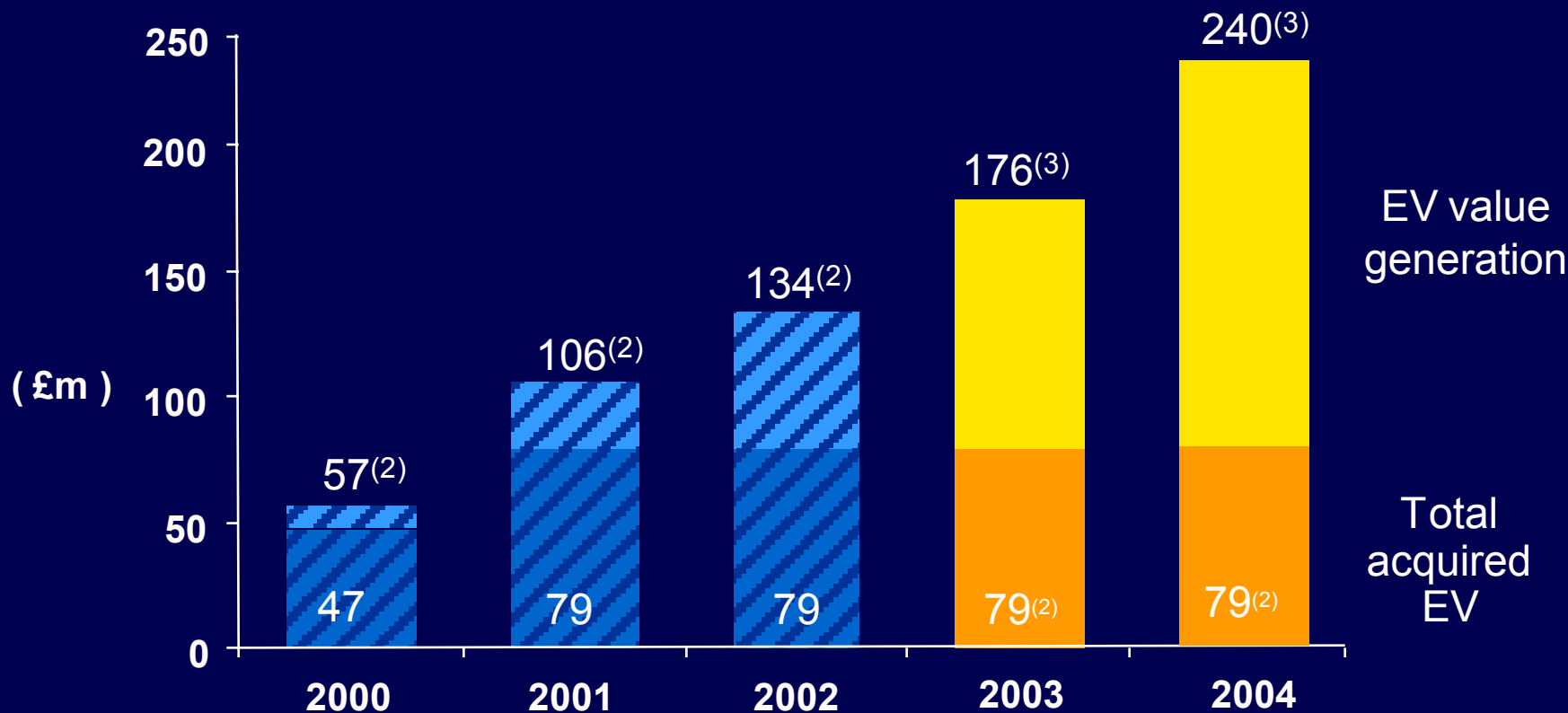
**Margins driven by changes in product mix**

# Aviva Spain: growing embedded value

£505m (of which £448m goodwill<sup>1</sup>) invested in Spanish bancassurance

Aviva's 2004 share: NBC post CoC, post tax £37m

## Bancassurance EV evolution (Aviva share)



- (1) Includes estimated value of deferred consideration
- (2) Achieved profit basis
- (3) EEV basis

# Aviva Vida y Pensiones

- Relunched in 2002
- Traditional distribution channels
  - financial advisors
  - brokers
  - agents
- Championing the Aviva brand in Spain



# Key strengths of Aviva's model

## Bancassurance

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- Partnership
- Distribution
- Efficiency
- Management
- Penetration upside

## Agent distribution

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- Unique Specialisation
- Quality of advice
- Brand

## Key Success Factors

- Patience
- Focus
- People
- Core Technical Expertise

