

# Aviva plc

## Preliminary results 2007



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# Agenda



Introduction

**Andrew Moss**  
Group Chief Executive

Financial review of 2007

**Philip Scott**  
Group Finance Director

Progress on  
One Aviva, twice the value

**Andrew Moss**

Questions & Answers

# Highlights



- A robust set of results
  - Total long term savings new business sales up 25%
  - EEV operating profit up 1% to £3,286m
  - Net asset value per share up 13% to 772p
  - Final dividend per share up 10% to 33.00p
- A strong balance sheet
- A confident outlook
  - Strength and resilience of the composite portfolio

Note: All growth rates quoted on a constant currency basis

# One Aviva, twice the value – confidence and progress



- Review of Aviva's 5 strategic priorities, with emphasis on:
  - The launch of Aviva Investors: a new global approach to asset management
- Regional operational review and outlook
- A new target to complement the existing set of operational and financial targets
  - Doubling IFRS earnings per share by 2012 at the latest

# Aviva plc 2007 full year results



Philip Scott, Group Finance Director



# Contents



- Highlights
- Regional performance
- Life and general insurance experience
- New disclosures
- Analysis of assets
- Capital management
- Value creation

# FY 2007 key highlights



- Long term new business sales up 25% to £38.6bn
- Life new business contribution up 32% to £1,174m at increased margin
- GI COR 100% (95% excluding UK adverse weather)
- EEV operating profit up 1% to £3,286m
- IFRS operating profit down 15% to £2,228m
- IFRS earnings per share 49.2p
- Net asset value per share up 13% to 772p
- Total dividend per share up 10% to 33.00p

Note: All growth rates quoted on a constant currency basis

|                           | <u>FY07</u>   | <u>FY06</u> |
|---------------------------|---------------|-------------|
|                           | £m            | £m          |
| <b>New business</b>       |               |             |
| Life and pensions         | <b>11,655</b> | 11,146      |
| Investment sales          | <b>2,751</b>  | 2,455       |
| New business contribution | <b>360</b>    | 327         |
| <b>Operating profit</b>   |               |             |
| Life EEV                  | <b>864</b>    | 744         |
| Non-life                  | <b>(41)</b>   | (21)        |
| Total EEV                 | <b>823</b>    | 723         |
| Life IFRS                 | <b>723</b>    | 629         |
| Non-life IFRS             | <b>(41)</b>   | (21)        |
| Total IFRS                | <b>682</b>    | 608         |

- Record full year sales:
  - Total sales, including investments, up 6%
  - Margin increased to 3.1% (FY06 2.9%)
- Life EEV operating profit up 16%
  - Stable persistency
  - Maintenance and exceptional costs lower by £56m
- IFRS life operating profit up 15%
- £125m annualised cost savings delivered
- Special policyholder distribution – £2.3bn

# UK General Insurance



|  | <u>FY07</u><br>£m | <u>FY06</u><br>£m |
|--|-------------------|-------------------|
| <b>Operating profit <sup>(1)</sup></b> |                   |                   |
| Underwriting result                    | <b>(214)</b>      | 394               |
| LTIR                                   | <b>647</b>        | 724               |
| Non-insurance                          | <b>17</b>         | 37                |
|  | <b>450</b>        | 1,155             |
| <b>NUI only</b>                        |                   |                   |
| Net written premiums                   | <b>5,440</b>      | 5,583             |
| Total COR                              | <b>106%</b>       | 95%               |

- Adverse weather impact of £475m (FY06: £75m benefit)
- Combined operating ratio of 106%
  - Personal motor profitability improved having achieved rating increases of 6%
  - Household impacted by floods
  - Commercial property impacted by floods and large claims
- Total profits from non-insurance of £17m
  - £17m non-insurance in 2006 from non-core RAC businesses now sold
- £125m annualised cost savings delivered.
- LTIR reduced by lower asset base due to reduced cash flow
- Increased reinsurance protection for 2008

(1) Including Health and Aviva Re

|                           | <u>FY07</u><br>£m | <u>FY06</u><br>£m |
|---------------------------|-------------------|-------------------|
| <b>New business</b>       |                   |                   |
| Life and pensions         | <b>14,914</b>     | 12,840            |
| Investment sales          | <b>1,572</b>      | 891               |
| New business contribution | <b>598</b>        | 502               |
| <b>Operating profit</b>   |                   |                   |
| Life EEV                  | <b>1,543</b>      | 1,171             |
| General Insurance         | <b>442</b>        | 417               |
| Fund management           | <b>31</b>         | 46                |
| Other                     | <b>(45)</b>       | (53)              |
| Total EEVOR               | <b>1,971</b>      | 1,581             |
| Total IFRS                | <b>1,230</b>      | 1,083             |

- Strong and profitable sales growth in Europe – total sales up 19%
- Margins up to 4.0% (FY 06: 3.9%)
- EEV life operating profit up 29%, reflecting strong life results throughout the region
- GI only COR 89% (FY06: 90%)
- IFRS operating profit up 11%

# North America



|                            | <u>FY07</u><br>£m | <u>FY06*</u><br>£m |
|----------------------------|-------------------|--------------------|
| <b>United States</b>       |                   |                    |
| PVNB                       | <b>3,602</b>      | 884                |
| New business contribution  | <b>154</b>        | 20                 |
| Life EEV operating profit  | <b>255</b>        | 32                 |
| Life IFRS operating profit | <b>103</b>        | 13                 |

- Excellent sales growth of 39% (proforma)
- New business contribution up 71% (proforma)
- Integration programme completed - cost savings achieved

|                      |              |       |
|----------------------|--------------|-------|
| <b>Canada</b>        |              |       |
| GI operating profit  | <b>154</b>   | 148   |
| Net written premiums | <b>1,412</b> | 1,389 |
| COR                  | <b>98%</b>   | 98%   |

- Canadian operating profit increased, reflecting higher investment return and stable COR
- Net written premiums up 4% - growth in both personal and commercial lines

\*Relates to 12 months of original Aviva US business plus six weeks of AmerUs

|                           | <u>FY07</u><br>£m | <u>FY06</u><br>£m |
|---------------------------|-------------------|-------------------|
| <b>New business</b>       |                   |                   |
| Life and pensions         | <b>1,429</b>      | 982               |
| Investment sales          | <b>2,660</b>      | 1,564             |
| New business contribution | <b>62</b>         | 43                |
| <b>Operating profit</b>   |                   |                   |
| Life EEV                  | <b>91</b>         | 86                |
| General insurance         | <b>4</b>          | 3                 |
| Fund management/Other     | <b>2</b>          | 3                 |
| Total EEVOR               | <b>97</b>         | 92                |
| Total IFRS                | <b>37</b>         | 50                |

- Excellent growth with total sales up 60%
  - Life and pensions sales strong in Australia, China, Hong Kong and India
  - Investment sales up 67%
- New business contribution up 51% to £62m and margin stable
- EEV life operating profit £91m

# Asset management



|                              | <u>FY07</u> | <u>FY06</u> |
|------------------------------|-------------|-------------|
|                              | £m          | £m          |
| <b>IFRS operating profit</b> |             |             |
| UK                           | <b>77</b>   | 70          |
| Europe                       | <b>60</b>   | 73          |
| North America                | <b>3</b>    | 3           |
| Asia Pacific                 | <b>15</b>   | 9           |
|                              | <b>155</b>  | 155         |

Total funds managed by Aviva      **£316bn**      £287bn

- UK profits up 10% - mainly Morley
  - Additional performance fees
  - UK funds under management of £165bn
    - Property market decline
    - New third party mandates
- Europe profits reduced due to lower performance fees in the Netherlands
- Redefinition of funds to reflect those directly managed by our investment managers

# Life experience



|                             | <u>UK</u> | <u>International</u> | <u>Total</u> |
|-----------------------------|-----------|----------------------|--------------|
|                             | £m        | £m                   | £m           |
| <b>Experience variances</b> |           |                      |              |
| Expenses                    | (80)      | (56)                 | (136)        |
| Mortality                   | 14        | 55                   | 69           |
| Persistency                 | (5)       | 10                   | 5            |
| Other                       | 26        | 20                   | 46           |
|                             | (45)      | 29                   | (16)         |

## Assumption changes

|             |       |      |       |
|-------------|-------|------|-------|
| Expenses    | 5     | (50) | (45)  |
| Mortality   | (133) | (22) | (155) |
| Persistency | (6)   | 9    | 3     |
| Other       | 108   | 203  | 311   |
|             | (26)  | 140  | 114   |

- Reduced UK expense variances due to cost reductions
- Adverse expenses in Netherlands and US
- Favourable mortality in France and Poland
- Persistency in line with assumptions
- UK mortality strengthening offset by capital assumption changes
- France changes to product and investment management profitability

# General Insurance – Loss development



|                             |               | <b>2007</b>            |  |
|-----------------------------|---------------|------------------------|--|
|                             |               | <b>£m</b>              |  |
| <b>Prior year releases*</b> |               |                        | <b>Prior year releases include:</b>  |
| UK                          | Non-recurring | 215                    | <ul style="list-style-type: none"> <li>• Overall recurring benefit of our conservative approach to setting loss reserves while maintaining a strong balance sheet</li> <li>• UK – reduced bodily injury claims experience, benefit of inflation busting initiatives and realising case estimate savings as legacy systems decommissioned</li> <li>• Ireland – lower settlement costs of motor and commercial liability claims</li> <li>• Netherlands – releases from disability provisions</li> <li>• Canada – favourable personal motor claims experience and auto pools</li> </ul> |
|                             | Recurring     | 225                    |  |
|                             | Ireland       | 130                    |  |
|                             | Netherlands   | 173                    |  |
|                             | Canada        | 52                     |  |
|                             | Other         | 30                     |  |
|                             |               | <hr/> <b>832</b> <hr/> |  |

\* Excludes £137m for health business

# New disclosures made available



## Total expense base (analyst pack p.96)

- Demonstrates impact of cost reductions programmes on bottom line
- Like for like reduction in group-wide costs of 6.5%

## Costs savings (analyst pack p.97)

- Clear, quantitative, tracking of our progress against cost reduction promises
- Cost of delivering £350m cost reduction programme - £330m

## Margin on assets (analyst pack p.99)

- New disclosure responding to requests from analysts and investors
- IFRS result shown as a return on assets (based on operating profit, 62 bps)

## Analysis of asset disclosure (analyst pack p.104)

- Market leading analysis demonstrating our strong balance sheet

Positions Aviva as an industry leader in transparency and disclosure

# Analysis of Assets - Headlines



- AVIVA's Balance Sheet is strong and high quality - as evidenced in a separate comprehensive disclosure.
- The largest single asset class is Debt Securities, of which 95% are investment grade (with 1% below investment grade, and 4% not rated).
- The Group has very limited exposure to Subprime MBS/ABS, Alt-A, Wrapped Credit, CDOs and CLOs:

## Fair Values at 31 Dec'07

| £m             | Policyholder Assets | Participating Fund Assets | Shareholder Assets | Total | % of Asset Base |
|----------------|---------------------|---------------------------|--------------------|-------|-----------------|
| Sub-prime      | 40                  | 25                        | 84                 | 149   | 0.06%           |
| Alt-A          | 0                   | 0                         | 214                | 214   | 0.07%           |
| CDO/CLOs       | 101                 | 60                        | 581                | 742   | 0.23%           |
| Wrapped Credit | 77                  | 168                       | 544                | 789   | 0.24%           |
| Total          | 218                 | 253                       | 1,423              | 1,894 | 0.60%           |

- The Group's loan portfolio is of a very high standard, with over 99% of loans neither past due nor impaired

# Capital management



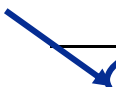
- Equity de-risking of GI shareholder funds and pension scheme
- Equities principally held to back policyholder liabilities
- IGD solvency of £3.1bn, cover of 1.6 times - significantly reduced equity sensitivity of IGD capital
- AXXX reserve securitisation lifting US IRR to 14%
- Swiss Re reinsurance - £320m TDSL and sale of VIF
- Dilution reduced – withdrawal of scrip, no share plan dilution from 2008 interims
- Net capital generation £0.5bn (analyst pack p.17)

# Value creation



|   | 2007<br>IFRS<br>pence per<br>share | 2007<br>EEV<br>pence per<br>share | ROCE |
|---|------------------------------------|-----------------------------------|------|
| <b>Operating profit</b>   | 53.2                               | 76.5                              |      |
| Investment return variances and economic assumption changes on long-term business             | 3.1                                | 2.3                               |      |
| Short-term fluctuation on return on investments backing general insurance and health business | (1.5)                              | (1.5)                             |      |
| Integration and restructuring costs   | (4.4)                              | (4.4)                             |      |
| Other   | (1.2)                              | (2.8)                             |      |
| <b>Profit attributable to ordinary shareholders</b>   | 49.2                               | 70.1                              | ROEC |
| <b>Dividend/NAV per share</b>   | 33.0p                              | 772p                              |      |

Double EPS



One Aviva, twice the value

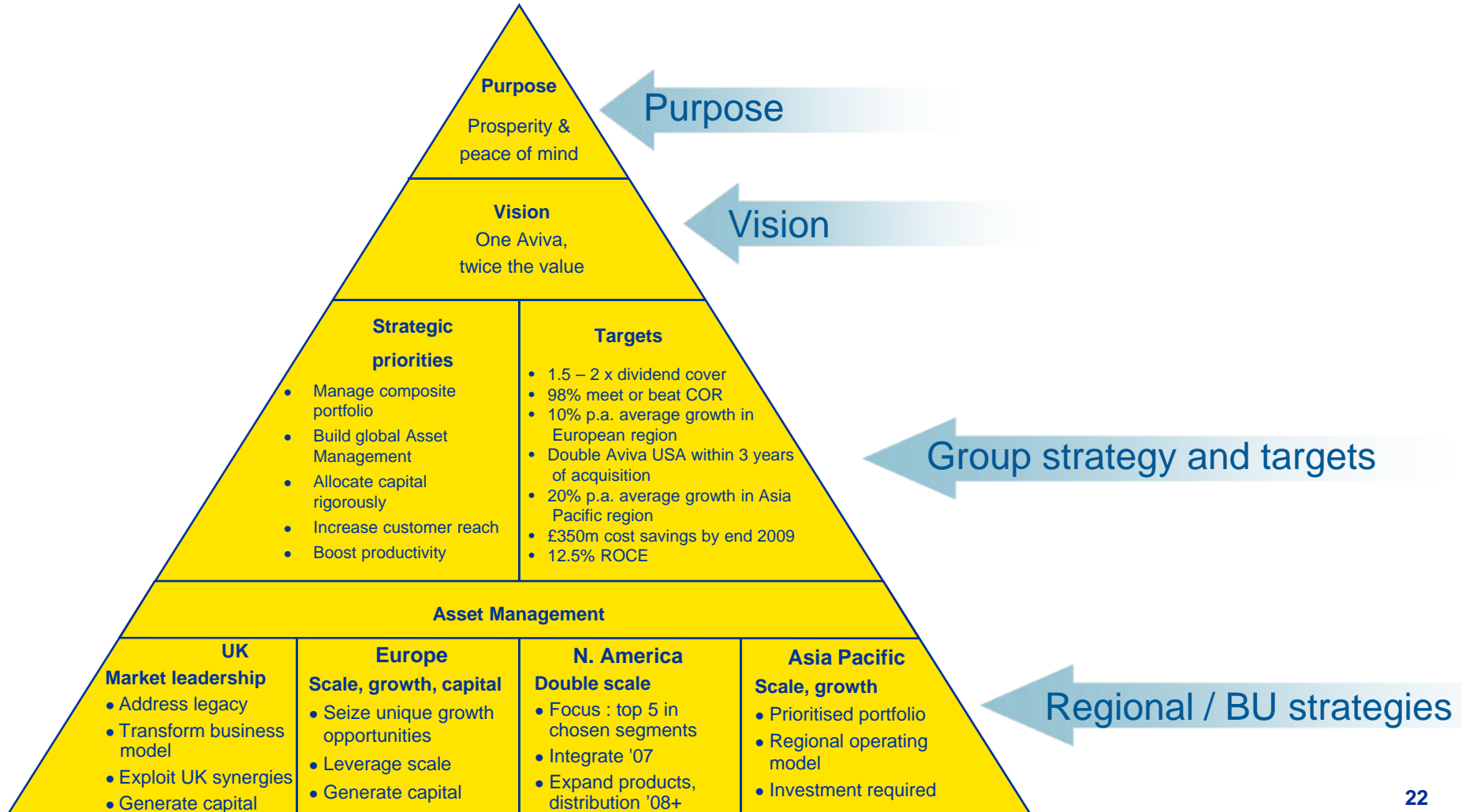


Andrew Moss, Group Chief Executive



# One Aviva, twice the value

*“Our priority is to realise the full potential of our existing businesses”*



# The strategic priorities – building a stronger, more unified group



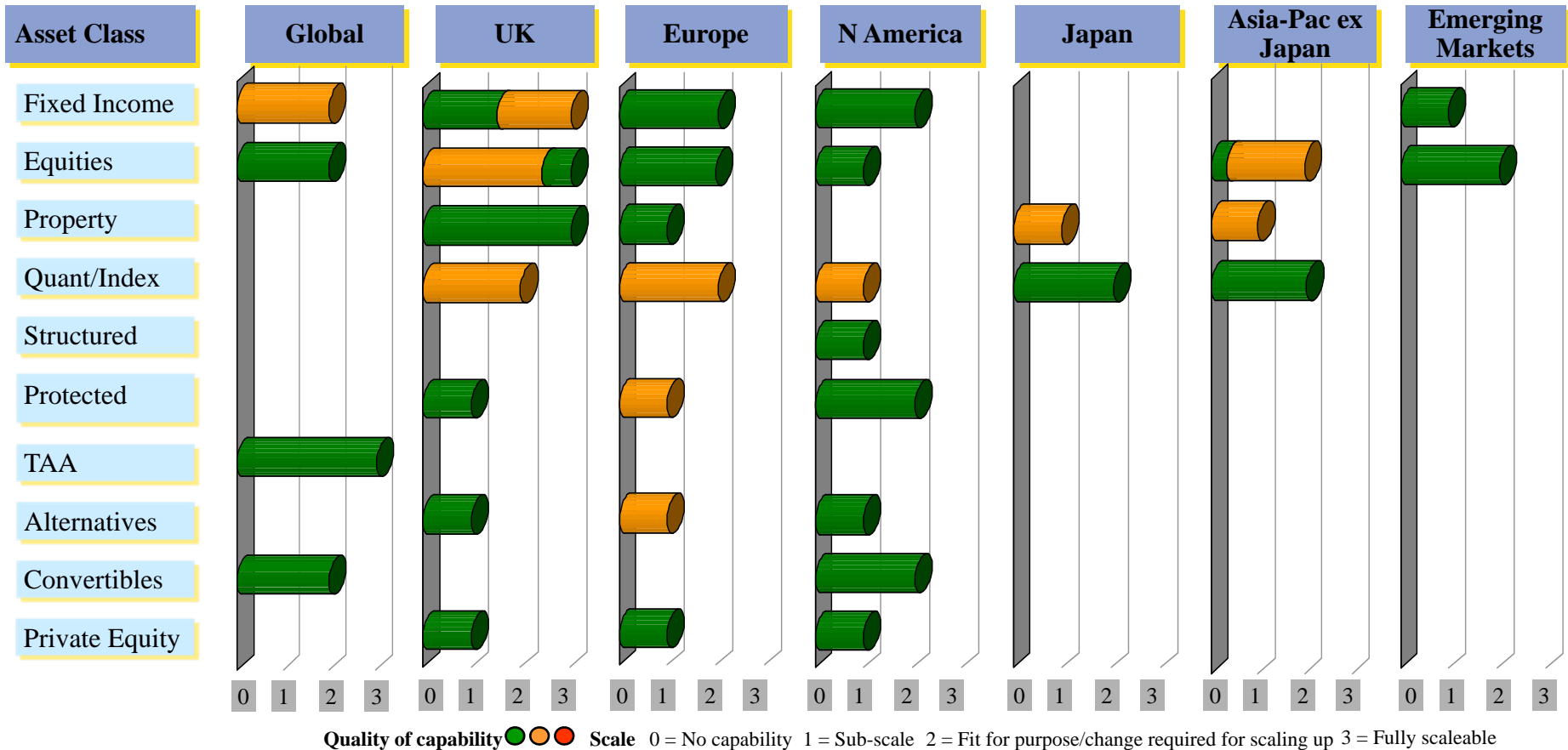
1. Manage the composite portfolio
  - Cash flow, resilient product range, breadth of portfolio
2. Allocate capital rigorously
  - Clear regional objectives, significantly more disclosure
3. Increase customer reach
  - Over 50 million more potential customers through 18 deals in 11 countries
4. Build global asset management
5. Boost productivity



# Global asset management – the starting point



Aviva benefits from good existing core capabilities, with scale in several asset classes, geographies



# Introducing Aviva Investors



## A powerful new global asset management business

- Globally integrated asset management business
  - The third pillar of our composite model, rebranded Aviva Investors
  - £316 billion funds, over 1,300 staff in 15 countries around the world
- Accelerate the transformation of our investment model
  - Scalable central investment unit & small autonomous teams
- Enhance capability to sell & service clients across borders
- Invest in people, technology and solutions development
- Increase 3<sup>rd</sup> party business
- Accelerate profit contribution to Group



# One Aviva, twice the value



## Regional review and outlook



# UK Life – a year of very good progress



## 2007

- **Market leadership - a much stronger position**
  - Higher sales & margins, costs reduced, improved service
  - Lapses in line with assumptions
- **Legacy being actively addressed**
  - Swiss Re outsourcing agreement
  - Over 100 fewer systems
- **Synergies with UK GI coming through**
  - Marketing, IT, HR, Finance, offshoring

## 2008 outlook

- **Focus on profits**
  - Further efficiencies from in-force book
  - New business value from product innovation
  - £100 million further savings by 2009

## Market leadership

- **Address legacy**
- **Transform business model**
- **Exploit UK synergies**
- **Generate capital**

# UK General Insurance – taking decisive action



## 2007

- **Market leadership**
  - Rating action on all product lines
- **A strong balance sheet and conservative reserving**
  - Prior year releases an ongoing feature
- **Action on IT, marketing and project costs**

## 2008 outlook

- **Evidence that the cycle is turning**
- **Addressing legacy**
  - Reducing product range to 20 from 70
- **Business model being transformed**
- **£200 million more cost savings in 2008**
- **Reinsurance cover under review**

## Market leadership

- **Address legacy**
- **Transform business model**
- **Exploit UK synergies**
- **Generate capital**

# Europe – multi channel strategy is working well



## 2007 – 19% growth

- A great start to 10% average growth target
  - Northern Europe – sales and profit growth
  - Southern Europe growing ahead of their markets
  - CEE growth rates akin to Asia
- Seize unique growth opportunities
  - New bancassurance in Turkey, Spain, Italy, Poland
- Leverage scale
  - Dutch shared services scheme
  - Direct motor launch in Poland

## 2008 outlook

- Benefits of a diversified portfolio
- New agreements coming on stream

## Scale, growth, capital

- Seize unique growth opportunities
- Leverage scale
- Generate capital

# North America – on track to double scale



## 2007

- 39% pro forma life sales growth
- Cost savings, brand change, AM Best ratings upgrade achieved in line or ahead of plan
- 6 new IMO distribution agreements
- New product launches – eg Wellness
- 98% COR from Canadian GI business in challenging market

## 2008 outlook

- Indexed annuity product resilient in times of uncertainty
- More distribution agreements

## Double scale

- Focus : top 5 in chosen segments
- Integrate '07
- Expand products, distribution '08+

# Asia Pacific – a growing presence



## 2007

- 60% growth in sales
- 11% of Aviva's long term savings sales
- Entry into Malaysia and Taiwan
- Focus on expansion in China and India

## 2008 outlook

- Continuing value creation
- Entry into Korea
- Exploration of other opportunities in regional markets
- Continued investment in the regional operating model

## Scale, growth

- Prioritised portfolio
- Regional operating model
- Investment required

# One Aviva, twice the value



## The targets



# A balanced set of targets

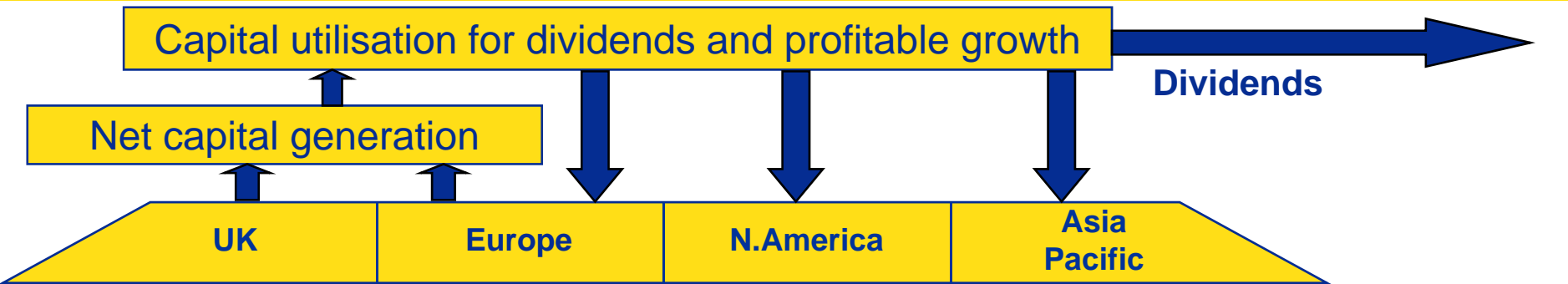


- A challenging set of operational targets
  - 98% meet or beat COR
  - Regional sales and EV new business contribution targets
  - Cost saving targets
- Combined with disciplined financial targets
  - 12.5% ROCE (to be re-set as return on economic capital by end 2008)
  - Double IFRS earnings per share by 2012 at the latest
  - 1.5 – 2 times dividend cover



Targets and incentives aligned to achieve growth in both EV and IFRS profits

# Driving IFRS earnings



## Operational targets

GI COR 98% meet or beat

Life growth targets

Cost savings

Aviva Investors

Capital efficiency

Double IFRS EPS

Dividend

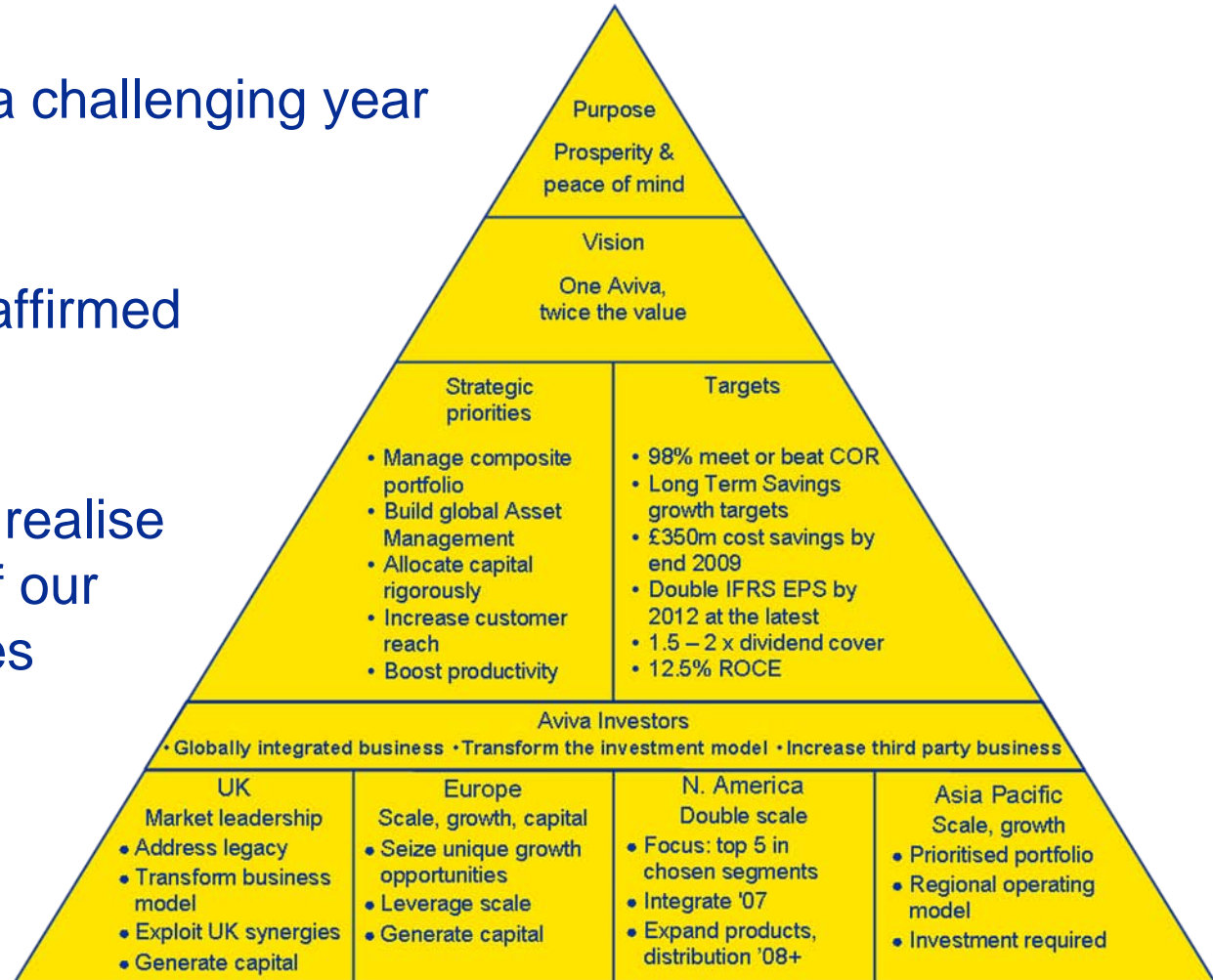
ROCE



# One Aviva, twice the value



- A robust result in a challenging year
- Growth targets reaffirmed
- A clear agenda to realise the full potential of our existing businesses



# One Aviva, twice the value



## Questions and answers



# Aviva plc

## Preliminary results 2007



# One Aviva, twice the value



## Appendix



# Regional performance



|  | UK           | Europe       | North America | Asia Pacific | Other <sup>(2)</sup> | Group         |
|--|--------------|--------------|---------------|--------------|----------------------|---------------|
|  | £m           | £m           | £m            | £m           | £m                   | £m            |
| <b>Total sales</b>                                 | 20,302       | 19,719       | 5,014         | 4,117        | -                    | <b>49,152</b> |
| <b>Long term savings new business</b>              | 14,406       | 16,486       | 3,602         | 4,089        | -                    | <b>38,583</b> |
| <b>New business contribution</b>                   | 360          | 598          | 154           | 62           | -                    | <b>1,174</b>  |
| <b>New business margin (gross)</b>                 | 3.1%         | 4.0%         | 4.3%          | 4.3%         | -                    | <b>3.7%</b>   |
| <b>General insurance COR</b>                       | 106%         | 88%          | 98%           | -            | -                    | <b>100%</b>   |
| <b>Operating profit: EEV basis <sup>(1)</sup></b>  | <b>1,330</b> | <b>1,971</b> | <b>408</b>    | <b>97</b>    | <b>(520)</b>         | <b>3,286</b>  |
| <b>Operating profit: IFRS basis <sup>(1)</sup></b> | <b>1,225</b> | <b>1,230</b> | <b>256</b>    | <b>37</b>    | <b>(520)</b>         | <b>2,228</b>  |

(1) Stated before amortisation of other intangibles, impairment of goodwill and exceptional items

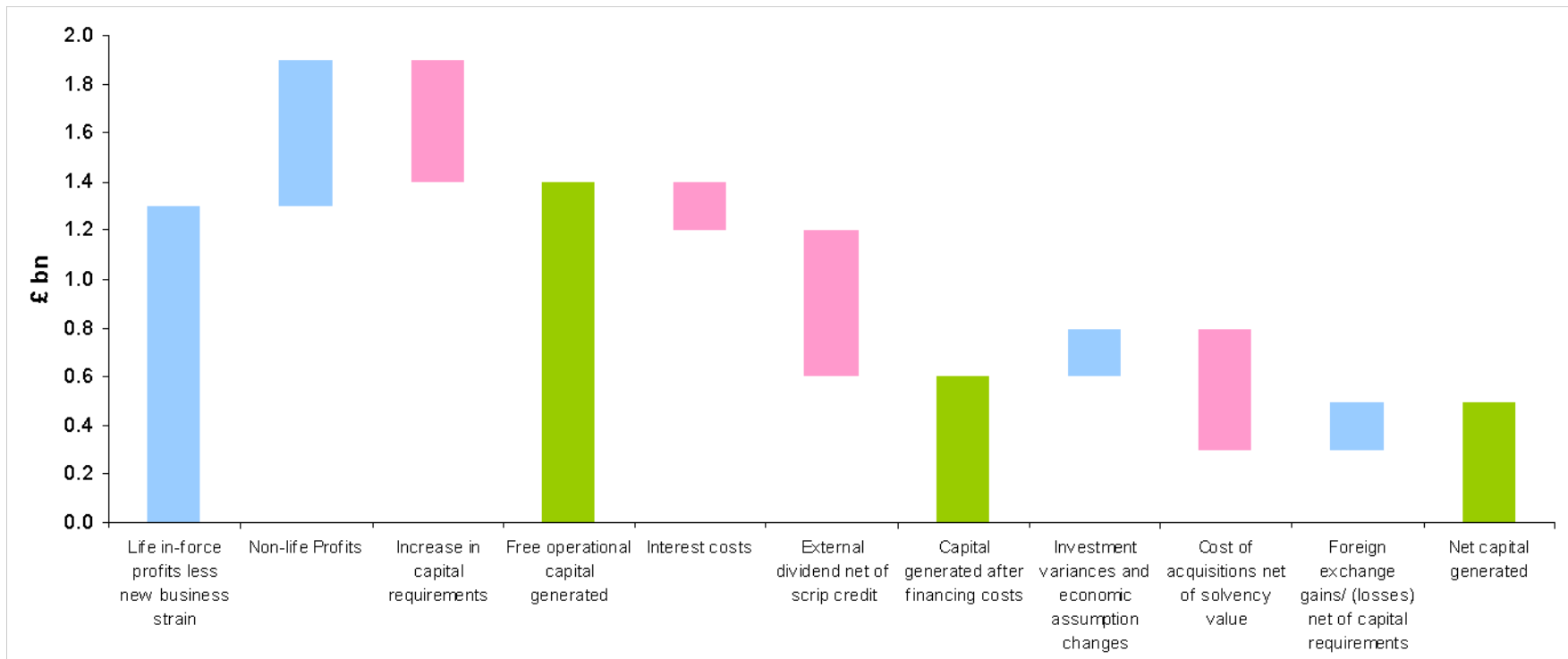
(2) Other includes corporate centre costs of £(157)m and group debt costs and other interest of £(363)m

All operating profit is from continuing operations

# Aviva Capital Generation

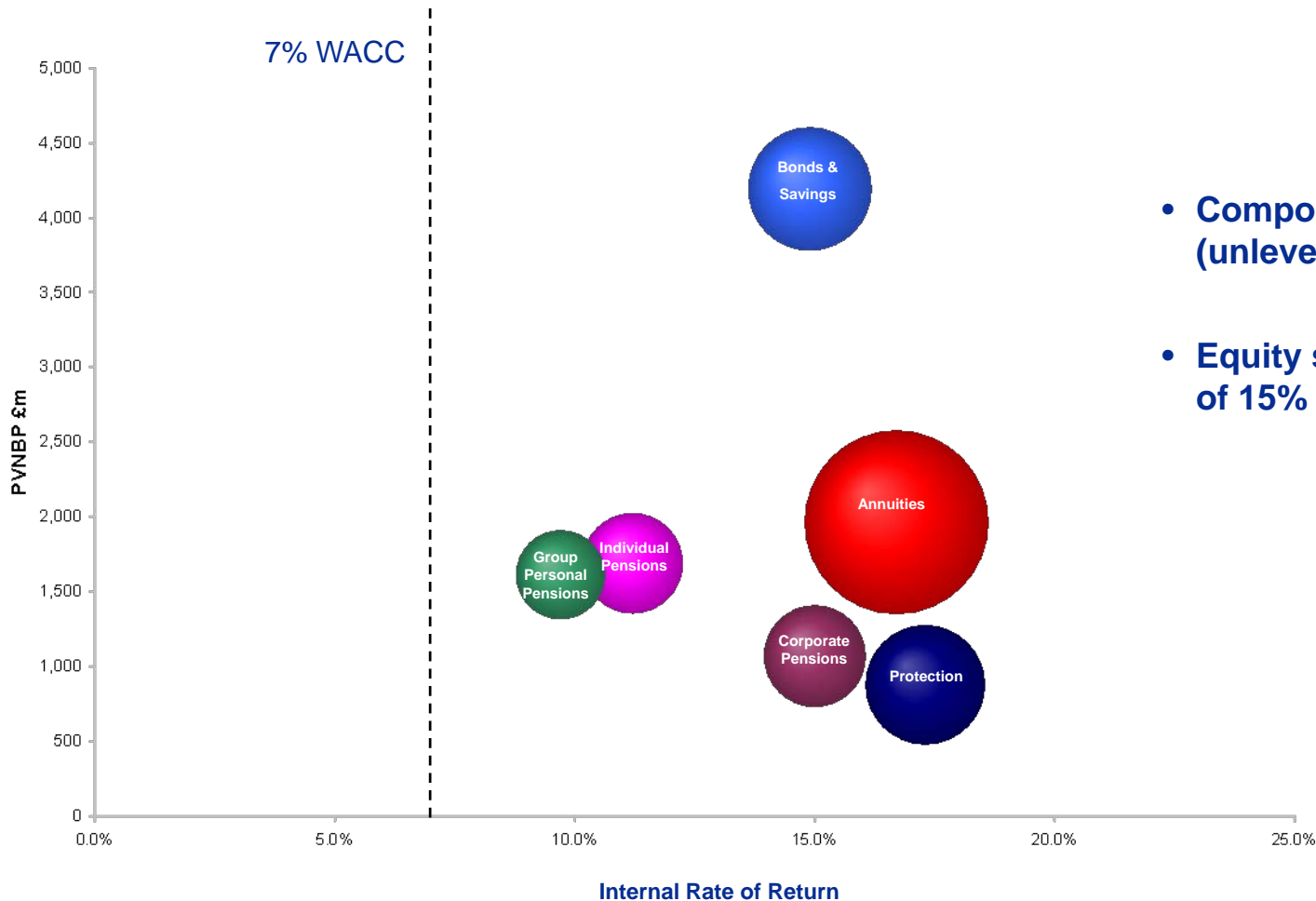


## Capital Generation 2007



Another year of positive capital generation from diversified business model

# UK Life – new business profitability



- Composite IRR of 13% (unleveraged)
- Equity shareholders IRR of 15% (leveraged)