

Business review

Group strategy

Our purpose is to deliver prosperity and peace of mind to our customers. We will do this by realising our vision: "one Aviva, twice the value".

2008 was a very challenging year for the world economy, especially for the financial sector, characterised by slow growth and extreme market volatility, with most major economies contracting towards the end of the year. Throughout this period we have remained focused on our vision and made steady progress against the five strategic priorities we set in 2007 (shown below).

Manage composite portfolio

We are fully committed to maintaining the composite nature of the group. We firmly believe in the benefits of life insurance, general insurance and asset management as complementary parts of an overall business model that balances cash flow, returns and long-term value creation, and delivers prosperity and peace of mind to customers.

2008 progress

The composite model provided us with strength in a challenging economic environment, allowing us to adapt profitably. In 2008 we actively managed the composite portfolio, specifically:

Continued the transformation of our UK and Canadian GI businesses

Realised more value from our life and pensions businesses

– Maintained our leading position in UK and Europe

– Doubled sales in US, a year ahead of plan

– Strengthened our position in Asia and Emerging Europe

Launched Aviva Investors (see below)

Build global asset management

Launched in September 2008, Aviva Investors is a clear example of the "one Aviva, twice the value" strategy in action. Integrating our global asset management businesses under one umbrella, Aviva Investors is now a leading asset manager, operating in 15 countries with £236 billion of funds under management. We plan to grow Aviva Investors and significantly increase its contribution to group profits.

2008 progress

Launched Aviva Investors as a global business under one brand, leveraging the resources of several of Aviva's established asset management businesses

Built an experienced executive team, bringing together talent from our businesses worldwide

Reshaped the investment model, separating investment portfolios that benefit from global scale and reach from those that leverage local market knowledge

Created a scalable infrastructure for launching new products and driving cross-border sales

Allocate capital rigorously

Capital management will continue to be a key focus. Capital is treated as a scarce resource, and is allocated to provide the highest sustainable returns for shareholders. We continuously seek improvements in capital structure and efficiency.

2008 progress

Maintained a strong capital position under tough market conditions

Proactively managed our balance sheet, including reducing and hedging equity exposure

Strengthened our credit management and risk systems

Maintained strong liquidity and cash flow position

Moved to market consistent embedded value (MCEV) to enhance decision making on value and profitability

Increase customer reach

We sell our products in 28 countries in ways that our customers choose to buy them. We will get closer to our customers through better understanding of their needs and by providing products and services that customers want. We will continue looking for the right distribution in the right markets. Our move to a global brand is key to achieving our goals.

2008 progress

Commenced migration to a single Aviva brand and created a global marketing function (see page 16)

Introduced a consistent measure to track customer advocacy and drive improvements in customer experience

Reinforced the FSA's Treating Customers Fairly principles in every aspect of our business

Expanded significantly in our existing markets, particularly the US, China and Poland

Commenced operations in South Korea and Taiwan

Boost productivity

We constantly look for ways to boost our productivity, to support sustainable growth, increase our competitiveness, improve our services, and deliver higher value to our customers. Working together as "one Aviva", we deliver operational excellence through shared services, shared knowledge, rationalised systems and effective outsourcing.

2008 progress

Achieved £340 million annualised cost savings in UK GI, UK Life and Europe

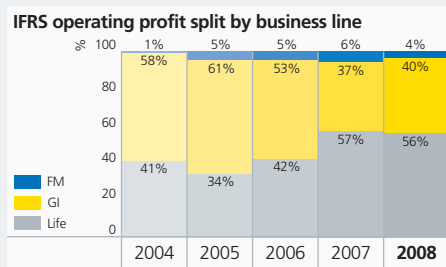
On track to meet our 2009 cost saving targets

Increased our cost saving target from £350 million to £500 million

Increased use of shared services, both regionally (expanded Singapore hub, UK cost savings) and functionally (group-wide approach to functions such as procurement and HR)

In 2009, we will continue to drive the group strategy, while adapting our short-term tactics in response to current recessionary conditions. In particular we are focused on capital, profitability and productivity over volume growth and we have strengthened our commitment to understanding and responding to the needs of our customers and partners during these turbulent times.

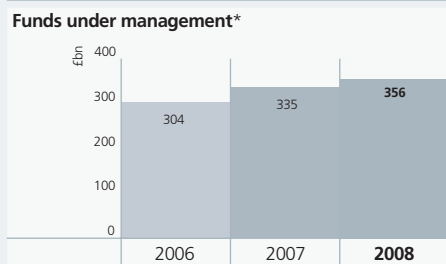
2008 measurement/indicator



2009 priorities

- Manage GI for value and cash flow and exercise price discipline and leadership
- Drive profitable growth and long-term value creation from the life and pensions business
- Grow our asset management business (see below)

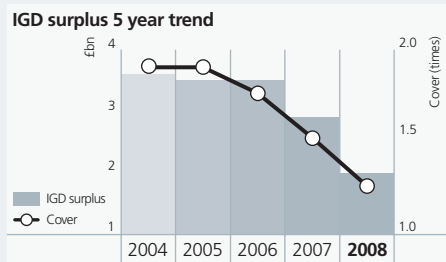
2008 measurement/indicator



2009 priorities

- Continue to drive investment performance
- Become a provider of solutions to address individual client requirements by leveraging all internal capabilities
- Increase penetration in existing markets and enter new, high potential growth markets
- Expand our third-party business and increase cross-border sales
- Further develop effective global core business processes and infrastructure

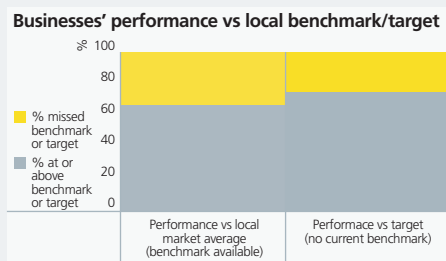
2008 measurement/indicator



2009 priorities

- Maintain strong balance sheet
- Monitor and manage market and operational risks in a volatile environment
- Allocate capital to the highest risk-adjusted return opportunities by country, business line and product

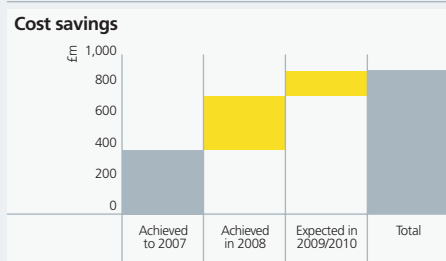
2008 measurement/indicator



2009 priorities

- Rebrand to Aviva in the UK by the end of 2009 and in Ireland and Poland by the end of 2010
- Implement a variety of initiatives, to improve customer experience and support the new brand promise
- Continue to build access to customers through our multi-channel approach
- Increase customer retention and overall marketing effectiveness group-wide

2008 measurement/indicator



2009 priorities

- Execute our shared services strategy, including:
 - Globally consistent operating models for corporate functions eg IT, HR, Finance, Risk and Marketing
 - Tailored use of shared services for regional operations, including UK, Asia and Europe
 - Increased use of outsourcing and offshoring
- Improve productivity across all lines of business
- Actively reduce costs in mature markets, notably the UK

Summary of regional strategic priorities

Aviva Investors

- Globally integrated business
- Transform the investment model
- Increase third party business

[36 – 41](#) [Divisional overview](#)

UK

- Market leadership
- Address legacy
- Transform business model
- Exploit UK synergies
- Generate capital

[42 – 49](#) [Regional overview](#)

Europe

- Scale, growth, capital
- Seize unique growth opportunities
- Leverage scale
- Generate capital

[50 – 57](#) [Regional overview](#)

North America

- Optimise business mix, growth and margin
- Generate net capital returns
- Contribute to doubling IFRS EPS by 2012

[58 – 63](#) [Regional overview](#)

Asia Pacific

- Scale, growth
- Prioritised portfolio
- Regional operating model
- Investment required

[64 – 69](#) [Regional overview](#)

* Total funds managed by Aviva managers.