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*“Managing life profitability in a
volatile economic environment”*

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Managing life profitability in a volatile economic environment

Volatility

- Equity markets
- Interest rates
- Heavy regulation

Lower unit-linked & conventional savings

Higher solvency capital

Spreads for bond backed policies

Guarantee issues

Uncertainty

Managing life profitability in volatile economic environment

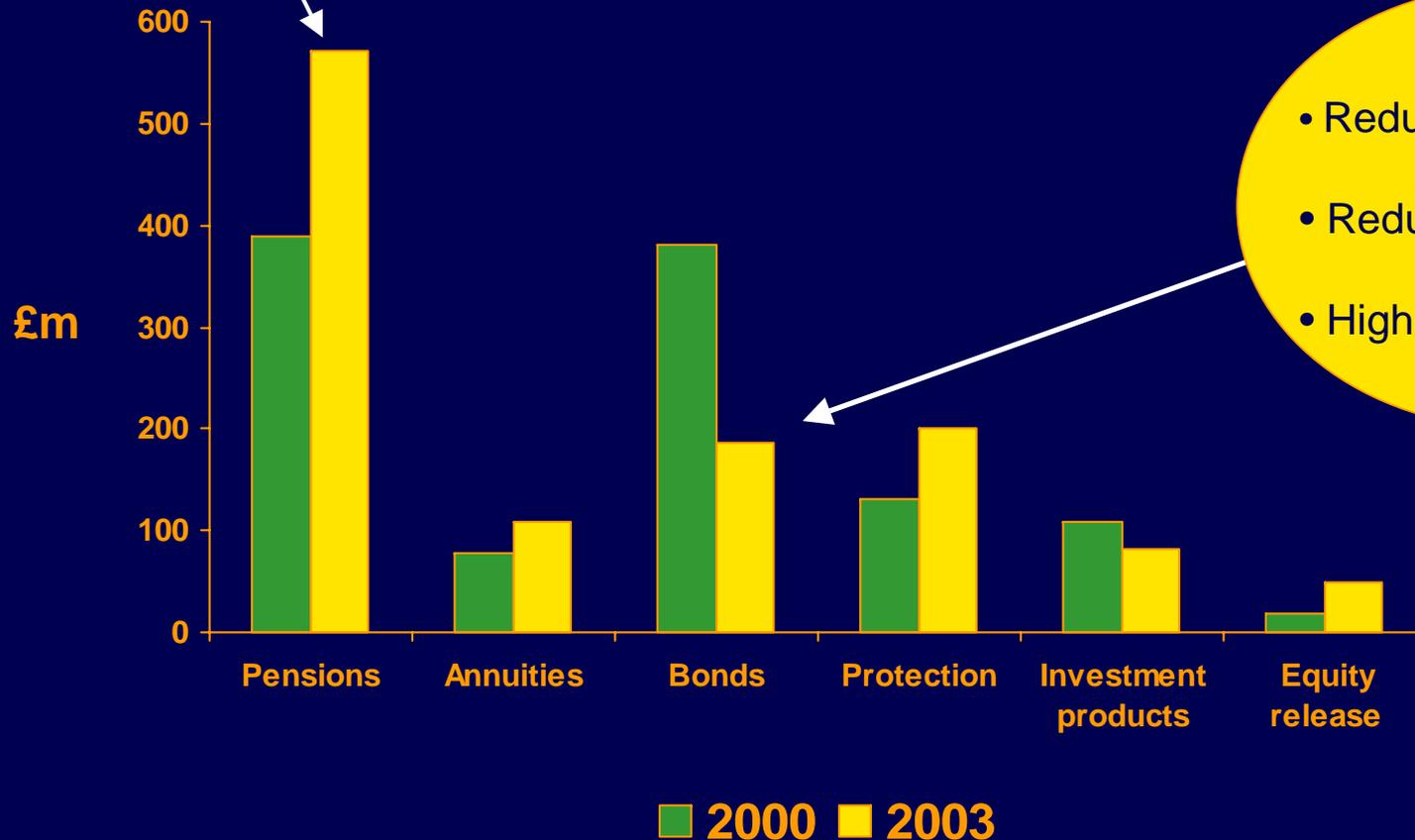
- Product mix and profitability in the UK
- Product mix and profitability in France
- Guarantees and asset liability management
- Group-wide cost management and statutory profits

Product mix and profitability in the UK

The benefits of product breadth for Aviva

- Tax incentivised savings

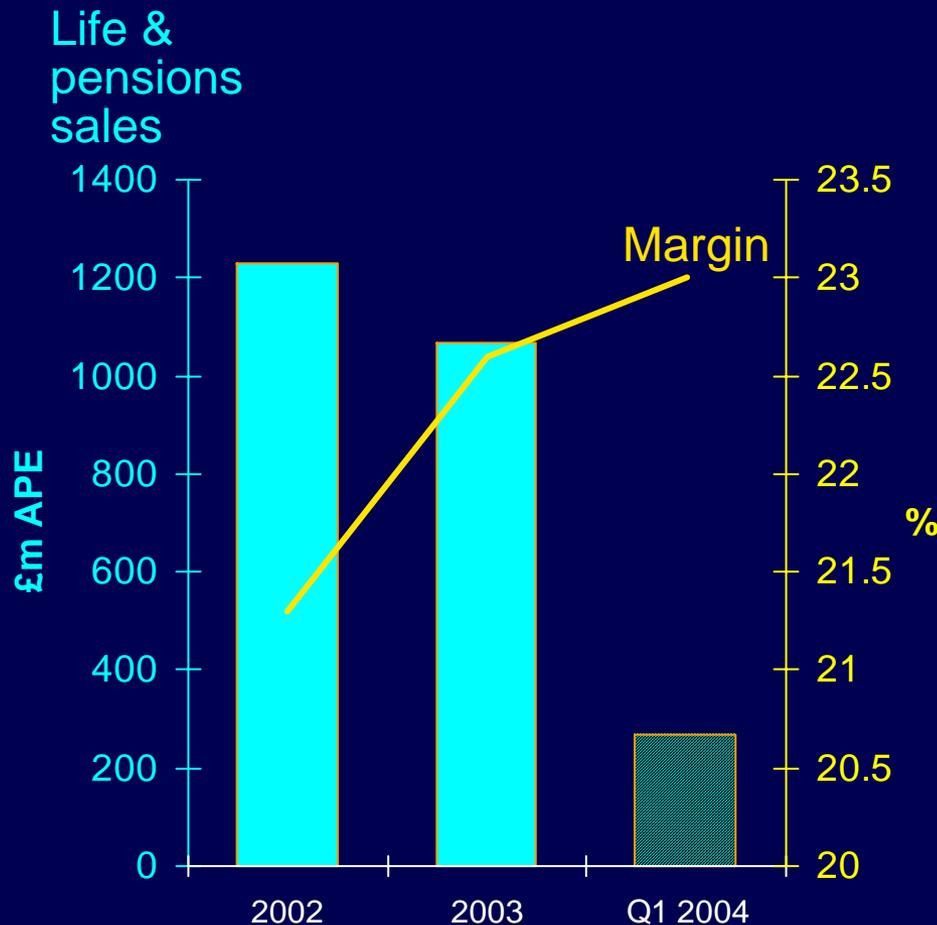
Norwich Union Sales APE



- Reduced with-profits
- Reduced unit-linked
- Higher cost of capital

Product mix and profitability in the UK

Aviva offset c2% margin impact from lower sales in 2003



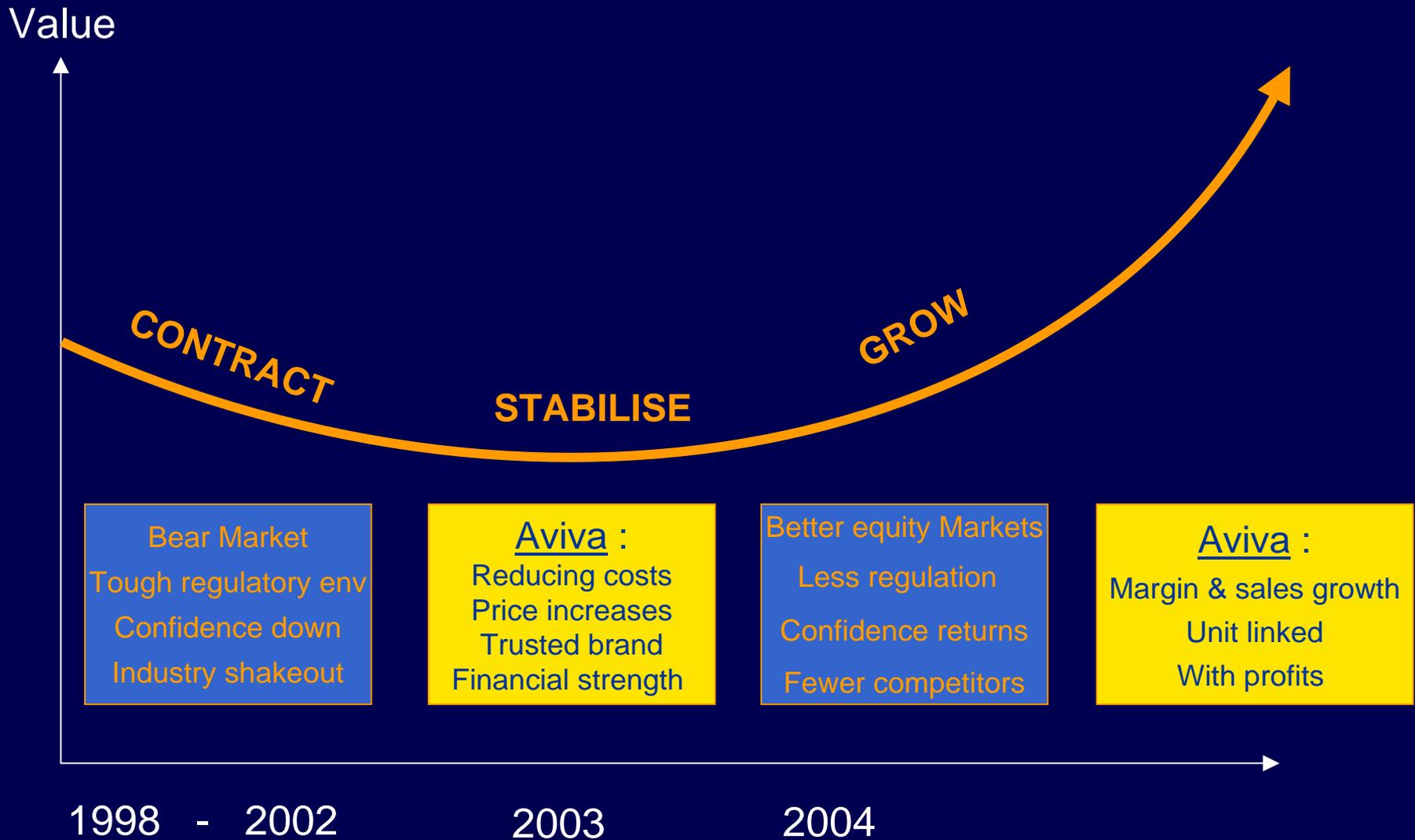
Management actions in 2003

- £140m cost reduction (£33m to bottom line)
- Improved pricing
 - annuities
 - term assurance
 - reduced commissions

..... increased market share to 12% in 2003

Product mix and profitability in the UK

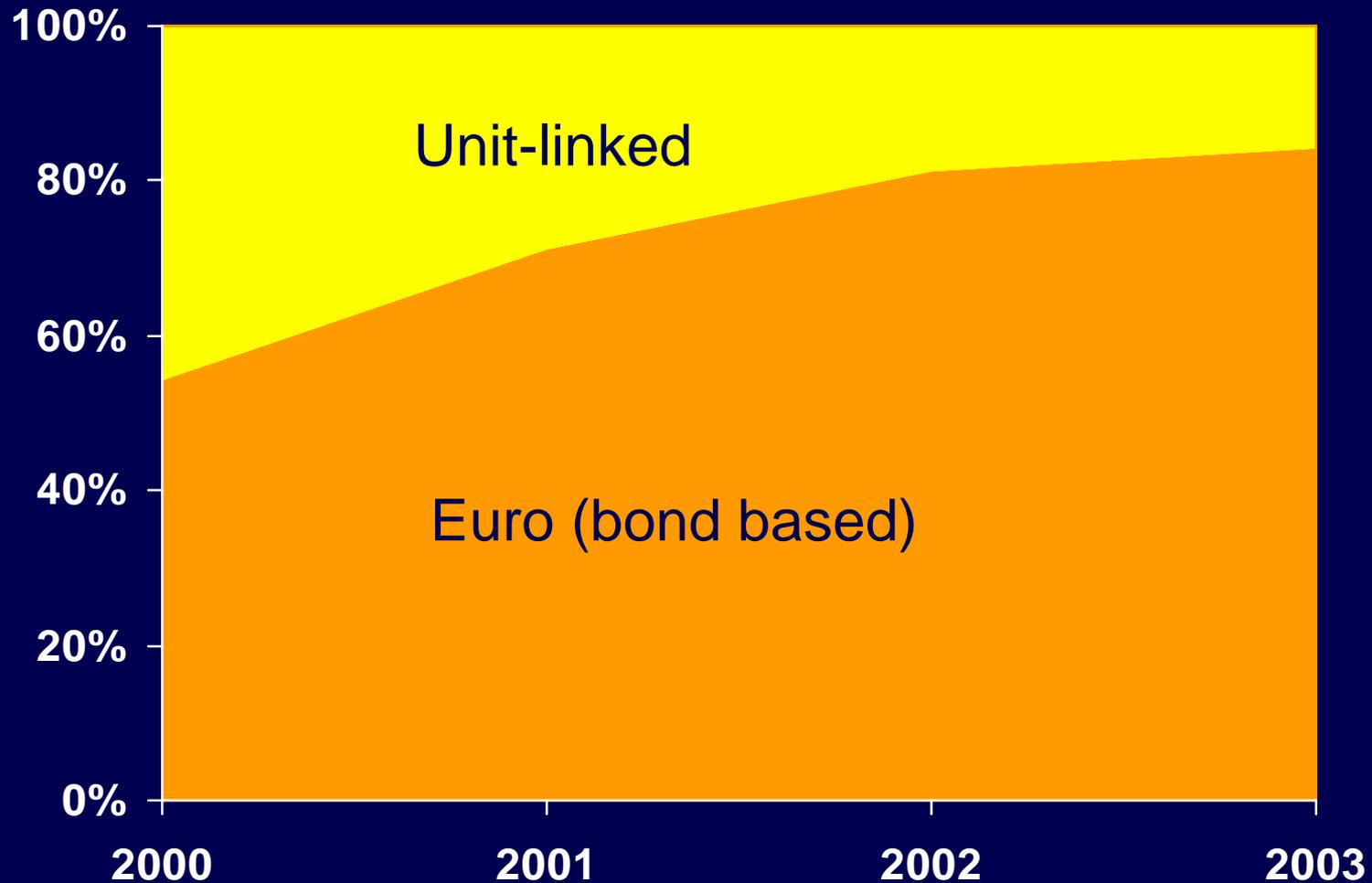
UK Life: potential “Golden Scenario”



Product mix and profitability in France

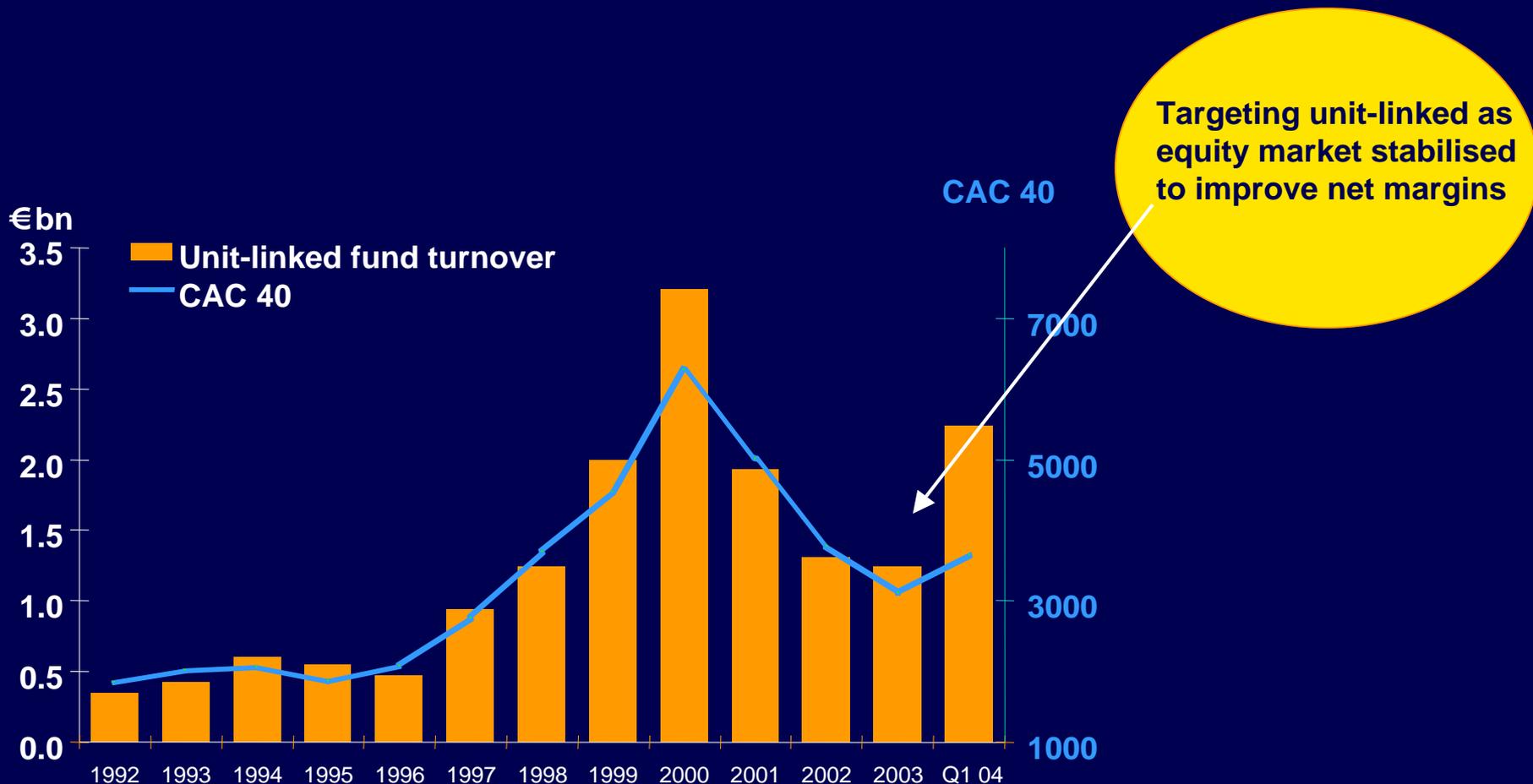
French consumer preference for Euro products

Individual product sales



Product mix and profitability in France

Unit-linked sales highly geared to market levels



Life and savings turnover on a monthly average

Sources: Euronext and Fédération Française des Sociétés d'Assurances

Aviva France outperforming in unit-linked

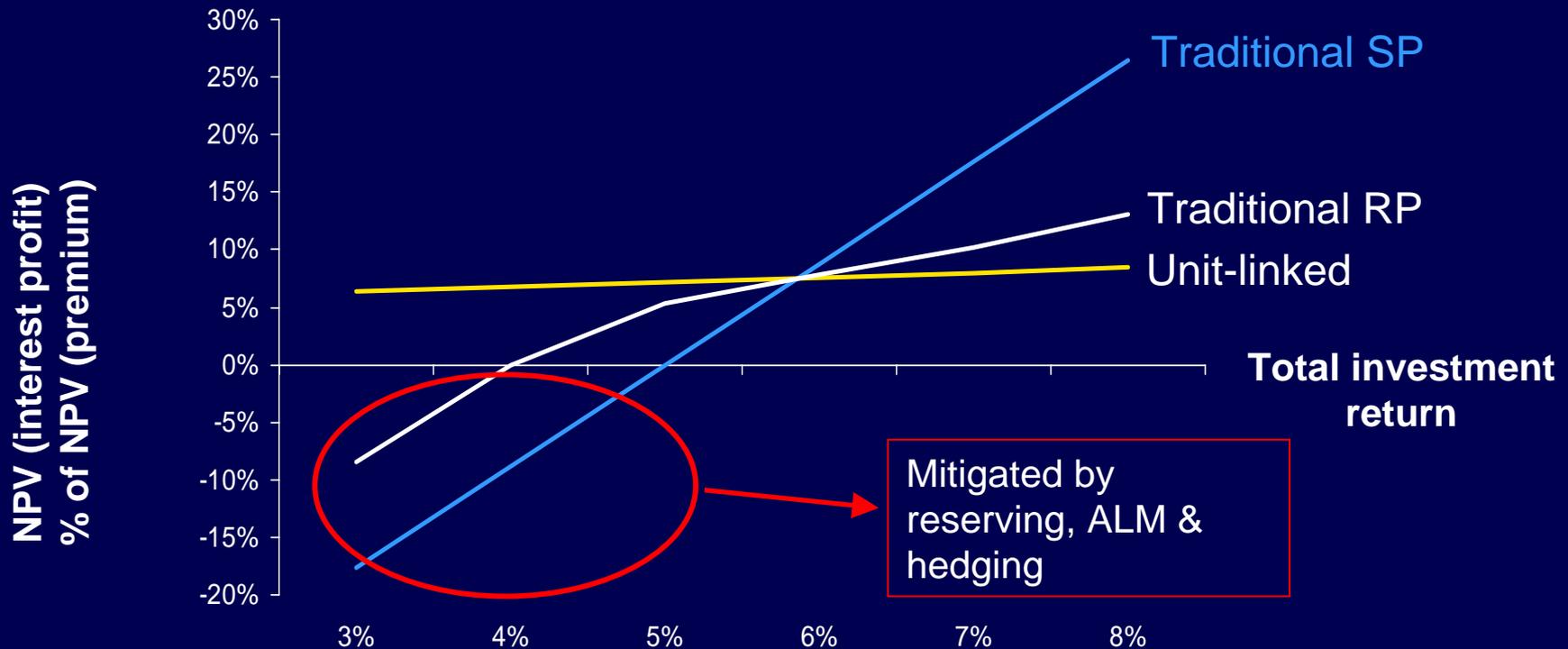
- Aviva 2003 unit-linked sales +1% (market ▼15%)
- Aviva Q1 2004 unit-linked sales +32%
- Unit-linked sales supported by:
 - Product guarantees
 - Sales force incentivisation
 - Investment performance
- Targeting flat costs despite +20% volume increase from Crédit du Nord (Q4 2004)

Guarantees more attractive in volatile conditions

- An important differentiator for the industry
- Highly valued by customers...
- Must be properly priced, valued and managed
- Increasingly sophisticated approaches applied to legacy books
- New products subject to strict control processes

Guarantees and asset liability management

Interest profits to shareholders on Dutch life contracts



Large potential from higher investment returns

Guarantees and asset liability management

Spain: Cashflow matching of annuities

Aseval Externalisation Business

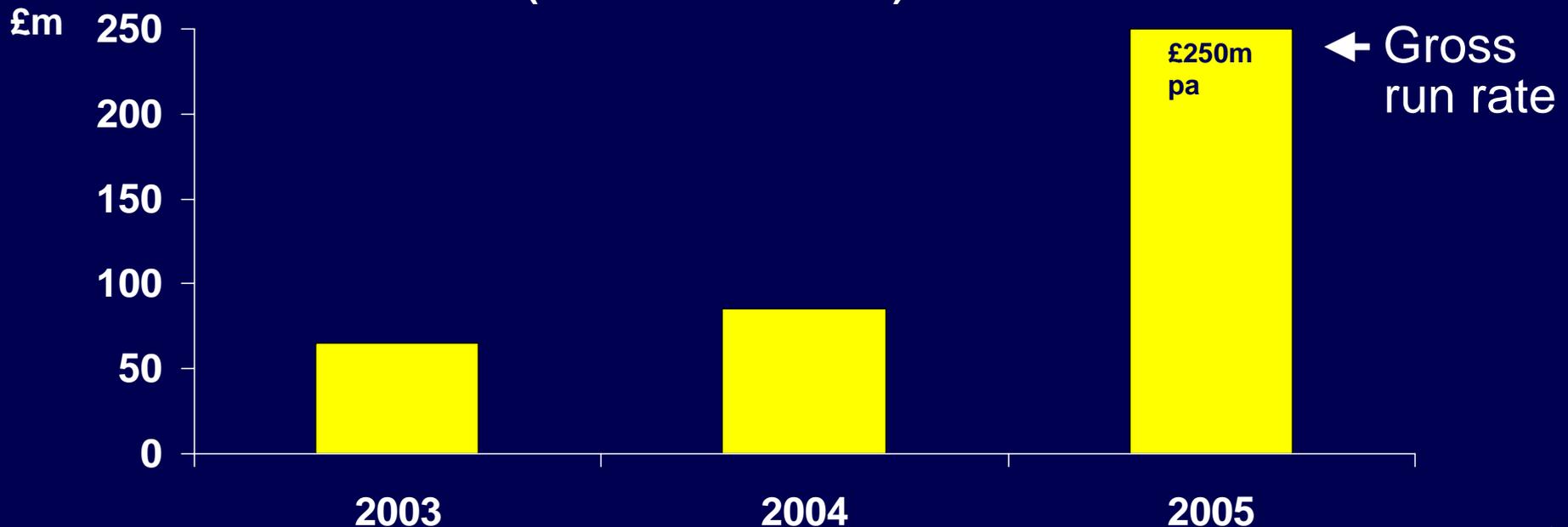


- Cashflow matching achieved with FI securities and structured bonds/SPVs from leading banks
- Exposed to risk of sub 2% yields from 2040

Group-wide cost savings announced in 2003

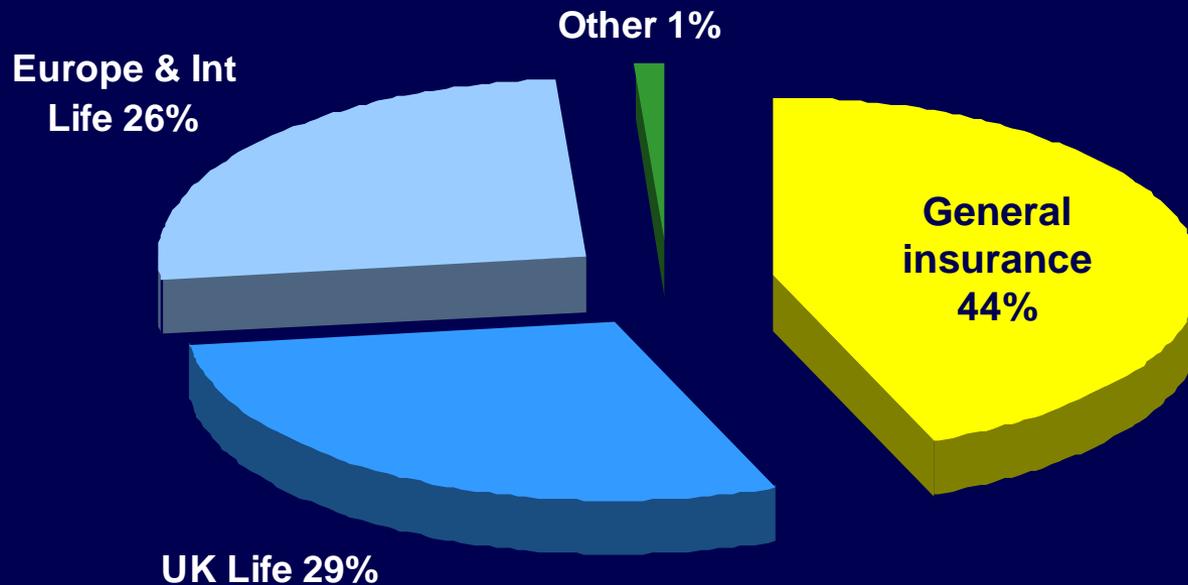
- Builds on merger saves of £317m pa
- Efficiency remains a focus in 2004

**Cost saves: P&L benefit
(from 2003 actions)**



Strong statutory profit flows support financing in volatile conditions

Aviva 2003 statutory profits £1.5bn*



* before tax amortisation of goodwill, amortisation of acquired additional value of in-force business and exceptional items. Analysis is before corporate costs and unallocated interest and before tax, amortisation of goodwill, amortisation of acquired additional value of in-force business and exceptional items

Managing life profitability in a volatile economic environment

Volatility

- Equity markets
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- Heavy regulation

Aviva Responses

- Built strong statutory profits
- Reduce costs
- Product innovation
- Guarantees (well managed)
- Expertise to shape regulation