

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
New business		
Life and pensions	11,655	11,146
Investment sales	2,751	2,455
New business contribution	360	327
Operating profit		
Life EEV	864	744
Non-life	(41)	(21)
Total EEV	823	723
Life IFRS	723	629
Non-life IFRS	(41)	(21)
Total IFRS	682	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> £m	<u>FY06</u> £m
Operating profit ⁽¹⁾		
Underwriting result	(214)	394
LTIR	647	724
Non-insurance	17	37
	450	1,155
NUI only		
Net written premiums	5,440	5,583
Total COR	106%	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> £m	<u>FY06</u> £m
New business		
Life and pensions	14,914	12,840
Investment sales	1,572	891
New business contribution	598	502
Operating profit		
Life EEV	1,543	1,171
General Insurance	442	417
Fund management	31	46
Other	(45)	(53)
Total EEVOR	1,971	1,581
Total IFRS	1,230	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> £m	<u>FY06*</u> £m
United States		
PVNB	3,602	884
New business contribution	154	20
Life EEV operating profit	255	32
Life IFRS operating profit	103	13

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

Canada		
GI operating profit	154	148
Net written premiums	1,412	1,389
COR	98%	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> £m	<u>FY06</u> £m
New business		
Life and pensions	1,429	982
Investment sales	2,660	1,564
New business contribution	62	43
Operating profit		
Life EEV	91	86
General insurance	4	3
Fund management/Other	2	3
Total EEVOR	97	92
Total IFRS	37	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
IFRS operating profit		
UK	77	70
Europe	60	73
North America	3	3
Asia Pacific	15	9
	155	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
Experience variances			
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



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

* 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



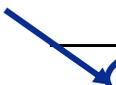
- Equity de-risking of GI shareholder funds and pension scheme
- Equities principally held to back policyholder liabilities
- IGD solvency of £3.1bn, cover of 1.6 times - significantly reduced equity sensitivity of IGD capital
- AXXX reserve securitisation lifting US IRR to 14%
- Swiss Re reinsurance - £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 IFRS pence per share	2007 EEV pence per share	ROCE
Operating profit	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)	
Profit attributable to ordinary shareholders	49.2	70.1	ROEC
Dividend/NAV per share	33.0p	772p	

Double EPS



One Aviva, twice the value

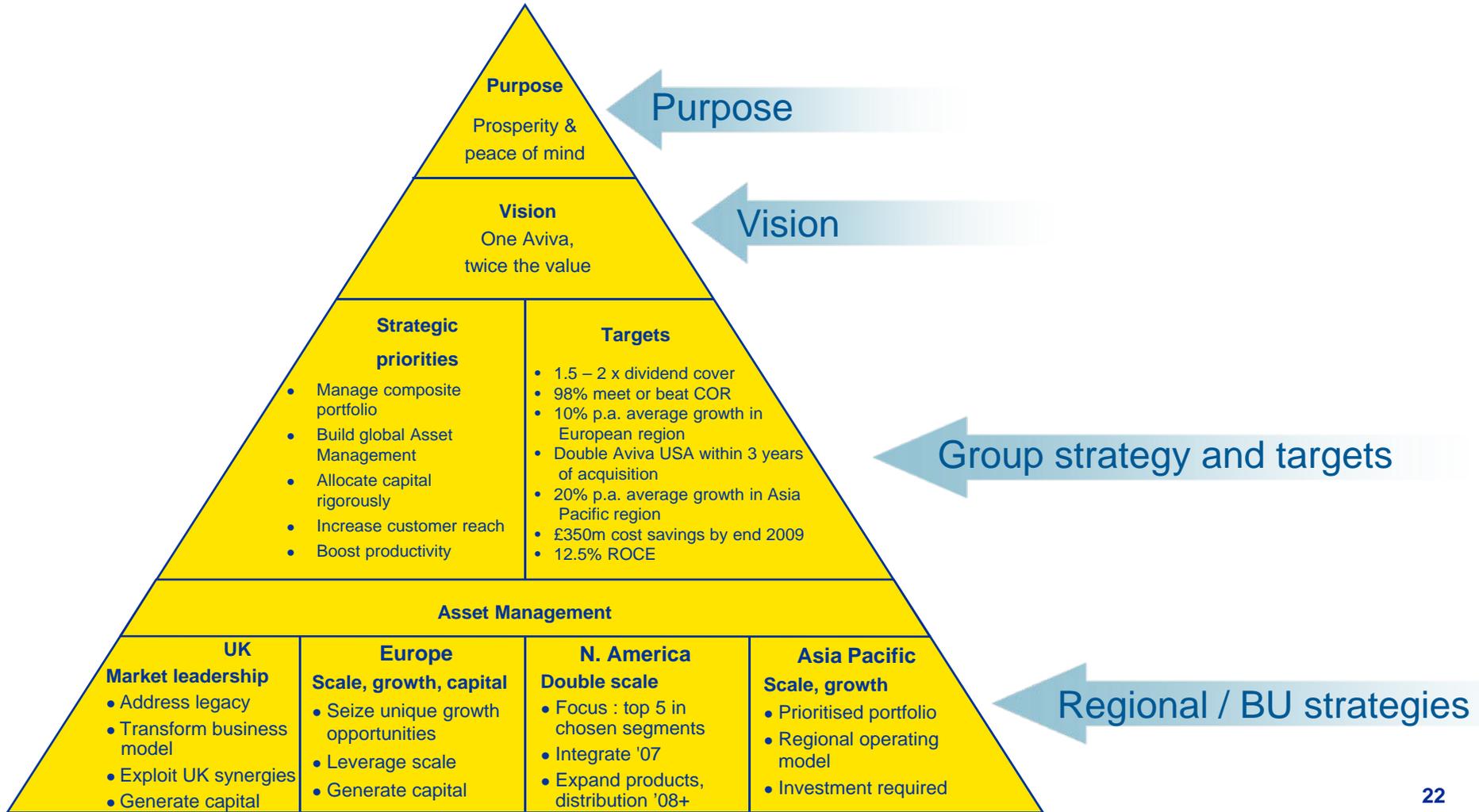


Andrew Moss, Group Chief Executive



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



The strategic priorities – building a stronger, more unified group



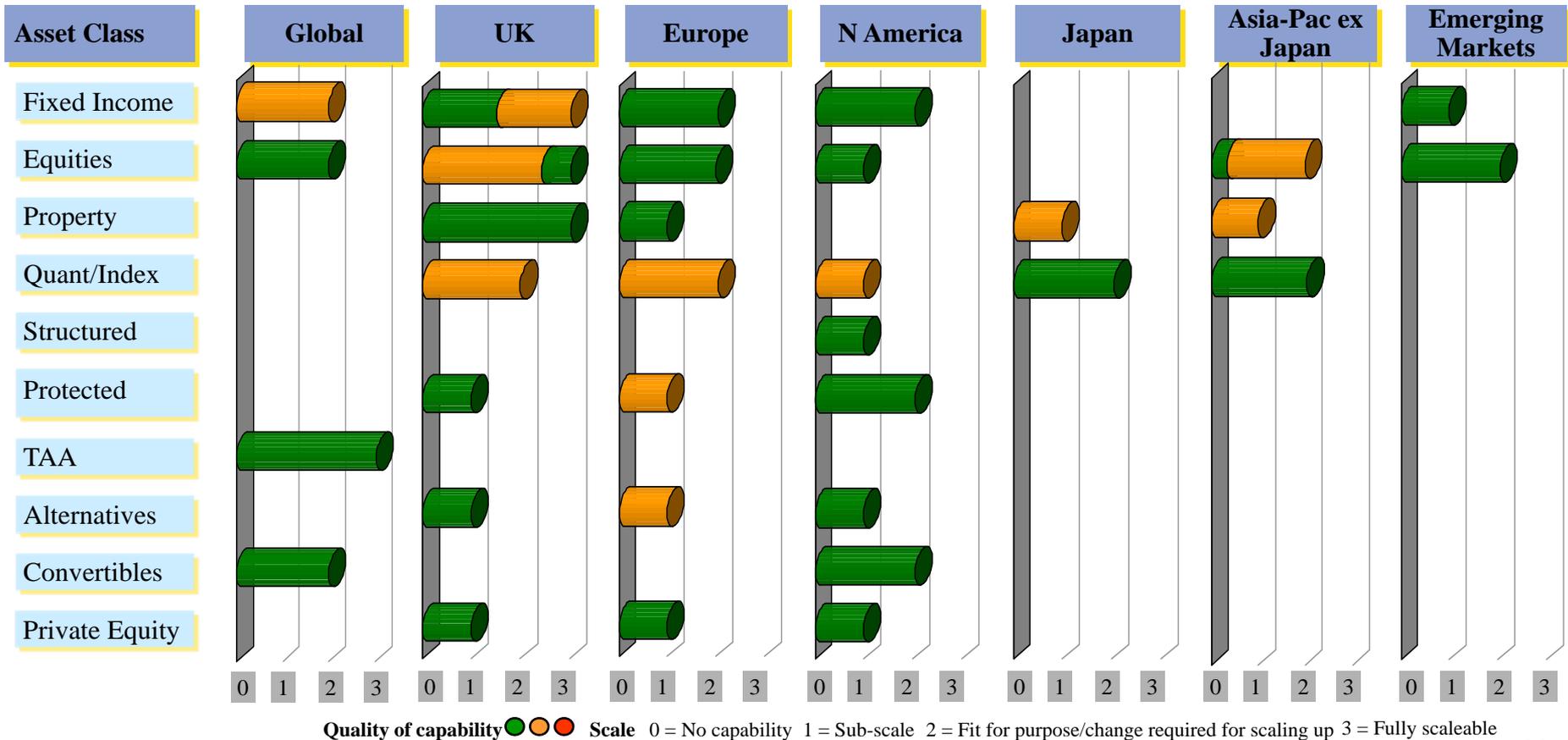
1. Manage the composite portfolio
 - Cash flow, resilient product range, breadth of portfolio
2. Allocate capital rigorously
 - Clear regional objectives, significantly more disclosure
3. Increase customer reach
 - Over 50 million more potential customers through 18 deals in 11 countries
4. Build global 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 3rd party business
- Accelerate profit contribution to Group



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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

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The targets



A balanced set of targets

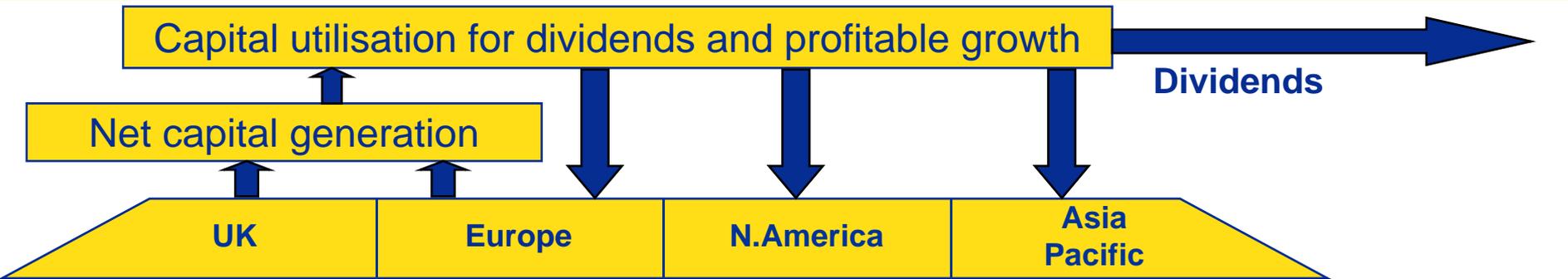


- A challenging set of operational targets
 - 98% meet or beat COR
 - Regional sales and EV new business contribution targets
 - Cost saving targets
- Combined with disciplined financial targets
 - 12.5% ROCE (to be re-set as return on economic capital by end 2008)
 - Double IFRS earnings per share by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

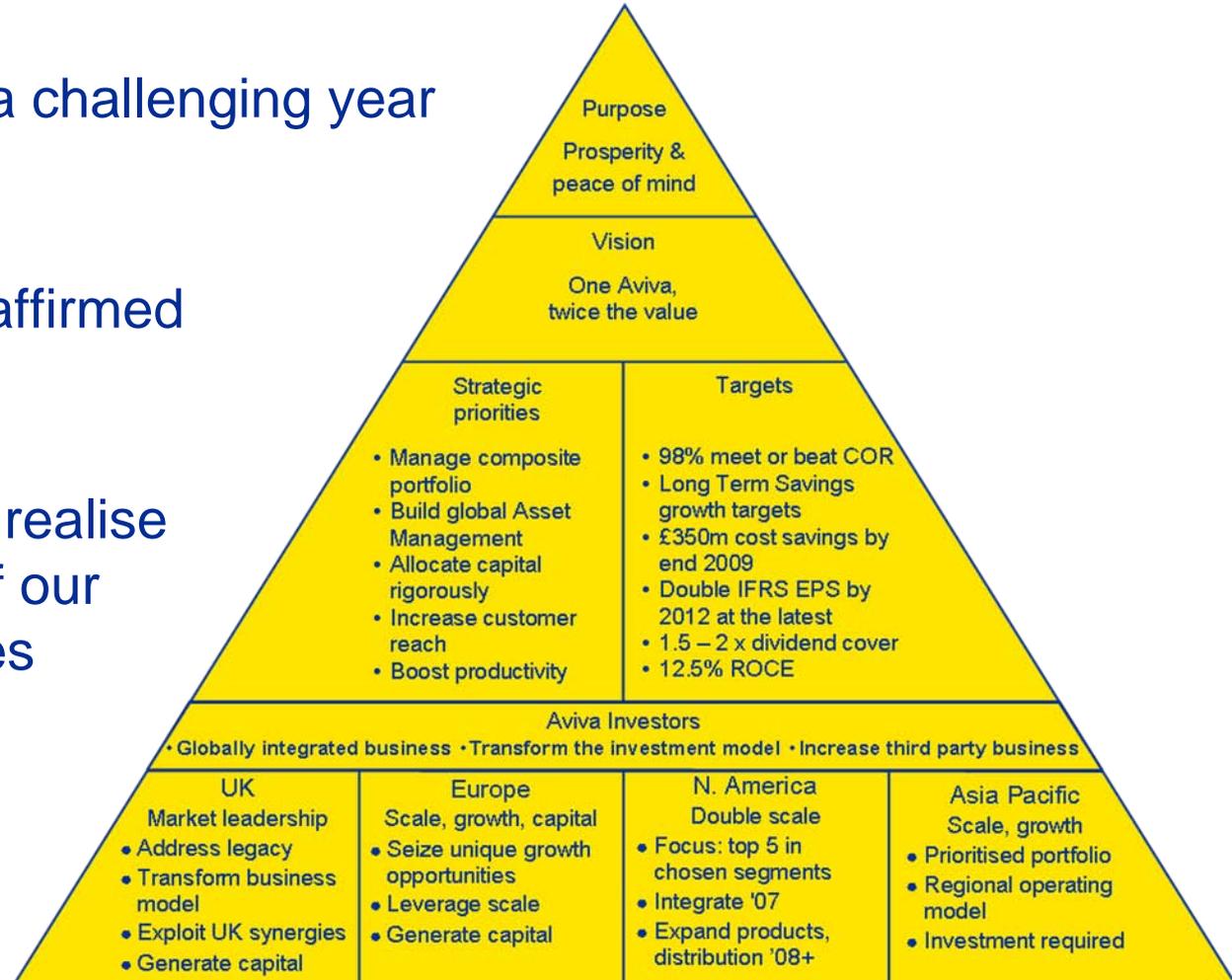
ROCE



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



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Questions and answers



Aviva plc

Preliminary results 2007



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Appendix



Regional performance



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

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

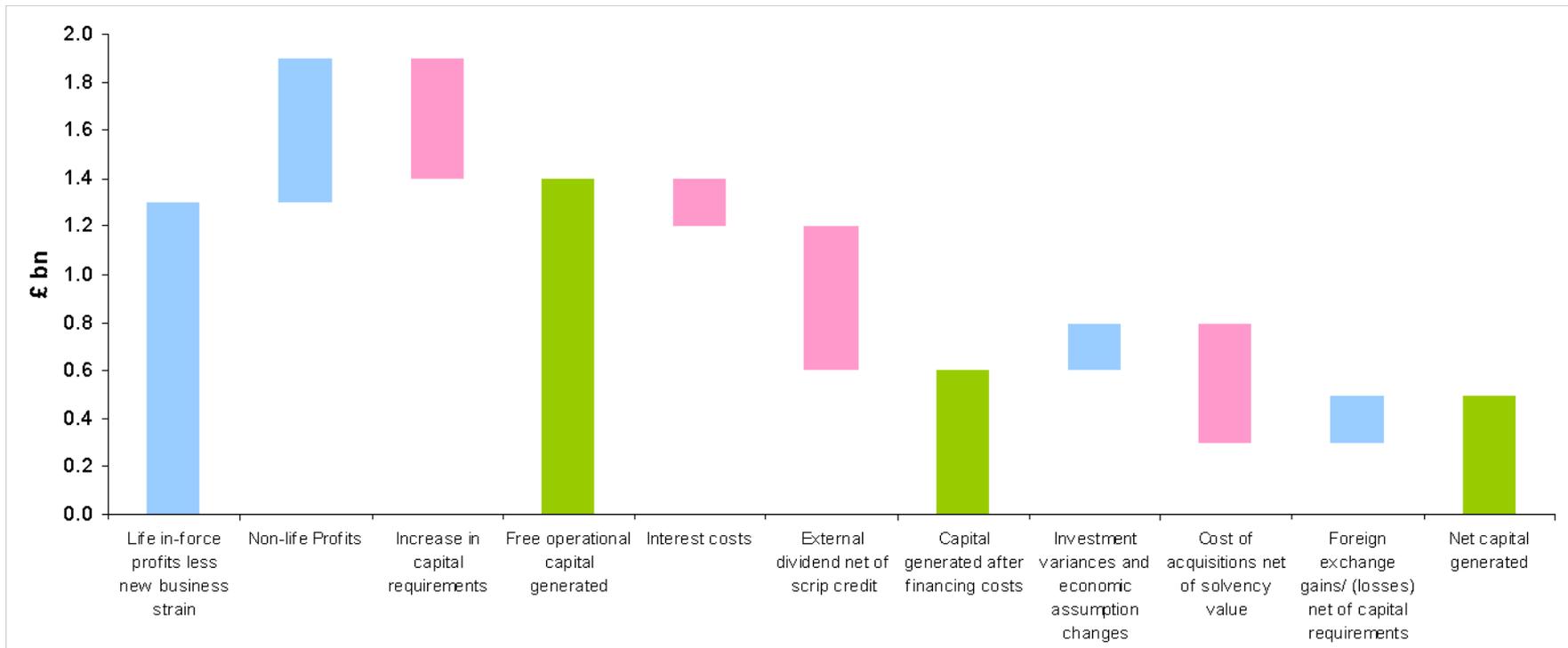
(2) Other includes corporate centre costs of £(157)m and group debt costs and other interest of £(363)m

All operating profit is from continuing operations

Aviva Capital Generation

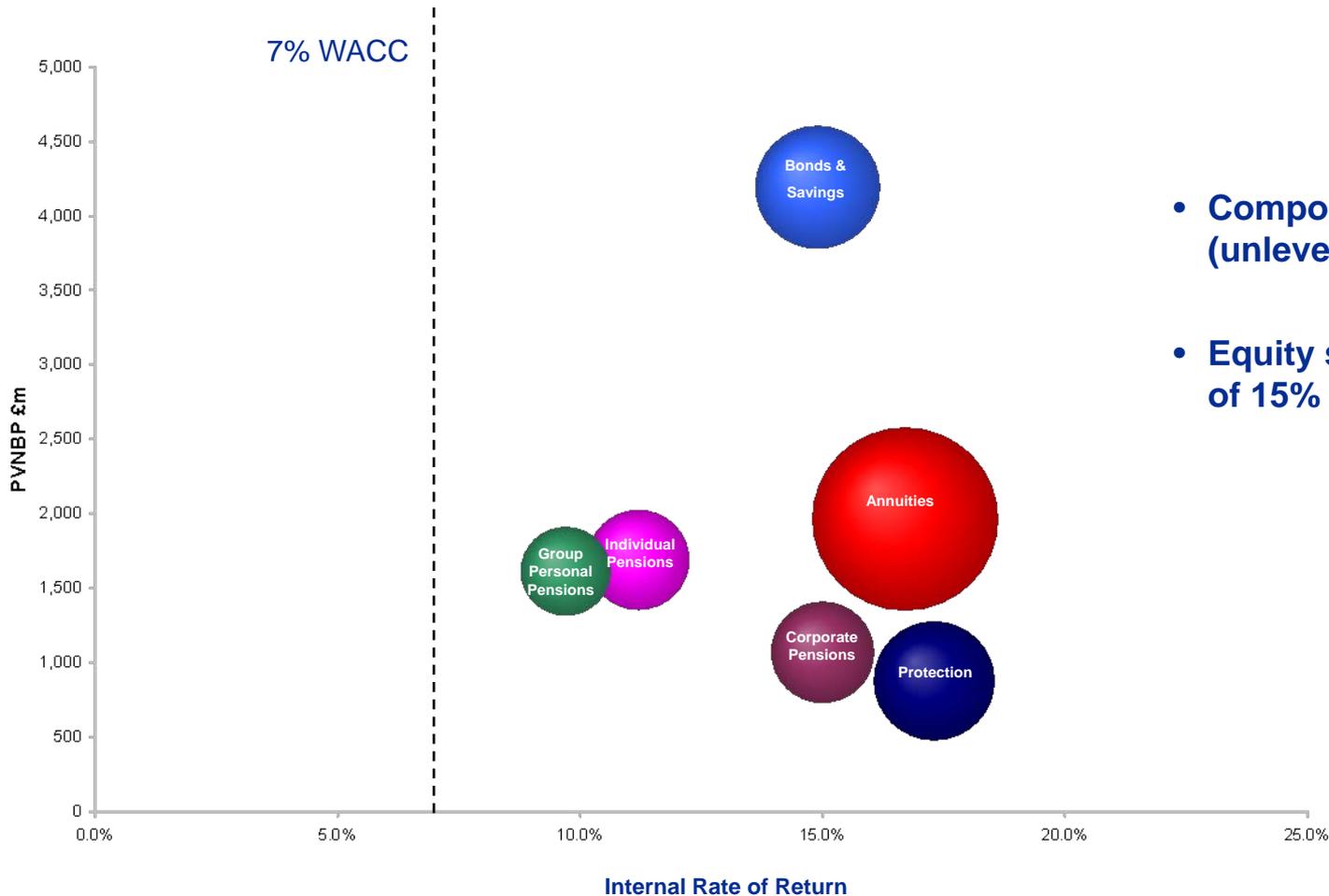


Capital Generation 2007



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)