

5 May 2004

## Aviva plc

### Worldwide long-term savings new business

#### Three months to 31 March 2004

- **Worldwide long-term savings new business sales up 6% to £654 million (2003: £623 million) on an APE\* basis**
- **Worldwide total long-term savings new business sales up 4% to £3,914 million (2003: £3,751 million)**
- **Worldwide new business contribution up 13% at £160 million (2003: £142 million), with new business margin of 26.4% (2003: 23.6%)**
- **Total Continental European life and pension sales up 4% to £307 million (2003: £294 million) on an APE basis**
- **Investment sales doubled on first quarter 2003 to £393 million**

\* Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums. All growth rates quoted are at constant rates of exchange.

#### Richard Harvey, Group Chief Executive, commented:

"This is a pleasing start to 2004, with total sales and the group margin both ahead of the same period last year.

"The UK market remains tough, but we continue to focus on value rather than volume. We believe we have continued to improve our competitive position, as customers and IFAs recognise the value of our scale, brand and capital strength.

"We saw steady growth in continental Europe, including strong performances in France and the Netherlands. Spain and Italy's comparative results reflect the strong growth in sales in the first half of last year, generated by intensive marketing campaigns. We remain highly confident of the potential for these markets.

"Investment sales doubled to nearly £400 million compared to the same quarter last year, indicating that there is some evidence of consumer confidence returning - although this is more pronounced in some markets than others."

<b>Financial highlights</b>	31 March 2004	31 March 2003	Local currency growth
Total life and pension new business sales	£3,521m	£3,548m	(1%)
Total investment sales	£393m	£203m	92%
Worldwide long-term savings new business sales	£3,914m	£3,751m	4%
Life and pensions new business sales on an APE basis	£607m	£601m	2%
Investment sales on an APE basis	£47m	£22m	113%
Worldwide long-term savings new business sales on an APE basis	£654m	£623m	6%
New business contribution – life and pensions business	£160m	£142m	13%
New business margin before cost of capital	26.4%	23.6%	

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There will be a conference call today for wire services at 7:45am (UK time) on +44 (0)20 7784 1005. This conference call will be hosted by Philip Scott, group executive director.

There will be a conference call today for analysts and investors at 9:30am (UK time) on +44 (0)20 7984 7576. This conference call will be hosted by Philip Scott, group executive director.

Replay will be available for two weeks until 19 May. The dial in number for replay is +44 (0)20 7784 1024 and the pass code is 194599.

	Total new business sales		Annual premium equivalent sales <sup>(2)</sup>		New business contribution <sup>(3)</sup>	
	3 months to 31 March 2004 £m	Local currency growth <sup>(1)</sup>	3 months to 31 March 2004 £m	Local currency growth <sup>(1)</sup>	3 months to 31 March 2004 £m	Local currency growth <sup>(1)</sup>
<b>Life and pensions</b>						
<b>United Kingdom</b>	<b>1,494</b>	<b>(1%)</b>	<b>266</b>	<b>1%</b>	<b>61</b>	<b>5%</b>
France	653	25%	77	23%	23	18%
Ireland	61	(11%)	22	7%	5	(12%)
Italy	386	(8%)	49	(21%)	12	(16%)
Netherlands (including Belgium and Luxembourg)	310	37%	63	37%	18	116%
Poland	29	51%	13	4%	2	111%
Spain	374	(23%)	57	(18%)	31	12%
Other Europe	89	24%	26	25%	(1)	47%
<b>Continental Europe</b>	<b>1,902</b>	<b>5%</b>	<b>307</b>	<b>4%</b>	<b>90</b>	<b>20%</b>
<b>International</b>	<b>125</b>	<b>(44%)</b>	<b>34</b>	<b>(14%)</b>	<b>9</b>	<b>(1%)</b>
<b>Total life and pensions</b>	<b>3,521</b>	<b>(1%)</b>	<b>607</b>	<b>2%</b>	<b>160</b>	<b>13%</b>
<b>Investment sales</b>						
<b>United Kingdom</b>	<b>252</b>	<b>89%</b>	<b>33</b>	<b>121%</b>		
Netherlands	50	32%	5	32%		
Poland	31	318%	3	318%		
Other Europe	27	137%	3	137%		
<b>Continental Europe</b>	<b>108</b>	<b>90%</b>	<b>11</b>	<b>90%</b>		
<b>International</b>	<b>33</b>	<b>127%</b>	<b>3</b>	<b>127%</b>		
<b>Total investment sales</b>	<b>393</b>	<b>92%</b>	<b>47</b>	<b>113%</b>		
<b>Total long-term savings</b>	<b>3,914</b>	<b>4%</b>	<b>654</b>	<b>6%</b>		
<b>Navigator sales</b> (not included above)	151	(3%)				

(1) Growth rates are calculated based on constant rates of exchange.

(2) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.

(3) Stated before the effect of solvency margin.

#### United Kingdom:

Norwich Union continues to strengthen its competitive position in the UK market and saw total sales (including investment sales) for the quarter grow 7% to £1,746 million (2003: £1,639 million). Sales on an APE basis also grew 7% to £299 million (2003: £278 million). Norwich Union is the market leading life assurance business in the UK, with a market share at the end of 2003 of around 12%.

Bond sales for the quarter were 12% higher at £477 million (2003: £427 million), mainly as a result of increased unit-linked bond sales. Lower-risk funds, primarily property and capital guaranteed, proved popular with consumers and IFAs. Sales of with-profit bonds improved in the latter part of the quarter, following the launch of the five year capital protection offer, and constituted 25% of total bond sales.

Total pension sales for the quarter were £650 million (2003: £703 million) due to reduced corporate pension business of £200 million (2003: £260 million). This in part reflects employer nervousness around long-term commitments and regulatory and pricing uncertainty. Individual pensions sales of £450 million (2003: £443 million) included group personal pension plan sales up 14% at £87million (2003: £76 million) and personal pension sales of £363 million (2003: £367 million). The group pensions market, corporate and group personal pensions, is a key area of focus for Norwich Union and we expect to benefit as the flight to quality in this market continues, as our propositions are developed further later this year.

Sales of annuity products for the quarter were lower at £273 million (2003: £305 million). This market is subject to significant price competition and Norwich Union continues to monitor and set prices to protect profitability. Sales of protection business increased by 32% to £94 million (2003: £71 million), with increases in mortgage protection and creditor business.

Sales on an APE basis from the joint venture with The Royal Bank of Scotland Group (RBSG) increased by 35% to £42 million (2003: £31 million), with total sales being £193 million (2003: £214 million). This includes total sales of £50 million (2003: £42 million) from the collective investment joint venture. Norwich Union's share of the joint venture business was £25 million (2003: £19 million) on an APE basis, with total sales of £128 million (2003: £143 million). The reduction in total sales is due to a fall in single premium bond sales relative to last year, offset to some extent by an increase in regular premium investment sales.

New business contribution was £61 million (2003: £58 million) which reflects the stable level of volumes and a minor change in business mix to a slightly higher proportion of higher margin bond sales and a lower proportion of pension sales compared to the first quarter of 2003. The first quarter margin was 23.0% (full year 2003: 22.6%).

Although investment market conditions have become more stable, investor confidence is still at a relatively low level. Trading conditions are, therefore, likely to remain challenging. Norwich Union retains a strong competitive position. The strength of brand and breadth of distribution together with the strong capital and solvency position mean that Norwich Union is well placed in the longer-term to meet its objectives of profitable growth and increased efficiency.

#### **France:**

Aviva France reported an excellent 25% growth in total sales to £653 million (2003: £514 million), against an estimated market increase in individual life and savings of 15% during the first two months of 2004. This performance is the result of greater sales of AFER euro and unit-linked products and steady growth in non-AFER product sales. First quarter sales benefited from short-term highs in equity markets, making the AFER unit-linked products particularly attractive to investors. As a result, we would not expect growth to continue at the same level for the rest of the year.

AFER continues to be the largest savings association in France and sales of single premium AFER euro products were 22% higher at £384 million (2003: £311 million). This strong sales performance reflects the renewed agreement between Aviva and AFER at the end of 2003 and compares with market growth in euro products of 8%, during the first two months of 2004.

Growth in unit-linked and other savings products has been significant at 32% to £253 million (2003: £188 million), including exceptionally high growth in SFER, the unit-linked product of AFER. In line with market experience, the significant increase in SFER sales reflects increasing customer demand for products with equity-backed investment component. Aviva France funds are managed in-house by Aviva Gestion d'Actifs (AGA) which continues to win awards for individual fund performance and for its range of funds.

Following the French Government pension reforms, we expect to launch our Plan d'Epargne Retraite (PERPs) pension product through our principal distribution channels during the course of the next two quarters. Sales of PERPs are expected to be moderate to begin with as customers adapt to private pension products. Preparations for the new joint venture with Crédit du Nord continue with the launch on track for fourth quarter 2004.

New business contribution was £23 million (2003: £19 million), with a margin of 29.9% (full year 2003: 29.0%), benefiting from the higher proportion of unit-linked sales.

#### **Ireland:**

Hibernian Life & Pensions, the third largest Irish life and pensions provider, achieved a 7% increase in total sales to £22 million (2003: £21 million) on an APE basis, benefiting from higher regular premium sales in the first quarter. However, total sales were lower at £61 million (2003: £68 million), reflecting difficult market conditions for single premium savings products.

New regular premium pension sales increased by 12% to £14 million (2003: £12 million) while new single premium pension sales were £32 million (2003: £33 million). Sales of group pensions were particularly strong, with continued success in the money purchase scheme market, where we have an attractive product supported by high quality service. However, sales of the Personal Retirement Savings Account (PRSA) have remained slow and it now appears likely that it will take some time for these products to make an impression on the market.

Life single premium sales were lower at £11 million (2003: £19 million), with continuing low demand for unit-linked and with-profit bond investments as investors remain cautious. Life regular premium sales were flat at £4 million (2003: £4 million), reflecting slower growth in protection business in comparison with 2003 due to increased competition in the market place.

New business contribution was £5 million (2003: £6 million) with a margin of 22.4% (full year 2003: 28.5%).

#### **Italy:**

Total new business sales were £386 million (2003: £415 million), including single premium one-off direct business of £68 million (2003: £116 million). The momentum of new business sales from our bancassurance partners continued into 2004 with underlying growth in total sales after excluding one-off business of 5%.

Sales through UniCredito Italiano (UCI) were lower at £160 million (2003: £229 million), as first quarter 2003 sales were boosted by marketing campaigns directed to the first half of the year.

Our most recent agreement with Banca Popolare Commercio e Industria, now part of Banche Popolari Unite (BPU), achieved strong growth, with total sales of £98 million (2003: £11 million). Sales benefited from successful limited offers on structured investment bonds. Regular premium products will be introduced in the second quarter to widen the product range.

Total sales from Banca Popolare di Lodi Group were higher at £49 million (2003: £34 million), reflecting stronger demand for profit sharing contracts. Sales through Banca delle Marche were lower at £8 million (2003: £19 million) as first quarter 2003 benefited from marketing campaigns.

Our strong partnerships across Italy continue to develop. We are particularly pleased by the recently announced extension of our successful agreement with BPU to a further 380 branches, which is expected to complete by the end of 2004. In our existing partnerships, we continue to work with our partners to widen and market a range of products to meet our customers' needs. Overall, our long-term growth potential remains strong. However, the timing of marketing campaigns and product launches varies throughout the year resulting in some volatility in sales levels each quarter.

New business contribution amounted to £12 million (2003: £14 million) with a margin of 24.3% (full year 2003: 23.2%).

**Netherlands (including Belgium and Luxembourg):**

Delta Lloyd, our top-five life and pensions business in the Netherlands, reported an increase of 36% in total sales, including investment sales, to £360 million (2003: £261 million). This reflects the benefit of total sales through ABN AMRO of £81 million and APE basis sales of £18 million.

Total pension and annuity sales in the quarter were £161 million (2003: £123 million). Following the launch of personal pension products through ABN AMRO, sales for the quarter from this channel were £37 million (2003: nil). Delta Lloyd has increased sales of annuities over the quarter, in line with improving pricing disciplines in the broader market.

Sales of single premium life products increased by 40% to £127 million (2003: £90 million), reflecting £34 million (2003: nil) sold through ABN AMRO in 2004. Unit-linked products continue to be popular, including those sold through ABN AMRO, with policyholders still preferring to select bond rather than equity funds to back policies. Investment sales increased 32% to £50 million (2003: £38 million).

New business contribution amounted to £18 million (2003: £8 million) with margins of 28.8% (full year 2003: 27.7%). The increase in the first quarter margin was driven by the contribution from ABN AMRO and improved contribution from our Belgium operations, partly offset by lower sales of higher margin group pension business.

**Poland:**

Total life sales increased to £16 million (2003: £9 million), primarily due to increased demand for single premium investments. Mutual fund business has performed particularly strongly, with sales of £31 million (2003: £8 million) helped by the low interest rate environment and improving stock market performance.

Pension sales were £13 million (2003: £13 million). Sales in the first quarter benefited from sales through the State Agency to members of the workforce without a chosen pensions provider.

CU Polska continues to be the market leader in individual life and private pensions with full year 2003 statistics showing a 15% share of the life market measured by total premium income and a 28% share of the private pensions market measured by total assets under management.

**Spain:**

Total sales for the quarter were £374 million (2003: £480 million) as the first quarter of 2003 was dominated by exceptionally high sales of traditional savings products through our Bancaja network. Total sales on an APE basis were £57 million (2003: £69 million), of which £52 million were generated through bancassurance arrangements (2003: £64 million). Aviva is the number one life business in Spain and market share in 2003 increased from 7% to 10%, based on gross written premiums.

We achieved stronger sales of higher margin protection products and reduced sales of lower margin traditional savings products, compared with the first quarter of 2003. In addition, we achieved underlying growth from our arrangements with Caixa Galicia and Unicaja. We continue to develop the product range in all our partnerships with the launch of further products later in the year.

Growth potential is strong across our bancassurance partnerships. However, quarterly sales are variable due to the timing of marketing campaigns and product launches. Our more recent agreements offer good opportunities, given their relatively low level of customer penetration for life and pensions business.

New business contribution was higher at £31 million (2003: £28 million) with a margin of 54.2% (full year 2003: 54.4%). The first quarter margin of 54.2% continues to benefit from the increased proportion of higher margin protection sales sold in 2004.

**Other Europe:**

Total life and pension sales for our other Europe businesses were £89 million (2003: £73 million), including total sales in Germany of £53 million (2003: £43 million). This reflects growth in single premium bonds due to comparatively stronger bonus rates relative to the market.

In Turkey, where we are a top-five provider, total new business premiums increased to £8 million (2003: £6 million), reflecting encouraging sales in the newly launched personal pensions market where we anticipate being a leading player.

Sales through our Dublin-based offshore life and savings business were £17 million (2003: £17 million). Sales of Luxembourg UCITS were £27 million (2003: £11 million), benefiting from improved investor confidence in the quarter.

**International:**

Total international sales (including investment sales) decreased by 34% to £158 million (2003: £260 million), due to slowing US fixed annuity sales, offset in part by improving sales in Australia.

Australia: Total life and pension sales were 15% higher at £53 million (2003: £41 million) and sales of unit trusts increased to £33 million (2003: £13 million). Sales benefited from the more positive investor sentiment towards equity-backed products. Whilst not included in the new business figures, sales of Navigator, our top-five master trust were £148 million (2003: £139 million). Financial advisers have voted Aviva equal first in Australia's largest independent study of the life insurance and wealth management industry. Aviva received first place for its broad range of investment options and the study recognises the high standard of service offered by Aviva to its financial advisers.

United States: Total life and pension sales were £58 million (2003: £190 million) as a result of reduced sales of fixed annuity products. We continue to maintain pricing disciplines in a low interest rate environment, resulting in single premium sales of £52 million (2003: £179 million) and regular premium sales of £6 million (2003: £11 million).

Asia: Our life businesses in Asia continue to deliver good results from their range of distribution channels, including our strong bancassurance partnerships. This has created a solid platform for further growth in line with our longer-term ambitions for our life businesses in the region.

Singapore and Hong Kong: Total sales through our top-five operation in Singapore were £6 million (2003: £5 million) on an APE basis and reflects our continued focus on higher margin regular premium business. Sales are generated through both our bancassurance partnership with DBS Group Holdings Limited (DBS) and through brokers. Aviva has a 25% market share of bancassurance new business and is the market leader in the developing broker market. Total sales through our partnership with DBS in Hong Kong increased strongly during the quarter to £5 million (2003: nil). Whilst not included in the new business figures, total Navigator sales include £3 million (2003: nil) of sales through Navigator Asia in Singapore.

India: Total sales from our joint-venture life business with Dabur Group were £4 million, ranking us ninth in the market. Our 26% share included in our new business sales amounts to £1 million (2003: nil). A large proportion of sales are through our bancassurance arrangement with ABN AMRO, but also include sales through our partnership with Canara Bank, India's second largest bank, and our 1,600 strong direct sales force.

China: Our joint-venture life business, Aviva COFCO, was launched in Guangzhou in 2003 and has made a solid start. We have recently been granted approval to sell life insurance products in Beijing and are developing plans to start operations in the second half of 2004. We are hopeful that our licence application to operate in Chengdu will be granted later in the year.

**Other developments**

There will be a presentation made by the CFO Forum (a group representing the Chief Financial Officers of major European insurers), this afternoon to launch the European Embedded Value principles. These principles will provide a consistent basis of reporting companies' embedded values and lead to greater transparency in insurance reporting. We are fully supportive of this initiative and were actively involved in the development through the chairmanship of the Working Party.

Notes to Editors

1. Aviva is the UK's largest insurer and one of the top-five life companies in Europe with substantial positions in other markets around the world, making it the world's seventh-largest insurance group based on gross worldwide premiums. In the UK Aviva operates under the Norwich Union brand.

Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income and retail investment sales from continuing operations of £30 billion for the year ended 31 December 2003 and assets under management of more than £240 billion at 31 December 2003.

The Aviva media centre at [www.aviva.com/media](http://www.aviva.com/media) includes images, company and product information and a news release archive.

2. All figures have been translated at average exchange rates applying for the period. The average rates employed in this announcement are 1 euro = £0.68 (three months to 31 March 2003: 1 euro = £0.67; year to 31 December 2003: 1 euro = £0.69).
3. All growth rates are quoted in local currency.
4. Definitions:

**Annual premium equivalent (APE)** is a UK industry standard for calculating life, pensions and investments new business levels. It is the total of new regular premiums and 10% of single premiums.

**New business contribution** is the present value of the projected stream of after-tax distributable earnings from new life and pensions sales. New business contribution before tax is calculated by grossing up the new business contribution after-tax at the full corporation tax rate for UK business and at appropriate rates of tax for other countries.

**New business margin** is a UK industry standard calculation based on new business contribution (before the effect of solvency margin) divided by sales measured on an APE basis.

5. Reclassification of 2003 comparatives:

United Kingdom:

From first quarter 2004, "other life" business has been renamed protection business as this more accurately describes the nature of this business and has been aggregated with mortgage business. The impact of this reclassification on the 2003 comparatives is shown below.

	Cumulative sales (£ million)							
	Q1 2003		Q2 2003		Q3 2003		Q4 2003	
	Single	Regular	Single	Regular	Single	Regular	Single	Regular
<b>Originally reported</b>								
Mortgage	-	13	-	28	-	50	-	70
Other life	34	24	70	51	115	82	173	114
	34	37	70	79	115	132	173	184
<b>After reclassification</b>								
Protection	34	37	70	79	115	132	173	184

Singapore and Hong Kong:

Prior to fourth quarter 2003, non bancassurance business in Singapore was immaterial in group terms and was reported within DBS bancassurance sales. In the fourth quarter 2003, non bancassurance business was reported separately for the first time. The impact of this reclassification on the earlier quarter comparatives in 2003 is shown below.

	Cumulative sales (£ million)							
	Q1 2003		Q2 2003		Q3 2003			
	Total new business sales	APE	Total new business sales	APE	Total new business sales	APE		
<b>Originally reported</b>								
International								
DBS bancassurance sales		16	5	56	16	71		27
<b>After reclassification</b>								
DBS bancassurance sales	9	4	45	12	56	20		
Non bancassurance sales	7	1	11	4	15	7		
<b>Total sales</b>	16	5	56	16	71	27		

6. Cautionary statements:

This announcement may contain "forward-looking statements" with respect to certain of Aviva's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Aviva's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Aviva and its affiliates operate. As a result, Aviva's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Aviva's forward-looking statements.

Aviva undertakes no obligation to update the forward-looking statements contained in this announcement or any other forward-looking statements we may make.

# Statistical Supplement

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## Detailed worldwide long-term savings new business analysis

	Single			Regular			Total
	3 months to 31 March 2004 £m	3 months to 31 March 2003 £m	Local currency growth <sup>(1)</sup>	3 months to 31 March 2004 £m	3 months to 31 March 2003 £m	Local currency growth <sup>(1)</sup>	Local currency growth <sup>(1)</sup>
<b>United Kingdom</b>							
Individual pensions	389	383	2%	61	60	2%	2%
Group pensions	180	232	(22%)	20	28	(29%)	(23%)
Annuities	273	305	(10%)	-	-	-	(10%)
Bonds	477	427	12%	-	-	-	12%
Protection (see note 5)	46	34	35%	48	37	30%	32%
<b>Total life and pensions</b>	<b>1,365</b>	<b>1,381</b>	<b>(1%)</b>	<b>129</b>	<b>125</b>	<b>3%</b>	<b>(1%)</b>
Peps/Isas/Unit Trusts/Oeics	243	131	85%	9	2	350%	89%
	<b>1,608</b>	<b>1,512</b>	<b>6%</b>	<b>138</b>	<b>127</b>	<b>9%</b>	<b>7%</b>
<b>France</b>							
AFER (excluding unit-linked)	384	311	22%	-	-	-	22%
Unit-linked & other savings	245	182	32%	8	6	26%	32%
Protection business	11	10	5%	5	5	(5%)	2%
	<b>640</b>	<b>503</b>	<b>25%</b>	<b>13</b>	<b>11</b>	<b>11%</b>	<b>25%</b>
<b>Ireland</b>							
Life and savings	11	19	(41%)	4	4	23%	(31%)
Pensions	32	33	(5%)	14	12	12%	-
	<b>43</b>	<b>52</b>	<b>(18%)</b>	<b>18</b>	<b>16</b>	<b>15%</b>	<b>(11%)</b>
<b>Italy</b>							
Life and savings	374	393	(6%)	12	22	(48%)	(8%)
	<b>374</b>	<b>393</b>	<b>(6%)</b>	<b>12</b>	<b>22</b>	<b>(48%)</b>	<b>(8%)</b>
<b>Netherlands (including Belgium &amp; Luxembourg)</b>							
Pensions	148	108	35%	13	15	(17%)	29%
Life	127	90	40%	22	10	118%	48%
<b>Total life and pensions</b>	<b>275</b>	<b>198</b>	<b>37%</b>	<b>35</b>	<b>25</b>	<b>37%</b>	<b>37%</b>
Unit trusts	50	38	32%	-	-	-	32%
	<b>325</b>	<b>236</b>	<b>36%</b>	<b>35</b>	<b>25</b>	<b>37%</b>	<b>36%</b>
<b>Poland</b>							
Life and savings	12	5	161%	4	4	(1%)	90%
Pensions	6	4	90%	7	9	(6%)	22%
<b>Total life and pensions</b>	<b>18</b>	<b>9</b>	<b>132%</b>	<b>11</b>	<b>13</b>	<b>(5%)</b>	<b>51%</b>
Mutual funds	31	8	318%	-	-	-	318%
	<b>49</b>	<b>17</b>	<b>223%</b>	<b>11</b>	<b>13</b>	<b>(5%)</b>	<b>126%</b>
<b>Spain</b>							
Life and savings	308	411	(26%)	14	15	(8%)	(26%)
Pensions	44	46	(5%)	8	8	(4%)	(5%)
	<b>352</b>	<b>457</b>	<b>(24%)</b>	<b>22</b>	<b>23</b>	<b>(6%)</b>	<b>(23%)</b>
<b>Other Europe</b>							
Life and pensions	70	56	23%	19	17	26%	24%
UCITS and other	27	11	137%	-	-	-	137%
	<b>97</b>	<b>67</b>	<b>43%</b>	<b>19</b>	<b>17</b>	<b>26%</b>	<b>39%</b>
<b>International</b>							
Life and pensions	101	226	(51%)	24	21	24%	(44%)
Unit trusts	33	13	127%	-	-	-	127%
	<b>134</b>	<b>239</b>	<b>(39%)</b>	<b>24</b>	<b>21</b>	<b>24%</b>	<b>(34%)</b>
<b>Total long-term savings</b>	<b>3,622</b>	<b>3,476</b>	<b>4%</b>	<b>292</b>	<b>275</b>	<b>8%</b>	<b>4%</b>
<i>Analysed:</i>							
Life and pensions	3,238	3,275	(1%)	283	273	5%	(1%)
Investment sales	384	201	89%	9	2	350%	92%
<b>Total long-term savings</b>	<b>3,622</b>	<b>3,476</b>	<b>4%</b>	<b>292</b>	<b>275</b>	<b>8%</b>	<b>4%</b>
<b>Navigator sales</b> (not included above)	151	139	(3%)	-	-	-	(3%)

(1) Growth rates are calculated based on constant rates of exchange.

## Analysis of UK long-term savings by distribution channel

	Single			Regular			Total
	3 months to 31 March 2004 £m	3 months to 31 March 2003 £m	Local currency growth	3 months to 31 March 2004 £m	3 months to 31 March 2003 £m	Local currency growth	Local currency growth
IFA							
- life & pensions products	1,035	992	4%	101	101	-	4%
- investment products	103	70	47%	-	1	(100%)	45%
	<b>1,138</b>	<b>1,062</b>	<b>7%</b>	<b>101</b>	<b>102</b>	<b>(1%)</b>	<b>6%</b>
Bancassurance partnership with RBSG							
- life & pensions products	99	117	(15%)	4	5	(20%)	(16%)
- investment products	16	20	(20%)	9	1	800%	19%
	<b>115</b>	<b>137</b>	<b>(16%)</b>	<b>13</b>	<b>6</b>	<b>117%</b>	<b>(10%)</b>
Other partnerships/Direct							
- life & pensions products	231	272	(15%)	24	19	26%	(12%)
- investment products	124	41	202%	-	-	-	202%
	<b>355</b>	<b>313</b>	<b>13%</b>	<b>24</b>	<b>19</b>	<b>26%</b>	<b>14%</b>
<b>Total UK long-term savings</b>	<b>1,608</b>	<b>1,512</b>	<b>6%</b>	<b>138</b>	<b>127</b>	<b>9%</b>	<b>7%</b>

Annual premium equivalent <sup>(1)</sup>

	Life and pensions sales		Investment sales		Total sales	
	3 months to 31 March 2004 £m	Local currency growth	3 months to 31 March 2004 £m	Local currency growth	3 months to 31 March 2004 £m	Local currency growth
IFA	205	2%	10	29%	215	3%
Bancassurance partnership with RBSG	14	(17%)	11	253%	25	24%
Other partnerships/Direct	47	2%	12	202%	59	18%
<b>Total UK long-term savings</b>	<b>266</b>	<b>1%</b>	<b>33</b>	<b>121%</b>	<b>299</b>	<b>7%</b>

(1) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.

## Analysis of sales via our principal bancassurance channels

	Total new business sales		Annual premium equivalent sales <sup>(2)</sup>	
	3 months to 31 March 2004 £m	Local currency growth <sup>(1)</sup>	3 months to 31 March 2004 £m	Local currency growth <sup>(1)</sup>
<b>Life and pensions</b>				
<b>United Kingdom</b>				
Royal Bank of Scotland Group <sup>(3)</sup>	103	(16%)	14	(17%)
	<b>103</b>	<b>(16%)</b>	<b>14</b>	<b>(17%)</b>
<b>Italy</b>				
UniCredito Italiano	160	(31%)	19	(39%)
Banca Popolare di Lodi Group	49	40%	6	20%
Banca delle Marche	8	(58%)	6	(50%)
Banche Popolari Unite, (formerly Banca Popolare Commercio e Industria)	98	791%	10	900%
	<b>315</b>	<b>6%</b>	<b>41</b>	<b>(16%)</b>
<b>Netherlands</b>				
ABN AMRO	81	-	18	-
	<b>81</b>	<b>-</b>	<b>18</b>	<b>-</b>
<b>Spain</b>				
Bancaja	176	(43%)	25	(38%)
Caixa Galicia	80	129%	10	67%
Unicaja	46	(2%)	8	14%
Caja Espana	35	(58%)	5	(58%)
Caja de Granada	17	-	4	-
	<b>354</b>	<b>(25%)</b>	<b>52</b>	<b>(20%)</b>
<b>International</b>				
DBS	10	25%	5	25%
	<b>10</b>	<b>25%</b>	<b>5</b>	<b>25%</b>
<b>Total life and pensions</b>	<b>863</b>	<b>(4%)</b>	<b>130</b>	<b>(4%)</b>
<b>Investment sales</b>				
<b>United Kingdom</b>				
Royal Bank of Scotland Group <sup>(3)</sup>	25	19%	11	253%
	<b>25</b>	<b>19%</b>	<b>11</b>	<b>253%</b>
<b>Total bancassurance sales</b>	<b>888</b>	<b>(4%)</b>	<b>141</b>	<b>2%</b>

(1) Growth rates are calculated based on constant rates of exchange.

(2) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.

(3) Total sales through our joint venture with the Royal Bank of Scotland Group (RBSG) comprised £143 million of life and pensions sales (2003: £172 million) and £50 million of investment sales (2003: £42 million). In reporting our life and pensions result for RBSG we have included our 50% share of sales written through the joint venture life company amounting to £40 million (2003: £50 million), and £63 million (2003: £72 million) representing 100% of single premium with-profit bond sales written through a Norwich Union fund. Investment sales of £25 million (2003: £21 million) represent our 50% share of the collective investment sales.

## Detailed analysis of new business contribution

## (a) Before the effect of solvency margin

	Annual premium equivalent <sup>(1)</sup>		New business contribution <sup>(2, 3)</sup>		New business margin <sup>(4)</sup>		
	3 months 2004 £m	3 months 2003 £m	3 months 2004 £m	3 months 2003 £m	3 months 2004 %	3 months 2003 %	Full year 2003 %
<b>Life and pensions business</b>							
<b>United Kingdom</b>	<b>266</b>	<b>263</b>	<b>61</b>	<b>58</b>	<b>23.0%</b>	<b>22.0%</b>	<b>22.6%</b>
France	77	61	23	19	29.9%	31.0%	29.0%
Ireland	22	21	5	6	22.4%	28.3%	28.5%
Italy	49	61	12	14	24.3%	22.8%	23.2%
Netherlands (including Belgium and Luxembourg)	63	45	18	8	28.8%	17.9%	27.7%
Poland	13	14	2	1	15.6%	7.2%	8.5%
Spain	57	69	31	28	54.2%	40.8%	54.4%
Other Europe	26	23	(1)	(2)	(3.8%)	(8.8%)	(3.0%)
<b>Continental Europe</b>	<b>307</b>	<b>294</b>	<b>90</b>	<b>74</b>	<b>29.3%</b>	<b>25.2%</b>	<b>29.8%</b>
<b>International</b>	<b>34</b>	<b>44</b>	<b>9</b>	<b>10</b>	<b>26.4%</b>	<b>22.9%</b>	<b>24.6%</b>
	<b>607</b>	<b>601</b>	<b>160</b>	<b>142</b>	<b>26.4%</b>	<b>23.6%</b>	<b>26.1%</b>

(1) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.

(2) Before effect of solvency margin.

(3) New business contribution before the effect of solvency margin includes minority interests in 2004 of £28 million (three months to 31 March 2003: £22 million). This comprises minority interests in France of £2 million (three months to 31 March 2003: £1 million), Italy £7 million (three months to 31 March 2003: £7 million), Netherlands £3 million (three months to 31 March 2003: nil), Poland nil (three months to 31 March 2003: nil) and Spain £16 million (three months to 31 March 2003: £14 million).

(4) New business margin represents the ratio of new business contribution to annual premium equivalent, expressed as a percentage.

(b) Including the effect of solvency margin<sup>(1, 2)</sup>

	3 months 2004 £m	3 months 2003 £m
<b>Life and pensions business</b>		
<b>United Kingdom</b>	<b>54</b>	<b>51</b>
France	11	9
Ireland	4	5
Italy	7	8
Netherlands (including Belgium and Luxembourg)	11	2
Poland	2	1
Spain	26	21
Other Europe	(2)	(3)
<b>Continental Europe</b>	<b>59</b>	<b>43</b>
<b>International</b>	<b>7</b>	<b>7</b>
	<b>120</b>	<b>101</b>

(1) The effect of solvency margin represents the impact of holding the minimum European Union (EU) solvency margin (or equivalent for non-EU operations) and discounting to present value the projected future releases from the solvency margin to shareholders.

(2) New business contribution after the effect of solvency margin includes minority interests in 2004 of £20 million (three months to 31 March 2003: £15 million). This comprises minority interests in France of nil (three months to 31 March 2003: nil), Italy £5 million (three months to 31 March 2003: £4 million), Netherlands £2 million (three months to 31 March 2003: nil), Poland nil (three months to 31 March 2003: nil), and Spain £13 million (three months to 31 March 2003: £11 million).

## New business contribution – before minority interest

	Annual premium equivalent		New business contribution <sup>(1)</sup>		New business margin <sup>(2)</sup>		
	3 months 2004 £m	3 months 2003 £m	3 months 2004 £m	3 months 2003 £m	3 months 2004 %	3 months 2003 %	Full year 2003 %
<b>Analysed between:</b>							
- Bancassurance channels	130	134	55	42	42.2%	31.3%	39.7%
- Other distribution channels	477	467	105	100	22.0%	21.4%	22.1%
<b>Attributable to equity shareholders</b>	<b>607</b>	<b>601</b>	<b>160</b>	<b>142</b>	<b>26.4%</b>	<b>23.6%</b>	<b>26.1%</b>

(1) Stated before the effect of solvency margin.

(2) New business margin represents the ratio of new business contribution before deducting cost of capital, tax and minority interest to annual premium income before deducting the minority share, expressed as a percentage.

## New business contribution – after minority interest

	Annual premium equivalent <sup>(1)</sup>		New business contribution <sup>(2)</sup>		New business margin <sup>(3)</sup>		
	3 months 2004 £m	3 months 2003 £m	3 months 2004 £m	3 months 2003 £m	3 months 2004 %	3 months 2003 %	Full year 2003 %
<b>Analysed between:</b>							
- Bancassurance channels	72	77	18	10	24.9%	13.0%	20.8%
- Other distribution channels	459	453	51	49	11.1%	10.8%	11.5%
<b>Attributable to equity shareholders</b>	<b>531</b>	<b>530</b>	<b>69</b>	<b>59</b>	<b>13.0%</b>	<b>11.1%</b>	<b>12.9%</b>

(1) Stated after deducting the minority interest of sales.

(2) Contribution stated after deducting cost of capital, tax and minority interest.

(3) New business margin represents the ratio of new business contribution after deducting cost of capital, tax and minority interest to annual premium income after deducting the minority share, expressed as a percentage.

New business margins after the cost of capital, tax and the deduction of minority interest was 13.0% (2003: 11.1%), driven by the inclusion of ABN AMRO in the Netherlands and by the increasing proportion of higher margins from bancassurance arrangements with our joint venture partners in Spain, Italy and international businesses.

### Principal economic assumptions

Economic assumptions are derived actively based on market yields on risk-free fixed interest assets at each period end. Margins are applied on a consistent basis to risk-free yields to obtain investment return assumptions for ordinary shares and property and risk discount rates. New business contribution has been calculated using economic assumptions set at the end of the previous year, as shown in the tables below:

	<u>United Kingdom</u>		<u>France</u>	
	2003	2002	2003	2002
Risk discount rate	7.5%	7.3%	8.1%	8.1%
Pre-tax investment returns:				
Base government fixed interest	4.8%	4.5%	4.3%	4.3%
Ordinary shares	7.3%	7.0%	6.3%	6.3%
Property	6.3%	6.0%	5.8%	5.8%
Future expense inflation	4.1%	3.6%	2.5%	2.5%
Tax rate	30.0%	30.0%	35.4%	35.4%
	<u>Ireland</u>		<u>Italy</u>	
	2003	2002	2003	2002
Risk discount rate	8.6%	8.7%	7.4%	7.3%
Pre-tax investment returns:				
Base government fixed interest	4.5%	4.6%	4.4%	4.4%
Ordinary shares	7.5%	7.6%	7.4%	7.4%
Property	6.0%	6.1%	5.9%	5.9%
Future expense inflation	4.0%	4.0%	3.3%	3.3%
Tax rate	12.5%	12.5%	38.3%	39.8%
	<u>Netherlands</u>		<u>Poland*</u>	
	2003	2002	2003	2002
Risk discount rate	7.4%	7.4%	13.5%	15.4%
Pre-tax investment returns:				
Base government fixed interest	4.2%	4.2%	6.0%	8.0%
Ordinary shares	7.2%	7.2%	6.0%	8.0%
Property	5.7%	5.7%	n/a	n/a
Future expense inflation	2.5%	2.5%	3.4%	5.4%
Tax rate	25.0%	25.0%	19.0%	27.0%
	<u>Spain</u>			
	2003	2002		
Risk discount rate	7.7%	7.7%		
Pre-tax investment returns:				
Base government fixed interest	4.6%	4.6%		
Ordinary shares	7.6%	7.6%		
Property	6.1%	6.1%		
Future expense inflation	3.0%	3.0%		
Tax rate	35.0%	35.0%		

\* The economic assumptions shown above are those in the calculations for the life business. The economic assumptions for the pension business are identical with the exception of the risk discount rate which is 12.7% (2002: 13.8%).