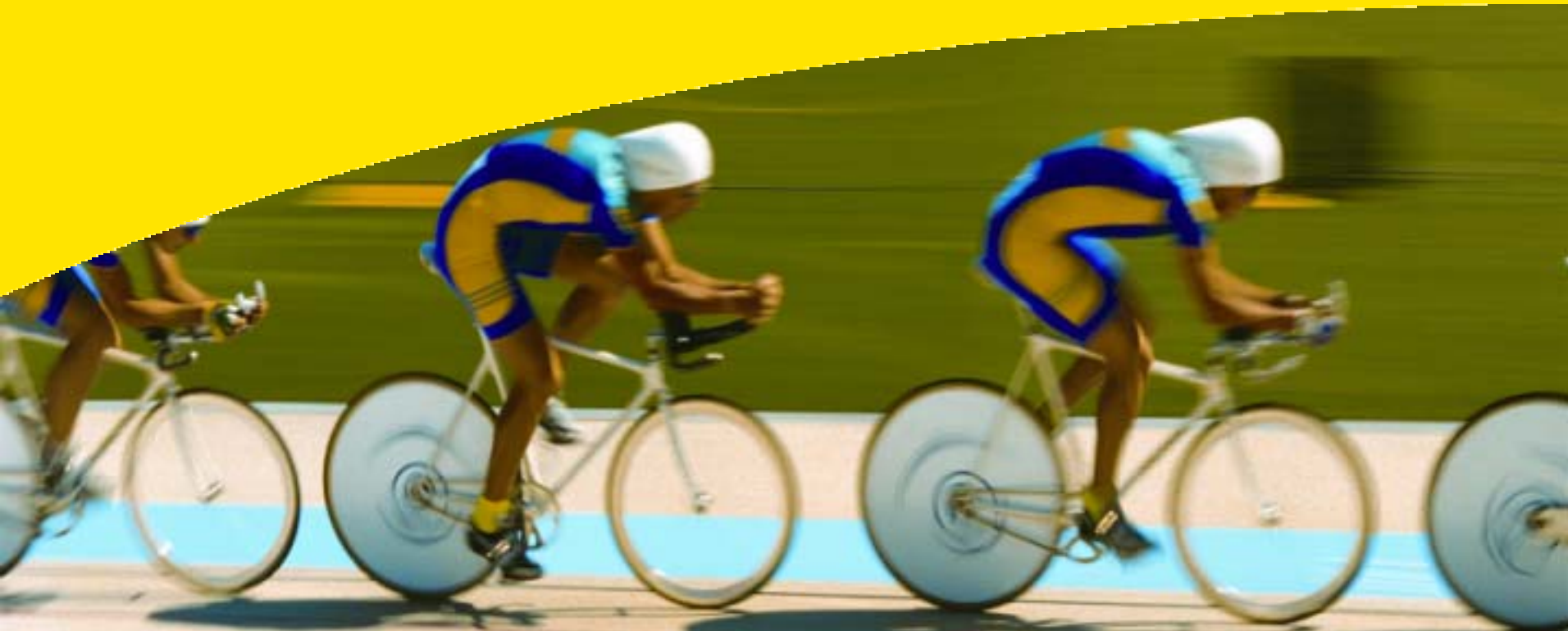


**AVIVA plc  
2004 results**



**Strength  
Performance  
Growth**

**9 March 2005**

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*A statement in this document that the Offer will be earnings accretive from 2006 does not constitute a profit forecast and should not be interpreted to mean that earnings for 2006 or any subsequent financial period would necessarily be greater than those for any preceding financial period.*

# Agenda

- Overview

**Richard Harvey,**  
Group Chief Executive

- Financial review

**Andrew Moss,**  
Group Finance Director

- RAC acquisition

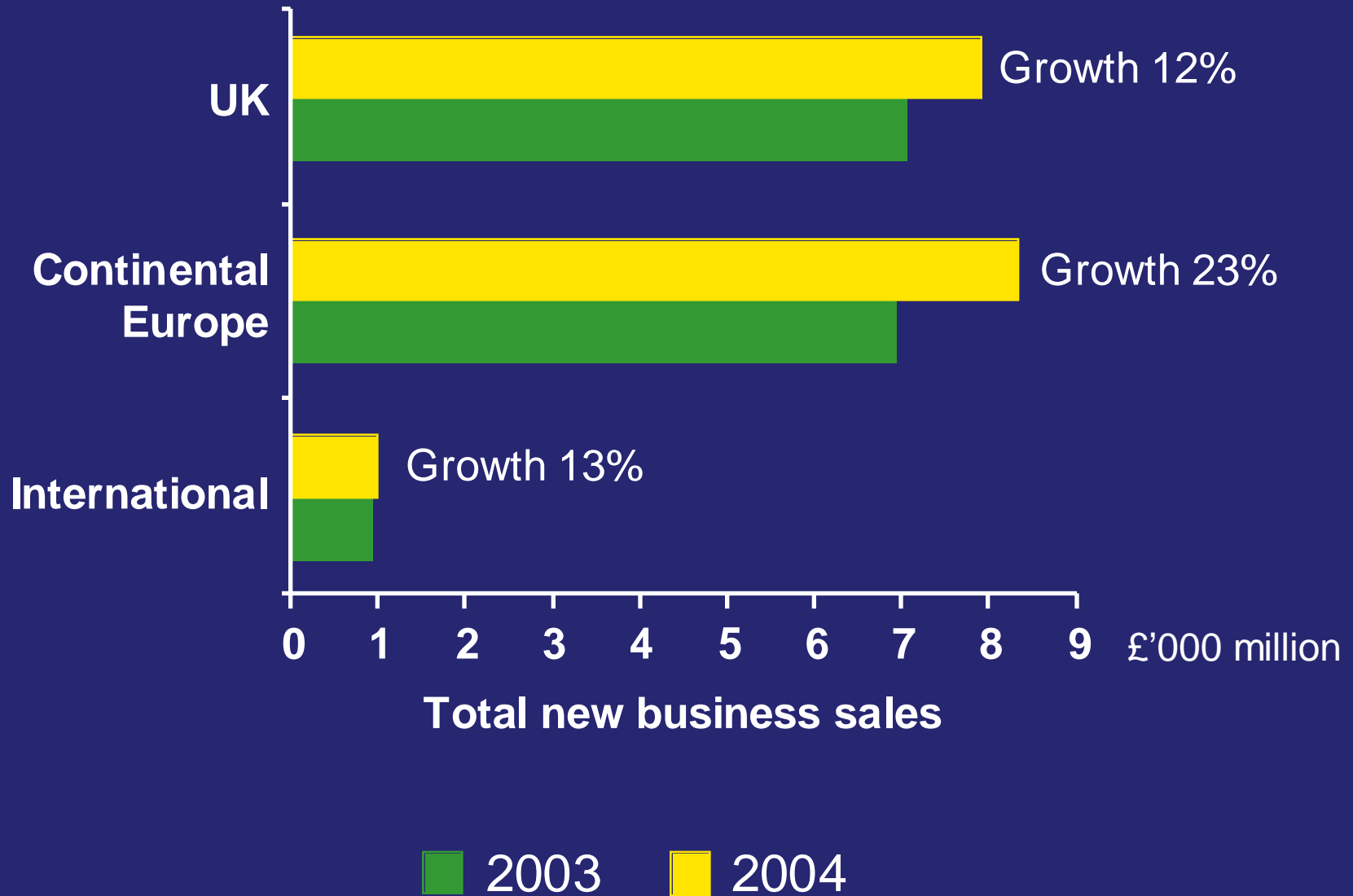
**Patrick Snowball,**  
Group Executive Director

- Questions

# A strong set of results

Operating profit (EEV basis)	£2,344m	+25%	
Operating profit (MSSB)	£1,861m	+27%	
Life and pensions sales (PVNBP)	£20.7 bn	+12%	
New business contribution	£706 m	+11%	
General insurance COR	96.7%	(2003 100%)	
Full year dividend	25.36p	+5%	Strongly covered
ROCE	14.4%	(FY 2003 13.1%)	

# Strong growth in life new business sales (including investment sales)



# Priorities in life markets

- **UK**

- target 15% IRR
  - launch of fully charged pensions
  - ongoing cost management
  - further actions on commissions
  - management of overall business mix
- multi-tie partnerships

- **Continental Europe**

- deliver bancassurance growth
- unit-linked

- **Asia**

- build on foundations in high-growth markets
- two new licences in China

# Excellent General Insurance results: ahead of target

**% of total GI  
premiums**

**Combined operating ratios**

		2004	2003
<b>62</b>	<b>UK</b>	<b>97%</b>	<b>99%</b>
<b>6</b>	<b>France</b>	<b>101%</b>	<b>102%</b>
<b>6</b>	<b>Ireland</b>	<b>87%</b>	<b>97%</b>
<b>8</b>	<b>Netherlands</b>	<b>95%</b>	<b>101%</b>
<b>14</b>	<b>Canada</b>	<b>97%</b>	<b>108%*</b>
	<b>Group</b>	<b>97%</b>	<b>100%**</b>

( Pilot added \*7% & \*\*1%)

**Confident of meeting COR target of 100% in 2005 and 2006**





# Financial review

Andrew Moss

Group Finance Director

# Strong results from a position of capital strength

- Full year operating profit of £2,344 million on EEV basis (2003: £1,906 million)
- Equivalent to ROCE of 14.4% (2003: 13.1%)
- New business contribution up 11% to £706 million
- New business margins on PVNBP basis 3.4 % (2003: 3.4%)
- Operating profit on MSSB basis up 27% to £1,861 million
- Capital remains strong: EU Groups Directive excess of £3.6 billion

# Strong results across all major businesses

	2004 £m	2003 £m	Growth † %
Life EEV operating profit	1,611	1,496	9%
Health	58	61	(3%)
Fund management	23	(4)	-
General insurance	1,326	911	47%
Non-insurance operations	(31)	8	-
Corporate costs	(178)	(160)	11%
Unallocated interest	(465)	(406)	15%
Operating profit (1)	<u>2,344</u>	<u>1,906</u>	<u>25%</u>
Operating profit : MSSB	1,861	1,490	27%
ROCE	14.4%	13.1%	
NAV (2)	532p	484p	

(1) Stated before amortisation of goodwill and exceptional items

(2) On an EEV basis after adding back equalisation provision

† On a constant currency basis

All operating profit is from continuing operations

# Growth across our life businesses with further to come in 2005

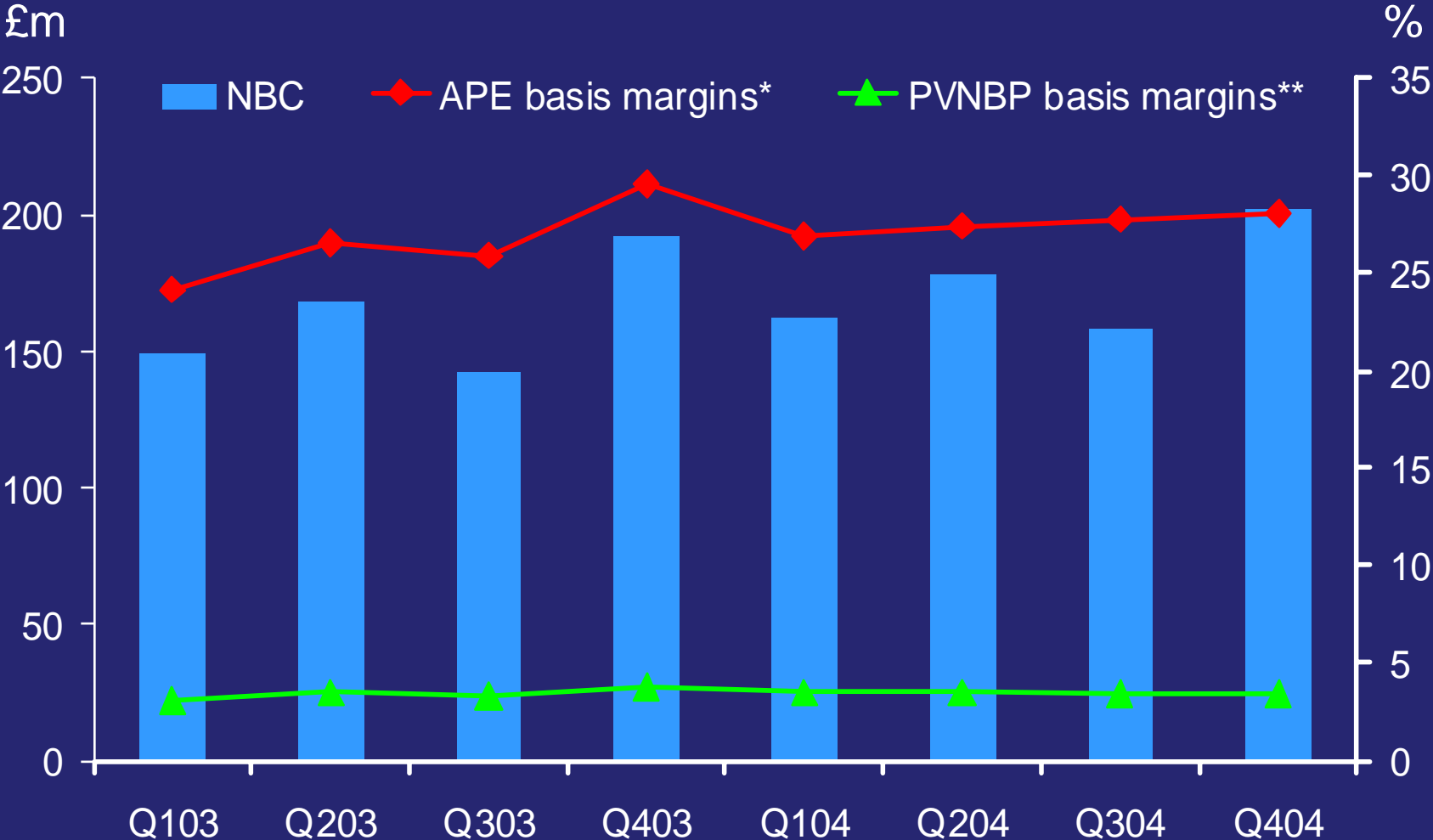
	FY 2004	
	Sales PVNBP <sup>(1)</sup> £m	Growth <sup>(2)</sup> %
UK	9,172	8%
France	2,782	28%
Ireland	561	8%
Italy	1,799	5%
Netherlands	2,168	22%
Spain	2,110	10%
Other countries	2,095	11%
<b>Group</b>	<b>20,687</b>	<b>12%</b>

- UK: improvement in unit-linked sales and annuities
- France: strong growth in AFER and unit-linked sales; good start to Crédit du Nord partnership
- Netherlands: increased sales from ABN AMRO and in group pensions business
- Spain and Italy: increases from marketing campaigns in the second half of the year

<sup>(1)</sup> PVNBP is equal to single premiums plus the present value of regular premiums

<sup>(2)</sup> On a constant currency basis

# Continued improvement in new business contribution



\*Margins calculated as NBC on EEV basis over APE

\*\*Margins calculated as NBC over PVNBP

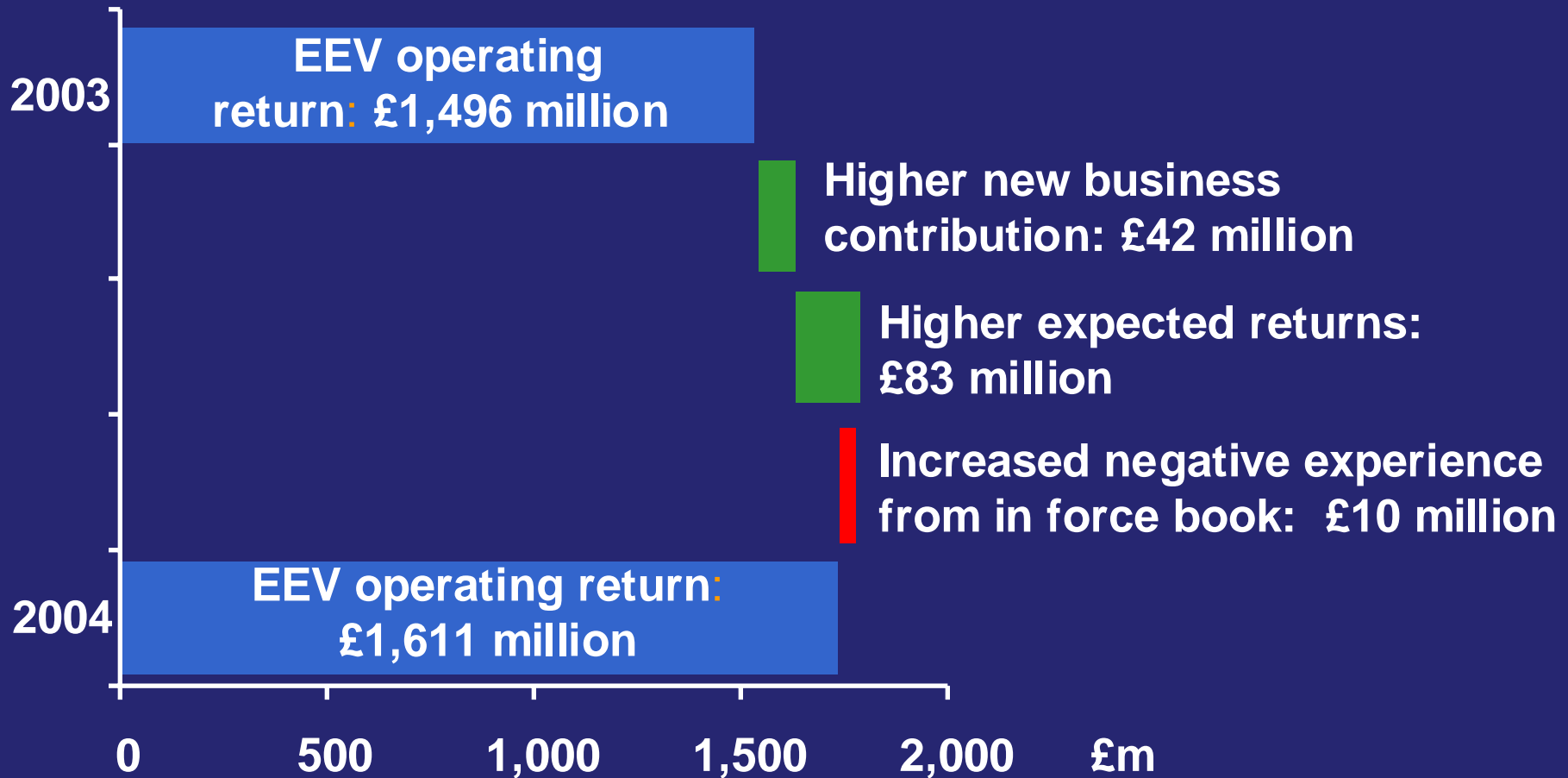
# New business contribution up 11% whilst maintaining a focus on value

	New business contribution <sup>(1)</sup> Restated *		New business margin (using PVNBP)		New business margin (using APE)	
	2004 £m	2003 £m	2004 %	2003 %	2004 %	2003 %
UK	269	250	2.9%	2.9%	23.1%	22.4%
France	95	72	3.4%	3.2%	30.9%	29.9%
Ireland	19	28	3.4%	5.3%	22.0%	34.7%
Italy	48	45	2.7%	2.6%	24.3%	23.2%
Netherlands	80	69	3.7%	3.8%	30.6%	30.8%
Spain	143	141	6.8%	7.2%	57.8%	57.2%
Other countries	52	41	2.5%	2.0%	15.7%	12.7%
<b>Group</b>	<b>706</b>	<b>646</b>	<b>3.4%</b>	<b>3.4%</b>	<b>27.2%</b>	<b>26.6%</b>

(1) Pre effect of required capital, tax and minorities

\* Restated for the impact of adopting European Embedded Value principles

# Life EEV operating profits up 9%



**Over 60% of profits from Continental Europe**

# Strong results from Continental Europe

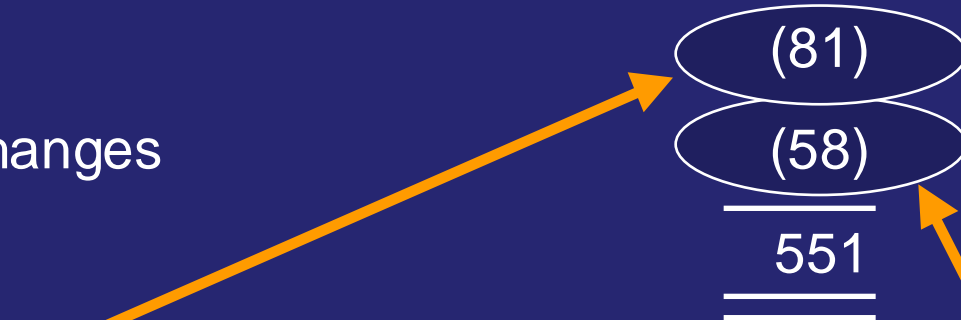
	2004 £m	2003 £m
UK	551	597
France	286	228
Ireland	40	57
Italy	79	70
Netherlands	277	198
Poland	93	99
Spain	180	165
Other Europe	22	18
International	83	64
<b>TOTAL Life EEV</b>	<b>1,611</b>	<b>1,496</b>

- UK: impact of operating assumption changes and experience variances
- France: strong growth in AFER and unit-linked sales; good start to Crédit du Nord partnership
- Ireland: impact of lapse assumptions of £16 million
- Netherlands: increased new business contribution and improved profit from in force book with lower experience variances
- Positive mortality experience across the portfolio



# UK life operating profit

	£m
New business contribution post cost of capital	215
Expected returns	475
Experience variances	(81)
Operating assumption changes	(58)
	<u>551</u>



## Includes:

- Exceptional expenses of £153m
- Adverse lapse experience of £50m
- Positive maintenance experiences of £31m
- Positive mortality profits of £49m
- Better than expected default experience on commercial mortgages and corporate bonds of £32m

## Includes:

- Adverse lapse assumption change of £110m
- Improved maintenance expense allowances of £77m

# Strong results from Continental Europe

	2004	2003
	£m	£m
UK	551	597
France	286	228
Ireland	40	57
Italy	79	70
Netherlands	277	198
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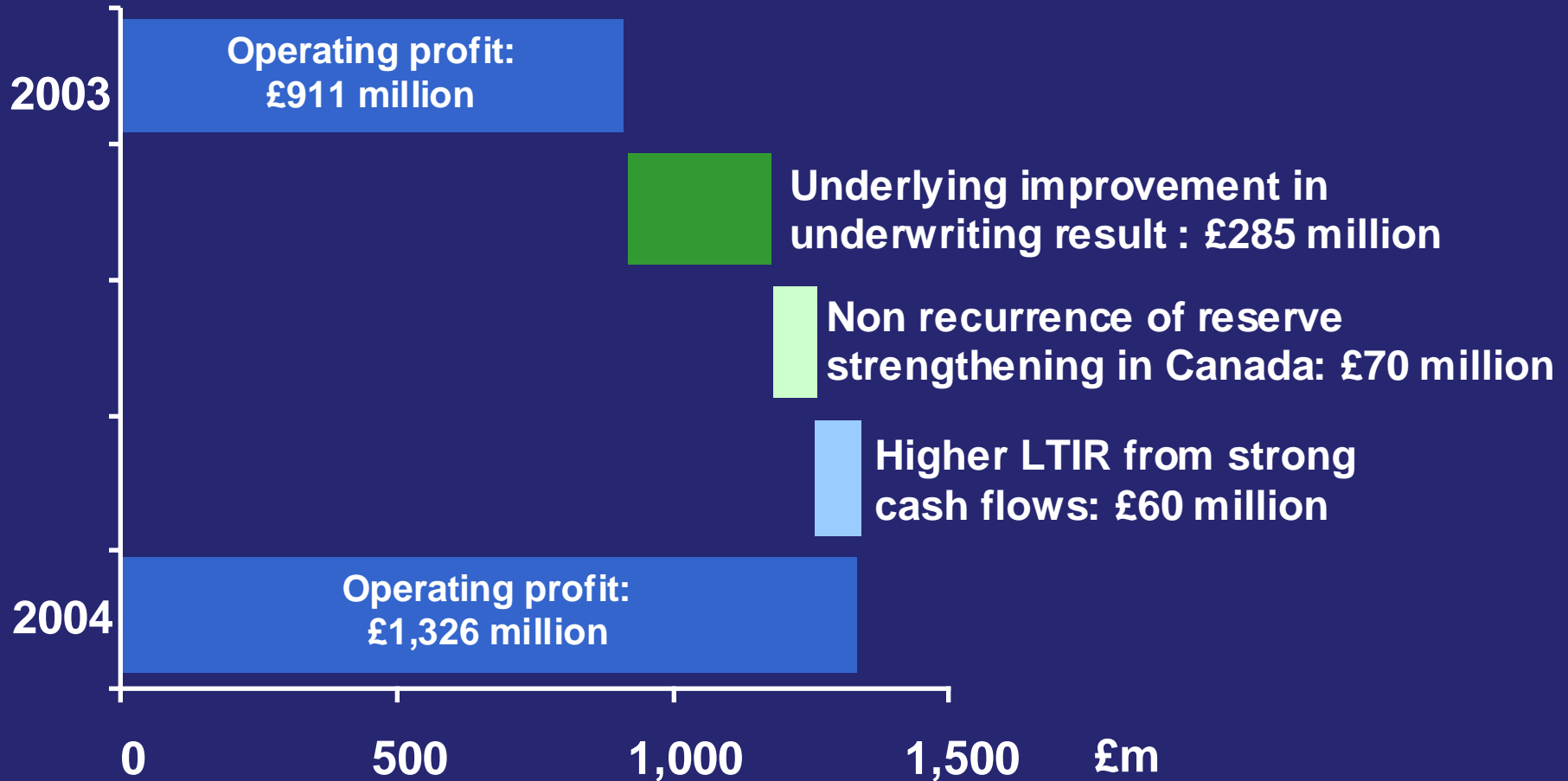
# Life MSSB profits – businesses generating capital and cash

	2004 £m	2003 £m
UK		
With profit	107	145
Non profit	478	433
France	182	179
Ireland	35	41
Italy	43	30
Netherlands	166	107
Poland	84	103
Spain	61	50
Other Europe	(5)	(4)
International	34	38
<b>TOTAL</b>	<b>1,185</b>	<b>1,122</b>

- **UK:**
  - With profit: driven by reducing terminal bonuses
  - Non profit: higher surplus on existing business
- **Netherlands:** improvement as a result of bond yields and investment returns
- **Spain and Italy:** improved investment returns

# Excellent general insurance results

General insurance results up 47%



# General insurance business delivering in an increasingly competitive environment

	2004 £m	2003 £m
UK	832	676
France	32	35
Ireland	153	91
Netherlands	71	35
Canada	152	12
Other countries	86	62
<b>TOTAL</b>	<b>1,326</b>	<b>911</b>

- UK:
  - Personal lines increase of up to 2%
  - SME and commercial lines increase on average between 4% and 7%
  - Expense ratio of 10.0%
- Ireland: Increasing capacity and changing regulations
- Netherlands: focus on expense savings and more disciplined underwriting: ABN AMRO COR 90%
- Canada: commercial market softening with increased focus on risk selection

# Strong results across all major businesses

	2004 £m	2003 £m	
Life EEV operating profit	1,611	1,496	Includes provision for vacant owner occupied properties of £40 million
Health	58	61	
Fund management	23	(4)	
General insurance	1,326	911	
<b>Non-insurance operations</b>	<b>(31)</b>	<b>8</b>	Includes GFTP costs of £85 million
<b>Corporate costs</b>	<b>(178)</b>	<b>(160)</b>	
<b>Unallocated interest</b>	<b>(465)</b>	<b>(406)</b>	Includes full year costs of sub debt issued in Sept 2003 of £95 million
<b>Operating profit (1)</b>	<b>2,344</b>	<b>1,906</b>	
<b>Operating profit : MSSB</b>	<b>1,861</b>	<b>1,490</b>	
<b>ROCE</b>	<b>14.4%</b>	<b>13.1%</b>	
<b>NAV (2)</b>	<b>532p</b>	<b>484p</b>	

(1) Stated before amortisation of goodwill and exceptional items

(2) On an EEV basis after adding back equalisation provision

† On a constant currency basis

All operating profit is from continuing operations

# Working from a position of capital strength

	Estimated 31 December 2004	31 December 2003
Total capital employed in business operations	£19.3bn	£17.8bn
Shareholders' funds on an EEV basis	£14.1bn	£11.7bn
EU Directive Group solvency*	£3.6bn excess	£2.4bn excess

\* Excludes strength of UK and Irish life funds. This measure represents excess of solvency assets, after deducting AVIF and goodwill, over aggregate minimum solvency requirements imposed by local regulators and the test is passed with an €1 excess.

# A business model that is self-financing

	2004 £m	2003 £m
New business strain	(520)	(581)
Life inforce profits	848	1,111
Non life profits after interest costs	<u>572</u>	<u>305</u>
Normalised operating profits after tax	<u>900</u>	<u>835</u>
Dividend including preference shares and DCI appropriation	(598)	(562)
Benefit from scrip dividend in H1 2004	<u>100</u>	<u>-</u>
Normalised profits post tax retained to fund growth	<u><u>402</u></u>	<u><u>273</u></u>

The capital requirements on a realistic basis amounted to £143 million (2003: £246 million)

**Potential to write further 50% of new business  
based on current business mix**



# Change in internal debt

	£m
Internal debt as previously reported – 31 December 2003	3,083
Reclassification for net tangible assets	(1,470)
Net internal debt - 31 December 2003	<u>1,613</u>
Net internal debt - 31 December 2004	987

# Aviva: a thriving business

- Strong growth in profits
  - New business contribution +11%
  - COR improved to 96.7%
  - Operating efficiency
- Brighter outlook for long-term savings
- Strong and sustainable outlook for general insurance
- Healthy dividend growth and cover

**Aviva is financially fit and strongly positioned for profitable growth**

# **31 December 2004 results**

## **Questions and answers**



**AVIVA**