

Sustainable Growth



The Composite Model:

- Flexibility
- Strength
- Resilience
- Balance

2005 Preliminary Results
2 March 2006



Agenda

- Introduction
- Financial review
- Review of the business
- Questions & Answers

Richard Harvey
Group Chief Executive

Andrew Moss
Group Finance Director

Richard Harvey

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Significant growth across the portfolio

Operating profit (EEV basis)	£2,904m	+29%
Operating profit (IFRS)	£2,128m	+25%
Long term savings sales (PVNBP)	£24.6bn	+10%
New business contribution	£808m	+14%
General insurance COR	95%	(2004: 97%)
Total dividend per share	27.27p	+7.5%
ROCE	15.0%	(2004: 13.7%)
NAV per share	622p	(2004: 511p)

Andrew Moss
Group Finance Director



Financial review

2005 Operational performance
Cash and capital generation

Strong operational performance across all businesses

	<u>2005</u>	<u>2004</u>	<u>Growth †</u>
	£m	£m	%
Life EEV operating return	1,814	1,611	11
General insurance and health	1,551	1,259	22
Fund management	51	20	155
Non-insurance operations	60	(41)	
Corporate costs	(136)	(188)	
Unallocated interest	(436)	(437)	
Operating profit: EEV basis ⁽¹⁾	<u>2,904</u>	<u>2,224</u>	<u>29</u>
Operating profit: IFRS basis	2,128	1,669	25
EPS: IFRS basis	60.5p	54.1p	
ROCE	15.0%	13.7%	

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

† On a constant currency basis

All operating profit is from continuing operations

Long term savings: excellent international growth and robust UK sales

2005

Sales ⁽¹⁾ Growth ⁽²⁾
£m %

Life and pensions 13,193 14

Investments 1,239 56

Aviva International 14,432 16

Life and pensions 9,053 (1)

Investments 1,160 35

Aviva UK 10,213 2

Life and pensions 22,246 7

Investments 2,399 45

Aviva Group 24,645 10

- International:
 - 59% of total Group sales;
 - Bancassurance channel sales of £5.5bn, up 23%, in France, Italy, Spain and the Netherlands
- UK:
 - Fourth quarter sales highest of the year, 7% up;
 - RBSG total sales highest ever at £0.7bn, up 39%

(1) On a PVNBP basis and equal to single premiums plus the present value of regular premiums

(2) On a constant currency basis

Life: new business contribution up 18% with higher margins from key businesses

	New business contribution ⁽¹⁾		New business margin ⁽¹⁾	
	2005 £m	2004 £m	2005 %	2004 %
Aviva UK	213	215	2.4	2.3
France	91	54	2.6	1.9
Ireland	13	16	2.0	2.9
Italy	36	34	1.6	1.9
Netherlands	57	43	2.4	2.0
Spain	155	121	7.7	5.7
Other countries	47	33	2.1	1.6
Aviva International	399	301	3.0	2.6
Total	612	516	2.8	2.5

New business IRR for the Group of 12.5% (2004: 12.3%)

⁽¹⁾ Post effect of required capital, pre tax and minorities

Life: new business increasing shareholder returns

	New business contribution		Margin	
	2005 £m	2004 £m	2005 %	2004 %
Net to shareholders ⁽¹⁾	<u>341</u>	<u>297</u>	<u>1.8</u>	<u>1.6</u>

Analysed as:

Aviva UK	149	150	1.6	1.6
Aviva International	192	147	1.9	1.6

Bancassurance	93	74	2.9	2.7
Non bancassurance	248	223	1.6	1.5

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

Life: EEV operating return boosted by high new business and in force profits

	<u>2005</u>	<u>2004</u>	
	£m	£m	
Aviva UK	585	551	<ul style="list-style-type: none"> • Post required capital new business contribution up £96m to £612m • Higher returns on opening embedded value at start of 2005 up £107m to £1,224m (2004: £1,117m) • Operating assumptions and experience variances of negative £22m
France	321	286	
Ireland	20	40	
Italy	96	79	
Netherlands	318	277	
Poland	128	93	
Spain	214	180	
Other countries	132	105	
Aviva International	1,229	1,060	
Total	<u>1,814</u>	<u>1,611</u>	
Group's share of operating profit	<u>1,598</u>	<u>1,425</u>	

Life: benefiting from a diversified portfolio

	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>
	£m	£m	£m	£m
	UK	International	Total	Total
New business contribution post cost of capital	213	399	612	516
Expected returns	522	702	1,224	1,117
Experience variances	(93)	54	(39)	(15)
Operating assumption changes	(57)	74	17	(7)
TOTAL	<u>585</u>	<u>1,229</u>	<u>1,814</u>	<u>1,611</u>

- In total, £22m of negative experience and operating assumption variances, (2004: £22m adverse), analysed as:
 - Aviva UK £150m adverse (2004: £139m adverse);
 - Aviva International £128m favourable (2004: £117m favourable)

Life: IFRS profits - businesses generating capital and cash

	<u>2005</u>	<u>2004</u>
	£m	£m
Aviva UK		
With profit	99	97
Non profit	285	256
France	258	213
Ireland	28	31
Italy	53	49
Netherlands	168	214
Poland	91	80
Spain	89	72
Other countries	(6)	104
Aviva International	681	763
Total	<u>1,065</u>	<u>1,116</u>

- UK:
 - With profit: bonus improvements
 - Non profit: strong annuity and equity release profits
- France: Inclusion of Crédit du Nord joint venture
- Netherlands: Impact of interest rate falls on guarantees
- Spain: Improved profitability of protection business
- Other countries: US and Asian gains in 2004 not repeated in 2005 and one off impact of new valuation basis affecting Asian business

General insurance and health: outstanding profits, up 22%

	<u>2005</u>	<u>2004</u>
	£m	£m
Underwriting result	505	271
LTIR	<u>1,046</u>	<u>988</u>
Operating profit	<u>1,551</u>	<u>1,259</u>

Analysed as:

Aviva UK	974	797
France	35	33
Ireland	171	135
Netherlands	137	88
Canada	147	133
Other countries	87	73
Aviva International	577	462

- UK:
 - Operating profits improved by 22% to £974m;
 - Efficiency focus with expense ratio of 10.9% including RAC;
 - Personal motor and homeowner rates up 4% and 6%, respectively;
 - RAC integration nearing completion

- International:
 - Operating profits up 21% to £577m;
 - Reduced motor claims frequency in the Netherlands;
 - Falling average motor claims cost outpacing rating reductions in Ireland;
 - Disciplined underwriting in Canada. Lower premium rates due to legislative motor reforms matched by lower claims costs

General insurance: RAC delivered a good performance in the year

	RAC trading for the year ended 31 December		Post acquisition amounts included in results
	2005 £m	2004 £m	8 months 31 December 2005 £m
Turnover			
Insurance	304	288	209
Non-insurance	838	908	523
	<u>1,142</u>	<u>1,196</u>	<u>732</u>
Operating profit			
Insurance	42	37	29
Non-insurance	44	43	30
	<u>86</u>	<u>80</u>	<u>59</u>

Note: 2005 operating profit includes one-off investment in RAC Auto Windscreens of £8m.

Fund management: profit growth of 130%

	<u>2005</u> £m	<u>2004</u> £m	
Morley (UK and international)	49	18	<ul style="list-style-type: none"> • Morley: Achieving scale and managing costs
Other UK	8	(2)	
France	26	15	<ul style="list-style-type: none"> • France: Strongly performing equity markets and new business inflows
Other countries	9	9	
Total IFRS profit	<u>92</u>	<u>40</u>	<ul style="list-style-type: none"> • Worldwide sales of £2,399m up 45%
Funds under management (£bn)	<u>317</u>	<u>280</u>	

Strong operational performance across all businesses

	2005	2004	
	£m	£m	
Life EEV operating return	1,814	1,611	Includes, RAC of £30m, improved Dutch banking performance and non recurrence of £40m vacant property provision
General insurance and health	1,551	1,259	
Fund management	51	20	
Non-insurance operations	60	(41)	
Corporate costs	(136)	(188)	
Unallocated interest	(436)	(437)	Includes final GFTP costs of £28m (2004: £85m)
Operating profit: EEV basis ⁽¹⁾	2,904	2,224	
Operating profit: IFRS basis	2,128	1,669	
EPS: IFRS basis	60.5p	54.1p	
ROCE	15.0%	13.7%	

(1) Stated before amortisation of other intangibles, impairment of goodwill and exceptional items
All operating profit is from continuing operations

Capital generation: consistently strong operational capital generation, net of financing

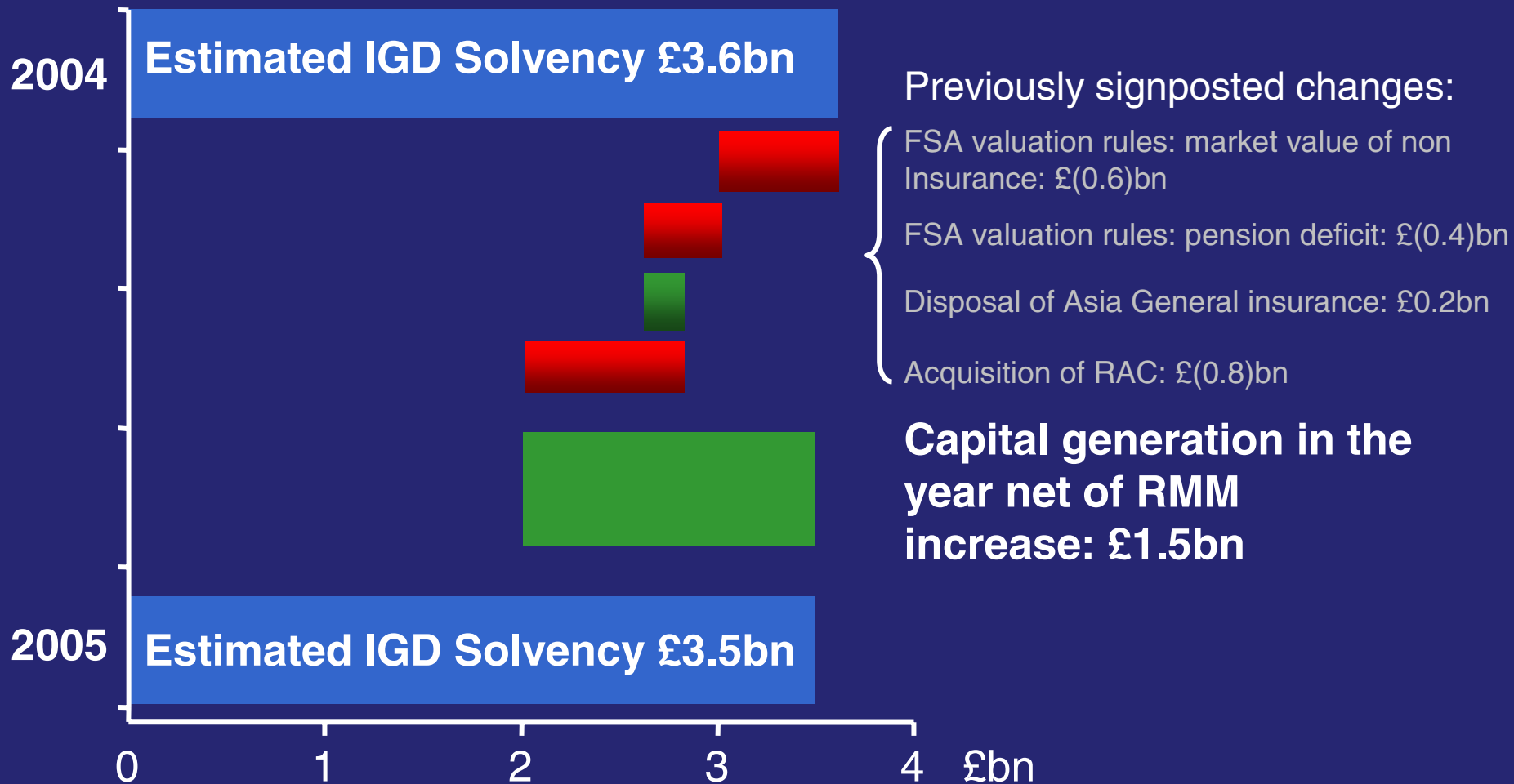
	<u>2005</u>	<u>2004</u>
	£m	£m
New business strain	(536)	(520)
Life inforce profits	1,250	848
Non life profits after interest costs ⁽¹⁾	729	486
Normalised operating profits after tax	<u>1,443</u>	<u>814</u>
Dividend including preference shares and DCI	(710)	(598)
Benefit from scrip dividend ⁽²⁾	100	103
Normalised profits post tax retained to fund growth	<u>833</u>	<u>319</u>

The increase in the capital requirements on a realistic basis is £278m

(1) 2004 restated for IFRS

(2) 2004 adjusted for actual take up

Capital strength: strong solvency cover on EU groups directive basis



1.8 times cover at 31 December 2005

Dividend: greater flexibility

- Until now:
 - Grow the dividend by 5% per annum following the dividend cut in 2002
- Gave a high degree of certainty to our shareholders regarding future dividend growth
- However, the Board now believes that the 5% growth target has become too rigid a constraint
- Our policy will be to increase the dividend on a basis judged prudent using a dividend cover in the 1.5 – 2.0 times range as a guide, while retaining capital to support future business growth

Benefits to shareholders

Group pension schemes: proposed funding

- Gross of tax payments of £700m:
 - £500m into Aviva scheme;
 - £200m into RAC scheme (of which £160m was paid in 2005)
- The remaining payment to be spread over the next two years
- Funding to be made from own internal resources
- The Group's financial flexibility will not be materially impacted

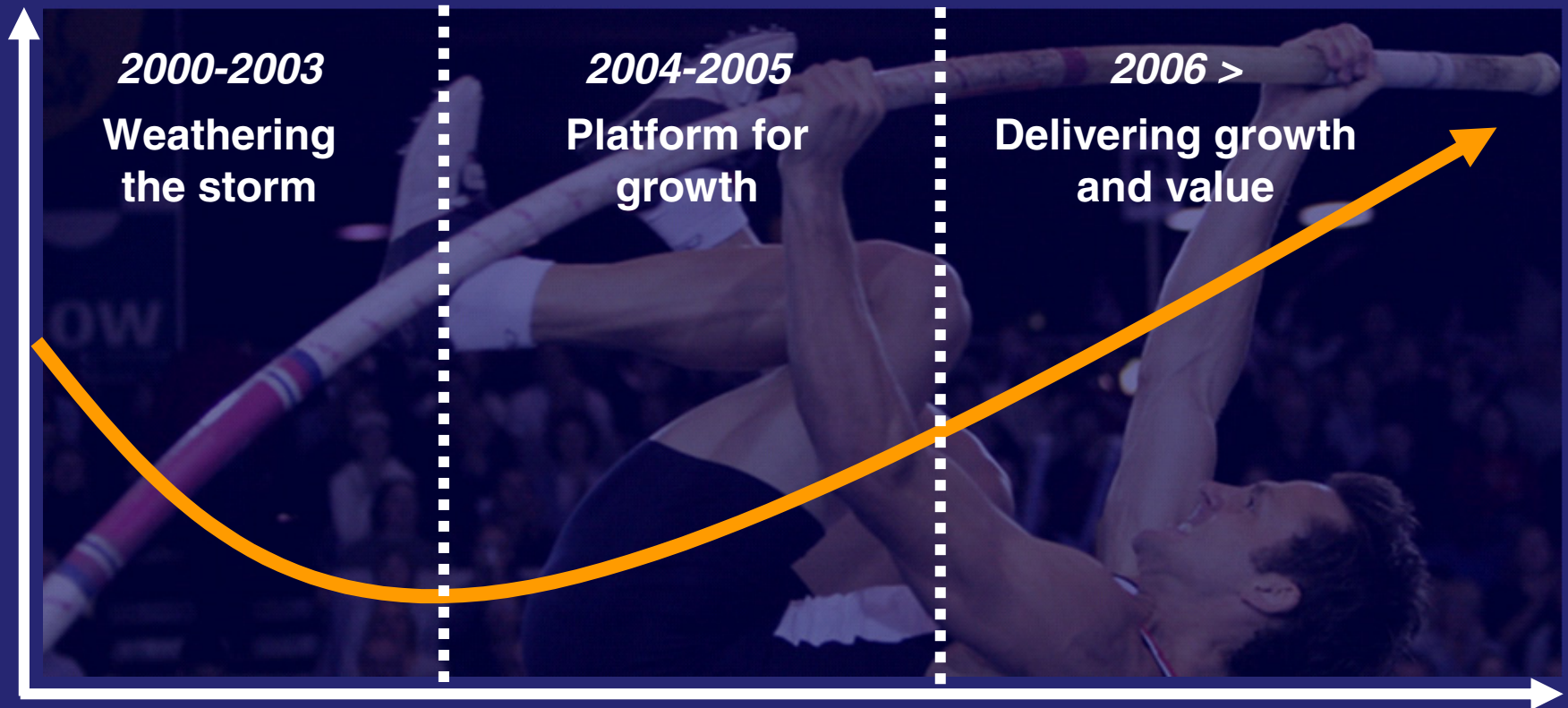
Benefits to past and present employees

Richard Harvey
Group Chief Executive



Review of the business

Foundation for sustainable growth

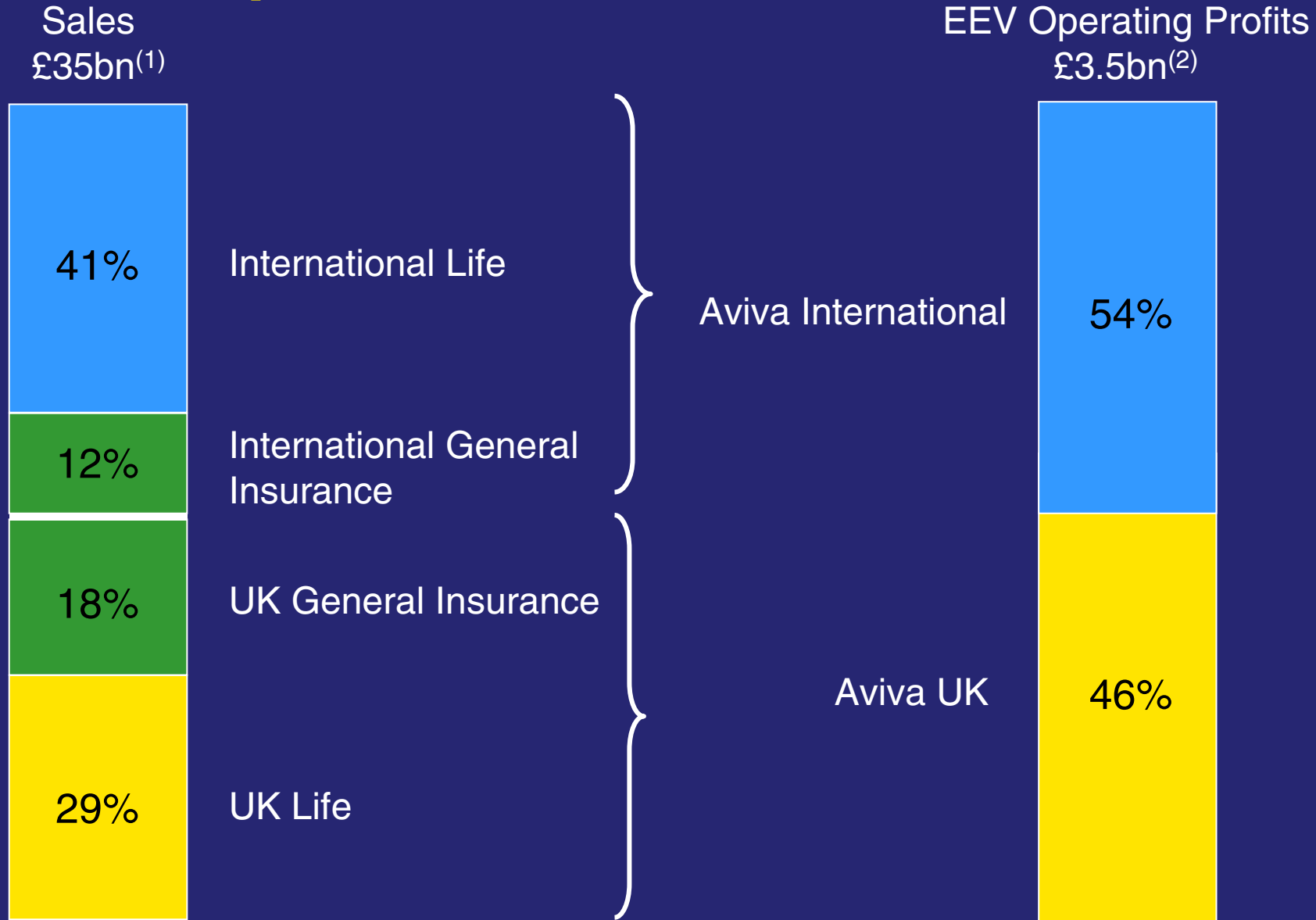


- Cost reduction
- Operational excellence
- Bancassurance development
- Major disposal programme
- Asia LTS entry

- Capital structure
- Expansion of bancassurance model
- China / India acceleration
- Russian office
- Sustainable GI profits
- RAC acquisition

- Continued international growth in mature and new markets
- Leverage bancassurance advantages
- Further growth from GI / RAC
- Driving excellence in UK Life

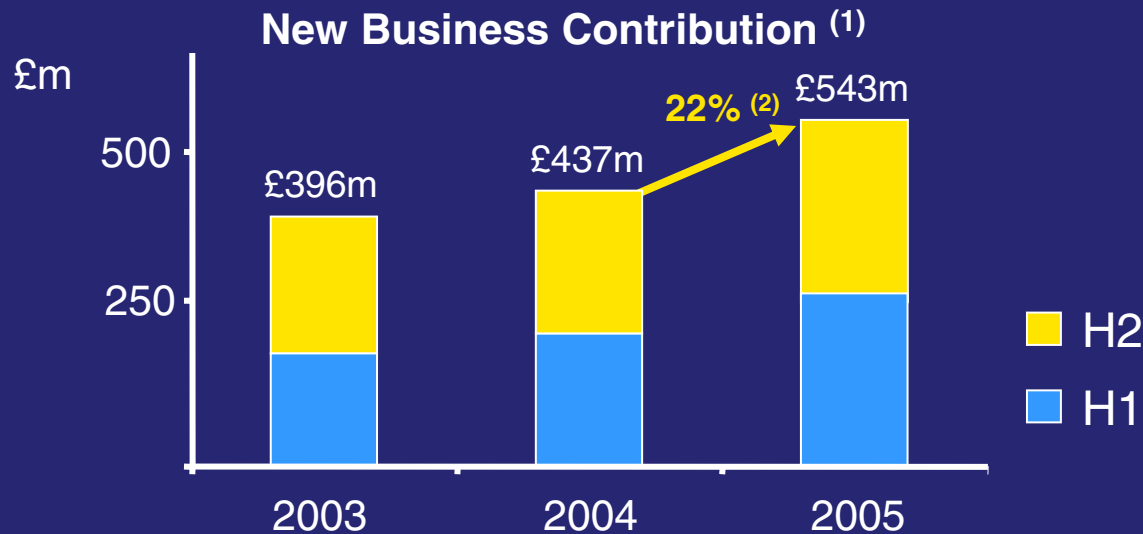
The Aviva portfolio



(1) 2005 total long-term savings new business sales and GI and health new business premiums

(2) Excluding Corporate Costs and Unallocated Interest Charges

International life: delivering growth



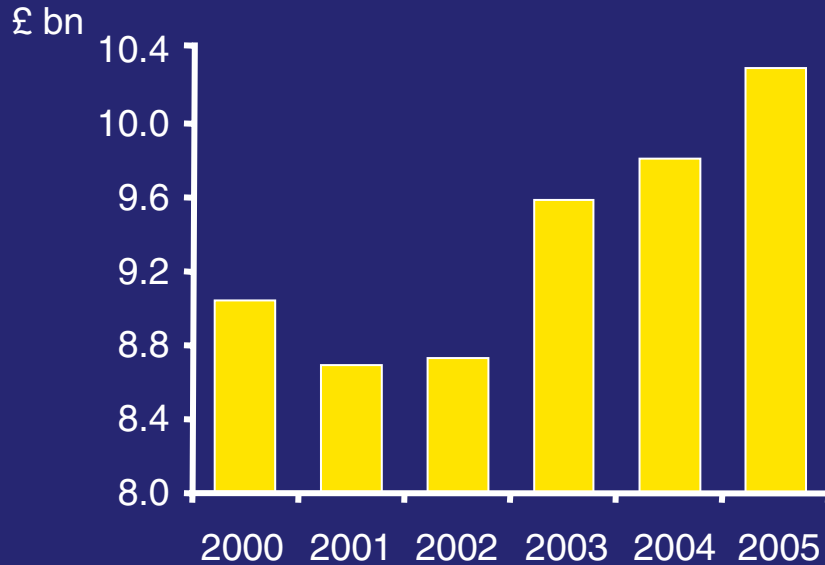
- Building strongly placed businesses using multiple distribution channels
- Continuing bancassurance development in Europe & Asia
- Emerging market growth: China, India, Russia
- Strong growth in USA
- Investor Day – 1 June 2006, Amsterdam

(1) Before Required Capital

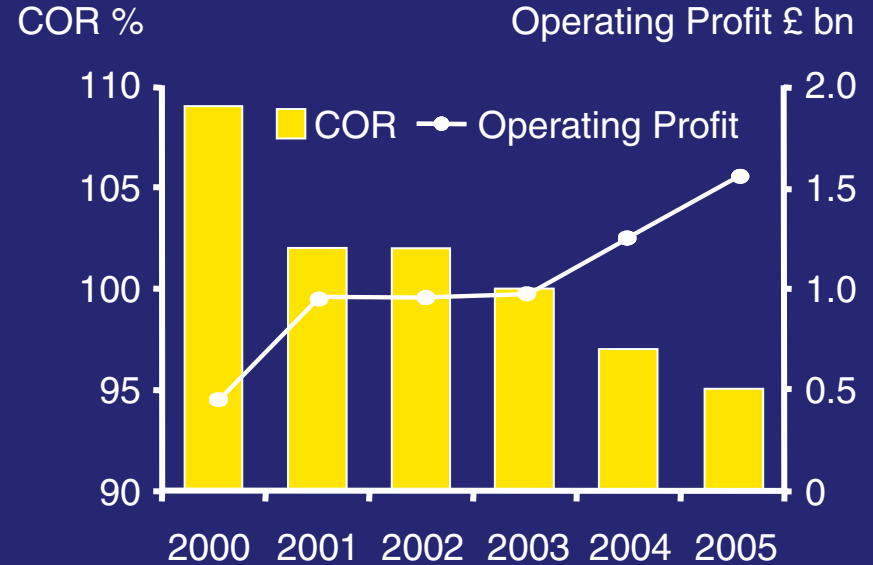
(2) At constant rates of exchange

General insurance: sustainable results

Growing premium income ...

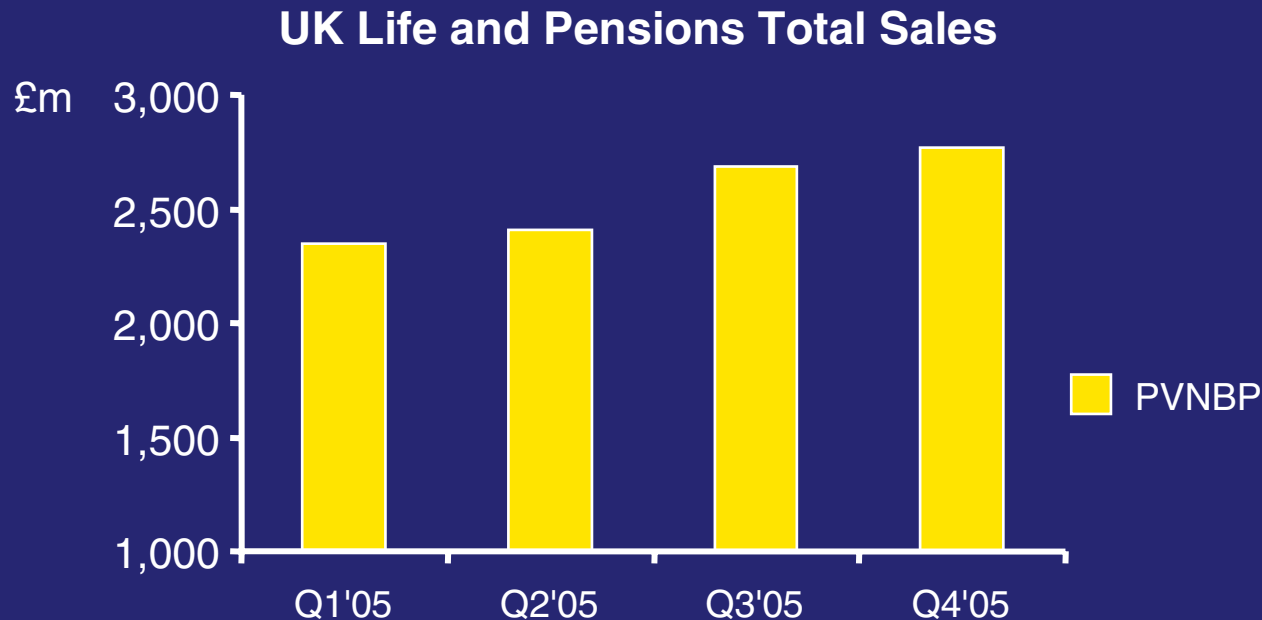


... whilst increasing profitability



- Increase e-business to deliver service improvements and cost efficiencies
- Install 100,000 PAYD devices by end 2006
- Canada to implement UK claims procurement process
- RAC
 - Deliver £100m of cost savings from RAC acquisition in 2006
 - Grow RAC Rescue
 - Build on the successful launch of RAC Insurance

UK life: building momentum



- Strong sales growth in the second half of the year
- Strong product development programme
- Continued improvements in service and efficiency
- 39% growth in RBSG bancassurance joint venture

Effective Capital Management

- Self financing composite model
- Effective Aviva debt structure
 - Use of hybrid debt
- Capital efficiency in writing new business
 - Product development and pricing
 - Reinsurance
 - In force book
- Investment in new business
 - Bancassurance
 - Emerging markets
 - Operating efficiency
 - RAC

Sustainable growth

- Increasing profit
- Increasing dividend
- Growth opportunities both in the UK and Internationally

Questions and Discussion



The Composite Model:

- Flexibility
- Strength
- Resilience
- Balance

Sustainable Growth



Appendix

Movement in net asset value per share

	Reported pence
As at 31 December 2004	511
Deduct: 2004 final and 2005 interim dividends	(27)
	<hr/>
	484
Operating profit for the year	75
Investment variances	70
Foreign exchange, pension deficit and other movements	(11)
	<hr/>
	134
Effect of issuing equity share capital	4
	<hr/>
As at 31 December 2005	<hr/> 622 <hr/>

Life: Aviva UK EEV operating return

	<u>2005</u>	<u>2004</u>
	£m	£m
New business contribution post cost of capital	213	215
Expected returns	522	475
Experience variances	(93)	(81)
Operating assumption changes	(57)	(58)
TOTAL	<u>585</u>	<u>551</u>

Includes:

- Exceptional expenses of £148m
- Positive mortality profits of £86m
- Adverse lapse experience of £78m
- Positive default experience on corporate bonds and commercial mortgages of £19m

Includes:

- Provision of £130m due to strengthened lapse assumptions
- Positive assumption change of £110m due to reduction of annuitant required capital to 150%
- Adverse maintenance expense assumption of £21m

Group pension schemes

Movements in the pension schemes deficits in 2005:

	UK	International	Group
	£m	£m	£m
1 January 2005	(742)	(151)	(893)
Employer contributions	345	38	383
Charge to income	(78)	(20)	(98)
Actuarial (losses)/gains ⁽¹⁾	(583)	36	(547)
Acquisitions	(313)	NA	(313)
Exchange rate movement on foreign plans	-	(3)	(3)
31 December 2005	(1,371)	(100)	(1,471)

- RAC
 - Deficit as at 4 May 2005, the date of acquisition;
 - £160 million of the deficit funded during 2005
- Employers' contribution rate for UK defined benefit scheme increased from 29% during 2005 to 35% of pensionable salaries from 2006
- Scheme assets have benefited from increases in market value of equities and bonds, offset by falls in long term bond yields on which the liability valuation basis is measured

(1) Taken to statement of recognised income and expenses