

24 April 2003

Aviva plc
Worldwide long-term savings new business
Three months to 31 March 2003

- **Worldwide long-term new business sales of £3.8 billion (2002: £3.6 billion)**
- **Worldwide life and pensions sales of £601 million (2002: £598 million) on an APE* basis**
- **A resilient result in challenging markets demonstrating the benefits of diverse distribution and broad product range**
- **Worldwide total bancassurance sales up 60% at £919 million (2002: £540 million)**
- **Continental European life and pensions sales up 23% on an APE* basis and now represent 51% of worldwide life and pensions new business sales**
- **Worldwide new business contribution at £142 million (2002: £137 million), with new business margin of 23.6% (full year 2002: 24.4%)**

* 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 resilient performance despite ongoing turmoil in international equity markets. The development of our distribution capability across Europe and our broad product range have offset the contraction in demand for equity-linked savings products. We expect challenging market conditions will persist for the remainder of this year however we are confident that our business model can deliver some resilience through these tough times.

“We are taking action to protect profitability through cost control and re-pricing actions and this will remain a focus throughout 2003.”

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There will be a conference call today for wire services at 7:45am on +44 (0)20 7162 0183. 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 7162 0179. This conference call will be hosted by Philip Scott, Group Executive Director.

Replay will be available for two weeks until 8 May. The dial in number for replay is +44 (0)20 8288 4459 and the pass code is 459112.

	Total new business sales		Annual premium equivalent sales ⁽²⁾		New business contribution ⁽³⁾	
	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾
Life and pensions						
United Kingdom	1,506	(17%)	263	(22%)	58	(27%)
France	514	(3%)	61	(3%)	19	6%
Ireland	68	(48%)	21	(41%)	6	(39%)
Italy	415	62%	61	97%	14	89%
Netherlands (including Belgium and Luxembourg)	223	14%	45	18%	8	30%
Poland	22	29%	14	8%	1	(66%)
Spain	480	139%	69	94%	28	79%
Other Europe	73	1%	23	(2%)	(2)	(24%)
Continental Europe	1,795	28%	294	23%	74	30%
International	247	20%	44	21%	10	133%
Total life and pensions	3,548	4%	601	(2%)	142	1%
Investment sales						
United Kingdom	133	(8%)	15	-		
Netherlands	38	10%	4	11%		
Poland	8	-	1	-		
Other Europe	11	(57%)	1	(57%)		
Continental Europe	57	(5%)	6	(1%)		
International	13	(88%)	1	(88%)		
Total investment sales	203	(35%)	22	(30%)		
Total long-term savings	3,751	-	623	(4%)		
Navigator sales (not included above)	139	(38%)	-	-		

(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:

Our UK life business has maintained its overall share of the UK life market at around 12% and delivered a solid performance against a backdrop of continuing equity market volatility and an uncertain economic outlook. Total new business sales for life and pensions business were £263 million (2002: £339 million) on an Annual Premium Equivalent (APE) basis. Sales are in line with expectations and showed resilience relative to the third and fourth quarters of 2002.

Total sales through our joint venture with the Royal Bank of Scotland Group (RBSG) were £214 million (2002: £216 million), including the first collective investment sales from February 2003. Early sales of these investment products have been encouraging, with our 50% share totalling £21 million (2002: £nil). Our share of total life and pension sales from the joint venture was £122 million (2002: £108 million). This comprised £72 million, being 100% of single premium with-profit bond sales written through Norwich Union, and £50 million, being our 50% share of other life and pension sales, written through the joint venture company.

Our annuity products continued to perform strongly with sales up 50% to £305 million (2002: £204 million). Sales also benefited from the demand for guaranteed income products in weak equity markets and our competitive position in the market place.

Total group pension sales increased 17% to £260 million (2002: £222 million), affirming our focus on the larger group and corporate schemes sector. Sales of individual pensions were £443 million (2002: £603 million), including total stakeholder sales of £190 million.

Total bond and savings sales were 40% lower overall at £427 million (2002: £709 million), reflecting the poor investment climate which severely impacted sales of traditional investment bonds, particularly with-profit products. Sales of structured bonds, which offer a degree of capital and income protection, began to gather momentum.

New business contribution was £58 million (2002: £79 million) which reflects the change in business mix with a lower proportion of bond sales and a higher proportion of lower margin pension sales and the impact of the change in economic assumptions at the end of 2002. The first quarter margin was 22.0% (full year 2002: 23.6%).

We have announced our commitment to reduce unit costs in our UK life business and have taken action to strengthen our position in the face of continuing tough trading conditions, by changing product structures and aligning costs to revenues. We remain confident of continuing to deliver resilient results in the coming quarter. We are well positioned to meet the challenges presented by current market conditions, and the changing regulatory and social environments to which life and pensions providers are adapting in the UK.

The granting of waivers by the Financial Services Authority (FSA) for our three main with-profit funds is a step towards an assessment of financial strength on a realistic basis. The waivers have the effect of protecting the solvency of the funds from downside movements in equity markets, by giving us the ability to take a more realistic view of liabilities in the with-profit funds. This, in turn, means that we can have greater freedom in our investment strategy. Standard & Poors have recently reaffirmed the financial strength rating of AA ('very strong') with a stable outlook in respect of the UK Life business.

France:

Aviva France reported total sales of £514 million (2002: £485 million). Sales of single premium AFER products were 1% higher at £311 million (2002: £279 million), reflecting customers' continuing preference for fixed interest investments. Aviva France continues to benefit from the strength of AFER's brand and its position as the largest savings organisation in France.

Unit-linked and other savings products showed an increase in sales, up 5% at £188 million (2002: £163 million), reversing the trend experienced through 2002. Sales of traditional unit-linked products, where returns are directly linked to equity market performance, were lower due to continuing customer caution; however this was offset by encouraging sales of a new series of limited offer unit-linked products launched in early 2003. These new products offer customers a guaranteed return in their first year and revert to a non-guaranteed return in future years. Additional products offering guarantees are planned for launch in the second quarter of 2003.

New business contribution was £19 million (2002: £17 million), with a margin of 31.0% (full year 2002: 30.9%).

Following the completion of our agreement with Médéric in 2002, we no longer write group protection business. Total sales from this business were £123 million for 2002, including sales of £29 million in the first quarter of 2002. Sales of a range of individual life products through our new agreement with Médéric are expected to commence later in 2003.

Ireland:

Hibernian Life & Pensions, our top five provider of life and pensions products, reported lower total sales of £68 million (2002: £116 million) in line with market trends. New business sales were £21 million (2002: £31 million) on an APE basis, reflecting difficult market conditions and non-recurring first quarter 2002 sales of £8 million on an APE basis of the government's Special Savings Incentive Account (SSIA).

We maintained our focus on pensions business, with sales benefiting from the demand for executive and group pension products, offset by lower demand for personal pension products, where uncertainty remained ahead of the introduction of the Government's new pension initiative, the Personal Retirement Savings Account (PRSA). New single premium pension sales were £33 million (2002: £32 million) and new regular premium pension sales were £12 million (2002: £12 million).

Our PRSA individual pension offering was launched on 11 April 2003 and we are well placed to be a significant provider of this product leveraging on our strong position in the Irish pensions market, our strong brand and robust investment performance.

Life single premium sales were lower at £19 million (2002: £62 million) in a challenging market, reflecting investors' caution towards unit-linked and with-profit bond investments. Although sales of protection business were encouraging, sales of regular premium life products were lower at £4 million (2002: £10 million), impacted by the strong SSIA sales in the first quarter of 2002. New business contribution was £6 million (2002: £9 million) with a margin of 28.3% (full year 2002: 28.2%).

Italy:

Total new sales in Italy grew strongly by 62% to £415 million (2002: £234 million), reflecting the continuing development of our bancassurance partnerships and including one-off single premium sales of £116 million sold by our direct business.

Sales through our agreement with UniCredito Italiano (UCI) increased to £229 million (2002: £167 million). The reorganisation of UCI's branch network is almost complete and the strong sales this quarter reflect the increased strength of the reorganised network.

Total sales from the Banca Popolare di Lodi Group were lower at £34 million (2002: £42 million). Sales through Banca delle Marche sustained the momentum established in the last quarter of 2002, with total sales up by 138% to £19 million (2002: £7 million).

Sales through our new agreement with Banca Popolare Commercio e Industria commenced this quarter and produced encouraging sales of £11 million (2002: £nil). The product range will be increased in the coming months to develop this new distribution capability.

New business contribution amounted to £14 million (2002: £7 million) with a margin of 22.8% (full year 2002: 24.9%).

Netherlands (including Belgium and Luxembourg):

Delta Lloyd, our top-five life and pensions business in the Netherlands, reported an increase of 14% in total sales to £261 million (2002: £209 million).

Total pension and annuities sales were £123 million (2002: £119 million), reflecting a continuing focus on group pension sales. Group pension business increased significantly as a result of the transfer of three new group pension schemes to Delta Lloyd. Total single premium annuity sales were lower than the prior year, although these sales continued to flow through OHRA, our direct channel, reflecting the successful retention of maturing monies on pension contracts.

Sales of single premium life products were £90 million (2002: £50 million), with the benefit of increasing sales through Nagelmackers in Belgium as this channel continues to develop and sales build momentum. Investment sales increased 10% to £38 million (2002: £31 million) reflecting demand for the new investment fund product with guaranteed returns, which was launched in the Netherlands at the end of the third quarter of 2002. New business contribution amounted to £8 million (2002: £6 million) with margins of 17.9% (full year 2002: 13.3%).

Our new bancassurance agreement with ABN AMRO is expected to complete shortly. Once completed, under the terms of this agreement, Aviva will benefit from new business sales through this channel effective from 1 January 2003. Although not included in our first quarter new business results, total sales through ABN AMRO for the quarter amounted to £83 million and to £18 million on an APE basis.

Poland:

CU Polska remains the leading provider of individual life and private pensions with an 18% share of the life market measured by total premium income and a 29% share of the private pensions market measured by total assets under management.

Pension sales increased to £13 million (2002: £7 million) following publicity in the quarter from the State Agency, which stimulated sales to members of the workforce without a chosen pensions provider.

New life premiums were lower at £9 million (2002: £11 million), reflecting continuing difficult economic conditions. Mutual fund business, launched in the second quarter of 2002, achieved sales of £8 million (2002: £nil).

Spain:

In Spain, total new business premiums increased strongly by 139% to £480 million (2002: £182 million) following further growth in our developing bancassurance partnerships and including one-off sales of £36 million. In Spain, Aviva is now the second-largest bancassurer on the basis of gross written premiums.

Total new business sales through Bancaja increased by 129% to £304 million (2002: £121 million), benefiting from a particularly high level of demand for traditional savings products. The guaranteed minimum returns available on these products proved particularly popular against the background of falling market interest rates and low confidence in equity markets. It is not, however, expected that the exceptional sales volumes in the first quarter of 2003, will be repeated through the course of the year.

Our more recent agreements also achieved strong growth. New business sales were £46 million (2002: £10 million) through Unicaja, £34 million (2002: £6 million) through Caixa Galicia, and £83 million (2002: £31 million) through Caja Espana. These included one-off single premium pension sales of £14 million from Unicaja and £22 million from Caixa Galicia, which were primarily corporate pensions business.

Development work is progressing according to plan with Caja de Granada, our most recent bancassurance partnership, with sales expected to commence from mid-2003.

New business contribution was higher at £28 million (2002: £14 million) with a margin of 40.8% (full year 2002: 45.9%) which reflects the significant volume of lower than average margin sales in the quarter.

Other Europe:

Total life and pension sales in these businesses were slightly higher at £73 million (2002: £67 million), including single premiums of £56 million (2002: £50 million).

In Germany, total new business premiums were higher at £43 million (2002: £30 million), driven primarily by a special offer on a savings product in the first quarter. Single premium sales from our Dublin-based offshore life and savings business were £17 million (2002: £23 million) while in Luxembourg UCITS sales were £11 million (2002: £24 million) reflecting difficult investment market conditions. In Turkey total new business premiums were £6 million (2002: £5 million), despite the difficult economic and political conditions.

International:

In our International business, total sales were £260 million (2002: £328 million), with life and pension sales increasing 20% to £247 million (2002: £221 million).

United States: Total life and pension sales increased to £190 million (2002: £110 million), although they had slowed in comparison to strong sales in the discrete fourth quarter of 2002. We expect this trend will continue through the rest of 2003. Single premium sales were £179 million (2002: £100 million) with regular premium sales of £11 million (2002: £10 million).

Australia: Trading conditions remain difficult in Australia and as a result, total life and pension sales were lower at £41 million (2002: £62 million) and sales of unit trusts were significantly lower at £13 million (2002: £107 million) following a particularly strong first quarter in 2002 and the reluctance of customers to invest in equity-related savings products. While not included in the new business figures, sales of Navigator, our market-leading master trust, were also impacted by market conditions and were lower at £139 million (2002: £219 million).

Singapore and Hong Kong: Our bancassurance partnership with DBS Group Holdings Limited (DBS) in Singapore generated total sales of £16 million (2002: £48 million). Sales were £5 million (2002: £7 million) on an APE basis reflecting our ongoing strategic shift towards higher margin regular premium business. Our partnership with DBS in Hong Kong is in its early stage of development following launch in the fourth quarter of 2002.

India: Our new partnership with Dabur Group in India, where we own 26% of the joint venture, was launched in June 2002 and has now sold over 15,000 policies, with contributions from our bancassurance partnerships including Canara Bank, India's second largest bank, and our direct sales force. We have launched two new products: a regular savings personal pension plan and a term assurance plan.

China: We launched our new joint-venture life business, Aviva COFCO, on 1 January 2003 and have now sold around 2,500 policies. The products comprise traditional regular premium risk and savings products as planned.

General Insurance operating performance

Trading update

Our worldwide general insurance operations had a strong start to 2003 benefiting from both a favourable rating environment and better than expected weather-related claims experience across our European businesses, particularly in the UK and Ireland.

Our businesses continue to achieve rating increases in both personal and commercial lines. In line with our expectations, competition in the UK personal lines and commercial motor market has kept annualised rating increases relatively low. By contrast double digit annualised rate increases continue to be achieved in both the UK commercial property and liability markets.

In our other general insurance businesses single digit rating actions continue with the exception of Canada where rating increases are averaging around 10% for personal lines and over 25% for commercial lines.

Canada general insurance

Following the integration of Pilot Insurance Company ("Pilot"), one of our general insurance subsidiaries in Canada, into Aviva's main Canadian operations and the application of the Group's financial disciplines to this business, we identified a shortfall in claims case reserves relating to prior years. Pilot operates solely in the province of Ontario, and produced less than 1% of Aviva's total insurance premiums in 2002. It was previously a subsidiary of and reported to the US general insurance business, which was sold by Aviva in 2001.

The impact of this shortfall on the Group is estimated at £70 million and comprises an increase of £32 million in respect of prior year case reserves and conservative additional provisions of £38 million to cover claims yet to be reported. The after-tax effect on the Group's net asset value as at 31 December 2002 amounts to £42 million or 0.4% of net assets at that date.

Outlook for 2003

Following the strong start to the year, and notwithstanding the impact of the prior year reserving shortfall in Pilot, our performance is consistent with our combined operating ratio target of 102%, or better, for the 2003 full year.

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 £28 billion for the year ended 31 December 2002, and assets under management of more than £200 billion at 31 December 2002.

2. All figures have been translated at average exchange rates applying for the period. The average rates employed in this announcement are 1 euro = £0.67 (three months to 31 March 2002: 1 euro = £0.61; year to 31 December 2002: 1 euro = £0.63) and £1 = Canada \$2.41 for the period to 31 March 2003.
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 2002 comparatives:

United Kingdom:

In line with Association of British Insurer (ABI) Guidance, commencing from the first quarter of 2003, Group Personal Pension Products (GPPP), including group stakeholder business, will be reclassified from group pension business to individual pension business. The impact of this reclassification on the 2002 comparatives is shown below.

Cumulative sales (£ million)								
	Q1 2002		Q2 2002		Q3 2002		Q4 2002	
	Single	Regular	Single	Regular	Single	Regular	Single	Regular
Originally reported								
Individual pensions	440	31	829	65	1,179	83	1,501	99
Group pensions	253	101	391	187	544	255	781	321
	693	132	1,220	252	1,723	338	2,282	420
After reclassification								
Individual pensions	495	108	929	205	1,316	266	1,685	327
Group pensions	198	24	291	47	407	72	597	93
	693	132	1,220	252	1,723	338	2,282	420

6. Pilot is one of five subsidiaries of Aviva's general insurance business in Canada. It operates solely in the province of Ontario, selling general insurance for individuals and small businesses through brokers. In 2002 Pilot had net written premiums of C\$546 million. Total net written premiums for Aviva's Canadian general insurance businesses in 2002 were C\$2,391 million.

7. Cautionary statements:

This preliminary 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 presentation or any other forward-looking statements we may make.

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Statistical Supplement

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Detailed worldwide long-term savings new business analysis

	Single			Regular			Total
	3 months to 31 March 2003 £m	3 months to 31 March 2002 £m	Local currency growth	3 months to 31 March 2003 £m	3 months to 31 March 2002 £m	Local currency growth	Local currency growth
United Kingdom							
Individual pensions	383	495	(23%)	60	108	(44%)	(27%)
Group pensions	232	198	17%	28	24	17%	17%
Mortgage	-	-	-	13	15	(13%)	(13%)
Annuities	305	204	50%	-	-	-	50%
Bonds	427	709	(40%)	-	-	-	(40%)
Other life	34	37	(8%)	24	28	(14%)	(11%)
Total life and pensions	1,381	1,643	(16%)	125	175	(29%)	(17%)
Peps/Isas/Unit Trusts/Oeics	131	145	(10%)	2	-	-	(8%)
	1,512	1,788	(15%)	127	175	(27%)	(17%)
France							
AFER (excluding unit-linked)	311	279	1%	-	-	-	1%
Unit-linked & other savings	182	157	5%	6	6	(10%)	5%
Protection business	10	39	(76%)	5	4	28%	(67%)
	503	475	(4%)	11	10	2%	(3%)
Ireland							
Life and savings	19	62	(72%)	4	10	(69%)	(72%)
Pensions	33	32	(7%)	12	12	(10%)	(8%)
	52	94	(50%)	16	22	(37%)	(48%)
Italy							
Life and savings	393	228	57%	22	6	255%	62%
	393	228	57%	22	6	255%	62%
Netherlands (including Belgium & Luxembourg)							
Life	90	50	65%	10	9	2%	55%
Pensions and annuities	108	109	(10%)	15	10	38%	(6%)
Total life and pensions	198	159	13%	25	19	21%	14%
Unit trusts	38	31	10%	-	-	-	10%
	236	190	13%	25	19	21%	14%
Poland							
Life and savings	5	3	81%	4	8	(44%)	(9%)
Pensions	4	2	111%	9	5	81%	89%
Total life and pensions	9	5	92%	13	13	5%	29%
Mutual funds	8	-	-	-	-	-	-
	17	5	275%	13	13	5%	80%
Spain							
Life and savings	411	148	152%	15	9	44%	146%
Pensions	46	19	127%	8	6	22%	100%
	457	167	149%	23	15	35%	139%
Other Europe							
Life and pensions	56	50	2%	17	17	(4%)	1%
UCITS and other	11	24	(57%)	-	-	-	(57%)
	67	74	(17%)	17	17	(4%)	(15%)
International							
Life and pensions	226	202	19%	21	19	22%	20%
Unit trusts	13	107	(88%)	-	-	-	(88%)
	239	309	(20%)	21	19	22%	(18%)
Total long-term savings	3,476	3,330	1%	275	296	(9%)	-
<i>Analysed:</i>							
Life and pensions	3,275	3,023	5%	273	296	(9%)	4%
Investment sales	201	307	(36%)	2	-	-	(35%)
Total long-term savings	3,476	3,330	1%	275	296	(9%)	-
Navigator sales (not included above)	139	219	(38%)	-	-	-	(38%)

Analysis of UK long-term savings by distribution channel

Sales

	Single			Regular			Total
	3 months to 31 March 2003 £m	3 months to 31 March 2002 £m	Local currency growth ⁽¹⁾	3 months to 31 March 2003 £m	3 months to 31 March 2002 £m	Local currency growth ⁽¹⁾	Local currency growth ⁽¹⁾
IFA							
- life & pensions products	992	1,211	(18%)	101	140	(28%)	(19%)
- investment products	70	89	(21%)	1	-	-	(20%)
	1,062	1,300	(18%)	102	140	(27%)	(19%)
Bancassurance partnership with RBSG							
- life & pensions products	117	104	13%	5	4	25%	13%
- investment products	20	-	-	1	-	-	-
	137	104	32%	6	4	50%	32%
Other partnerships/Direct							
- life & pensions products	272	328	(17%)	19	31	(39%)	(19%)
- investment products	41	56	(27%)	-	-	-	(27%)
	313	384	(18%)	19	31	(39%)	(20%)
Total UK long-term savings	1,512	1,788	(15%)	127	175	(27%)	(17%)

Annual premium equivalent ⁽²⁾

	Life and pensions sales		Investment sales		Total sales	
	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾
IFA	200	(23%)	8	(11%)	208	(23%)
Bancassurance partnership with RBSG	17	21%	3	-	20	43%
Other partnerships/Direct	46	(28%)	4	(33%)	50	(29%)
Total UK long-term savings	263	(22%)	15	-	278	(21%)

As from the first quarter of 2003, independent consultant sales are reported within IFA life and pensions sales having previously been reported within Other partnerships/Direct. Independent consultant sales in the full year 2002 comprised £79 million of single and £21 million of regular premiums. No restatement of the analysis of 2002 results has been made on the basis that the impact of this reclassification is not material to the Group's result.

(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.

Analysis of sales via our principal bancassurance channels

	Total new business sales		Annual premium equivalent sales ⁽²⁾	
	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾	3 months to 31 March 2003 £m	Local currency growth ⁽¹⁾
Life and pensions				
United Kingdom				
Royal Bank of Scotland Group	122	13%	17	21%
	122	13%	17	21%
Italy				
UniCredito	229	25%	31	45%
Banca Popolare di Lodi	34	(26%)	5	(21%)
Banca delle Marche	19	138%	12	1432%
Banca Popolare Commercio e Industria	11	-	1	-
	293	24%	49	71%
Spain				
Bancaja	304	129%	39	78%
Caixa Galicia	34	386%	6	270%
Unicaja	46	318%	7	137%
Caja Espana	83	144%	12	171%
	467	152%	64	107%
International				
DBS	16	(64%)	5	(15%)
	16	(64%)	5	(15%)
Total life and pensions	898	57%	135	69%
Investment sales				
United Kingdom				
Royal Bank of Scotland Group	21	-	3	-
	21	-	3	-
Total bancassurance sales	919	60%	138	72%

(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.

Detailed analysis of new business contribution

(a) Before the effect of solvency margin

	Annual premium equivalent ⁽¹⁾		New business contribution ^(2, 3)		New business margin ⁽⁴⁾		
	3 months 2003 £m	3 months 2002 £m	3 months 2003 £m	3 months 2002 £m	3 months 2003	3 months 2002	Full year 2002
Life and pensions business							
United Kingdom	263	339	58	79	22.0%	23.3%	23.6%
France	61	58	19	17	31.0%	29.6%	30.9%
Ireland	21	31	6	9	28.3%	28.7%	28.2%
Italy	61	29	14	7	22.8%	24.3%	24.9%
Netherlands (including Belgium and Luxembourg)	45	35	8	6	17.9%	17.2%	13.3%
Poland	14	13	1	3	7.2%	22.2%	20.8%
Spain	69	32	28	14	40.8%	44.2%	45.9%
Other Europe	23	22	(2)	(2)	(8.8%)	(9.1%)	(5.4%)
Continental Europe	294	220	74	54	25.2%	24.6%	25.7%
International	44	39	10	4	22.9%	10.2%	22.2%
	601	598	142	137	23.6%	22.9%	24.4%

(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 2002 of £22 million (three months to 31 March 2002: £12 million). This comprises minority interests in France of £1 million (three months to 31 March 2002: £1 million), Italy £7 million (three months to 31 March 2002: £3 million), Spain £14 million (three months to 31 March 2002: £8 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 ⁽¹⁾

	3 months 2003 £m	3 months 2002 £m
Life and pensions business		
United Kingdom	51	76
France	9	7
Ireland	5	8
Italy	8	5
Netherlands (including Belgium and Luxembourg)	2	1
Poland	1	3
Spain	21	12
Other Europe	(3)	(3)
Continental Europe	43	33
International	7	2
	101	111

(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.

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 the economic assumptions set at the end of the previous year, as shown in the tables below:

	<u>United Kingdom</u>		<u>France</u>	
	2002	2001	2002	2001
Risk discount rate	7.3%	7.7%	8.1%	8.6%
Pre-tax investment returns:				
Base government fixed interest	4.5%	5.0%	4.3%	5.1%
Ordinary shares	7.0%	7.5%	6.3%	7.1%
Property	6.0%	6.5%	5.8%	6.6%
Future expense inflation	3.6%	3.7%	2.5%	2.5%
Tax rate	30.0%	30.0%	35.4%	36.4%
	<u>Ireland</u>		<u>Italy</u>	
	2002	2001	2002	2001
Risk discount rate	8.7%	9.3%	7.3%	7.6%
Pre-tax investment returns:				
Base government fixed interest	4.6%	5.3%	4.4%	5.3%
Ordinary shares	7.6%	8.3%	7.4%	8.3%
Property	6.1%	6.8%	5.9%	6.8%
Future expense inflation	4.0%	4.0%	3.3%	3.3%
Tax rate	12.5%	16.0%	39.8%	41.0%
	<u>Netherlands</u>		<u>Poland*</u>	
	2002	2001	2002	2001
Risk discount rate	7.4%	8.0%	15.4%	18.5%
Pre-tax investment returns:				
Base government fixed interest	4.2%	5.1%	8.0%	12.5%
Ordinary shares	7.2%	8.1%	8.0%	12.5%
Property	5.7%	6.6%	n/a	n/a
Future expense inflation	2.5%	2.5%	5.4%	9.2%
Tax rate	25.0%	25.0%	27.0%	28.0%
	<u>Spain</u>			
	2002	2001		
Risk discount rate	7.7%	8.3%		
Pre-tax investment returns:				
Base government fixed interest	4.6%	5.3%		
Ordinary shares	7.6%	8.3%		
Property	6.1%	6.8%		
Future expense inflation	3.0%	3.2%		
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 discount rate which is 13.8% (2001: 16.9%)