News release

28 October 2008

Aviva plc

Interim management statement 9 months to 30 September 2008

- **Robust performance in challenging economic conditions**
  - Life and pensions sales[1] up 12% to £25,673 million (up 4% on local currency basis)
  - Group margin maintained at 3.8%
  - Global long-term savings sales up 3% to £29,047 million (down 5% on local currency basis)
  - Bancassurance sales resilient, up 3% to £6,915 million (down 7% on local currency basis)

- **Strong capital and liquidity position**
  - £1.9 billion IGD surplus as at 30 September with increased protection through hedging
  - IGD surplus estimated at £1.3 billion at 24 October; a further 20% drop in equities would reduce IGD by £0.4 billion
  - Significant equity derisking in 2007 and 2008
  - General insurance businesses and in-force life book continue to generate significant cash and capital
  - Net asset value of 696p per share on an EEV basis demonstrates underlying value of group
  - Strong liquidity position with direct access to £1.6 billion of liquid assets and £2.2 billion of undrawn committed credit facilities

- **Gaining the benefit of composite model, geographical diversity and balanced distribution**
  - UK: stable performance in line with the market; growth in annuities and individual pensions
  - Europe: resilient performance reflecting geographical mix and strength of euro
  - North America: outstanding growth and expect to double new business scale a year ahead of target
  - Asia Pacific: excellent performances in China and India
  - General insurance: 98% group combined operating ratio, in line with target

- **Focus on delivering group strategy**
  - Accelerating transformational change of existing businesses to maximise potential
  - Aviva Investors launched, creating a global business with £235 billion of funds under management
  - Group dividend policy remains unchanged

Andrew Moss, Aviva chief executive, commented:
"These are unprecedented times. Our share price has been affected by the huge uncertainty in financial markets, but people around the world are still saving and buying insurance from brands they trust, like Aviva.

"Aviva is strong. The net asset value per share was 696p at 30 September. We are taking an active and prudent approach to managing our capital. Greater security for our customers and shareholders has been achieved through further hedging. Investors and customers can be confident that our disclosures provide a full picture of Aviva's financial position

"Our life and pensions business continued to grow, with margins maintained. Bancassurance sales have held up well at a time of exceptional difficulty for the banking industry. In the US we're set to double our new business scale a year ahead of target.

"We remain focused on our strategy of maintaining our financial strength and transforming Aviva. We will create value for our customers and shareholders by maximising the full potential of our existing businesses. This will position us for further growth, once a more stable economic environment returns."

Life and pensions business (PVNBP)	**9 months 2008 £m**	9 months 2007 £m	**Sterling growth %**	**Local ccy growth %**
United Kingdom	8,628	8,750	(1)%	(1)%
Europe	12,114	10,442	16%	-
North America	3,763	2,705	39%	36%
Asia Pacific	1,168	1,038	13%	3%
Total life and pensions	**25,673**	22,935	**12%**	**4%**
Total investment sales[2]	**3,374**	5,343	**(37)%**	**(42)%**
Total long-term savings	**29,047**	28,278	**3%**	**(5)%**

1. All references to sales in this announcement refer to the present value of new business premiums (PVNBP) unless otherwise stated. PVNBP is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.
2. Investment sales are calculated as new single premium plus the annualised value of new regular premiums.

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There will be a conference call today for wire services at 7.45am (GMT) on +44 (0)20 7162 0025 (quoting "Aviva, Andrew Moss"). This conference call will be hosted by Andrew Moss, chief executive officer and attended by Philip Scott, chief financial officer, and Mark Hodges, chief executive NU Life.

There will be a conference call today for analysts and investors at 9.30am (GMT) on +44 (0)20 7162 0125 (quoting "Aviva, Andrew Moss"). This conference call will be hosted by Andrew Moss, chief executive officer and attended by Philip Scott, chief financial officer, and Mark Hodges, chief executive NU Life.

Replay will be available until 12 November 2008. The dial in number for replays is +44 (0)20 7031 4064 and the pass code is 811339.

Photographs are available on the Aviva media centre at www.aviva.com.

Notes to editors

- Aviva is the leading provider of life and pension products in Europe (including the UK) with substantial positions in other markets around the world, making it the world's fifth largest insurance group based on gross worldwide premiums at 31 December 2007.

  Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide total sales* of £49.2 billion at 31 December 2007 and funds under management of £359 billion at 30 June 2008.
  *Based on life and pensions PVNBP, total investment sales and general insurance and health net written premiums, including share of associates' premiums.

  The Aviva media centre at www.aviva.com/media includes images, company and product information and a news release archive.

- All figures have been translated at average exchange rates applying for the period. The average rates employed in this announcement are 1 euro = £0.78 (9 months to 30 September 2007: 1 euro = £0.68) and £1 = US$1.95 (9 months to 30 September 2007: £1 = US$1.99).

- Growth rates in the press release have been provided in sterling terms. The supplements following present this information on both a sterling and local currency basis.

- Definition: Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.

- Cautionary statements:

  This announcement may include oral and written "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. These forward-looking statements sometimes use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which may be beyond Aviva's control, including, among other things, UK domestic and global economic and 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, the possible effects of inflation or deflation, the timing impact and other uncertainties relating to acquisitions by the Aviva group and relating to other future acquisitions or combinations within relevant industries, the impact of tax and other legislation and regulations in the jurisdictions in which Aviva and its affiliates operate, as well as the other risks and uncertainties set forth in our 2007 Annual Report to Shareholders. 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, and persons receiving this announcement should not place undue reliance on forward-looking statements.

  Aviva undertakes no obligation to update the forward-looking statements made in this announcement or any other forward-looking statements we may make. Forward-looking statements made in this announcement are current only as of the date on which such statements are made.

Aviva plc is a company registered in England No. 2468686.
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Overview

In the current tough economic conditions Aviva has produced life new business sales of £29,047 million (2007: £28,278 million), up 3% against the prior year, with margins in line with those reported at the half year (30 June 2008: 3.8%; 30 September 2007: 3.7%). This solid performance reinforces the benefit of geographic and distributional diversity in such tough conditions. Our businesses in the United States and central and eastern Europe again delivered excellent growth along with the developing markets of China and India and our new venture in South Korea contributed to the result for the first time. We also benefited from the appreciation of the euro given our strong presence in Europe.

Bancassurance forms an important part of our multi-distribution model and we have over 90 bancassurance agreements around the world selling a variety of products. Sales through this channel in the nine months were up 3% to £6,915 million (2007: £6,699 million). On a local currency basis, bancassurance sales were down 7%. We continue to work closely with our banking partners and while we have seen some decreases in sales, particularly in Ireland and Italy, we have continued to see growth in other markets. Growth in Poland and in the Asia Pacific region was exceptionally strong and sales through our joint venture with the Royal Bank of Scotland Group in the United Kingdom were 7% higher.

General insurance remains an important, complementary part of our business model and while competition remains strong in our markets we remain committed to our 'meet or beat' 98% COR target. Our business in the United Kingdom continues to deliver against the cost challenges we have set while making significant progress in transforming the business. However, the backdrop of challenging market and economic conditions is resulting in pressure on business volumes in the short term.

The implementation of our strategy took another step forward in the quarter with the launch of Aviva Investors, our global fund management business. By integrating our operations, Aviva Investors can take the best of our products and services from around the world and bring innovation to new and existing clients.

Our capital and liquidity positions remain strong despite the impact of market turmoil in the period, benefiting from our high quality balance sheet with 100% of financial investments carried at fair value on an IFRS basis, management actions to reduce equity market sensitivity and the £200 million of hybrid debt raised in August. As announced earlier this month, our Insurance Groups Directive (IGD)[1] solvency position was £1.9 billion at the end of the third quarter and the net asset value per share was 696p.

Long-term savings

United Kingdom

In a climate of continued economic turmoil, sales have held up well enabling Aviva UK to deliver life and pension sales of £8,628 million (2007: £8,750 million). The latest life and pensions market share of 10.7%[2] (2007: 10.6%) reflected outperformance in guaranteed with-profit bonds, annuities, offshore business and protection.

Investment sales have fallen to £1,243 million (2007: £2,199 million) reflecting a market that is at its weakest for nearly two decades and reflecting the current UK commercial property sector. The launch of Aviva Investors gives us enormous potential to leverage our collective capability to provide global investment solutions to our local customers.

Total pensions sales were level on 2007, with individual pensions up 8% as a result of the enhancements we made to our pension strategy in the first half of 2008. We have increased our panel representation resulting in a strong pipeline of group personal pension business.

Total annuities were up 28%. Within this, individual annuities were down 12% as market conditions subdued growth. Open market annuities (including enhanced annuities) are 50% ahead of 2007. We continue to refine our proposition and pricing capability and in September launched additional rating factors that we piloted earlier in the year. These factors are also being applied to our bulk annuity business with more factors being rolled out later this year.

Our penetration of the bulk purchase annuity market continues, having successfully won 30 schemes totalling £642 million (2007: £54 million). We continue to build our expertise and our presence in this market and our strategy remains to write business only where returns meet our hurdle rates. The current economic climate has created a

[1] IGD solvency position is the group regulatory capital position based on the EU Insurance Groups Directive
[2] Source: Half year 2008 ABI data

strong pipeline of bulk annuity business, which we are well placed to exploit profitably with our flexible proposition and disciplined approach to pricing.

Protection sales fell 10% reflecting the slowdown in payment protection and mortgage related business, where mortgage approvals[3] fell 57% on 2007. Bond sales fell 16% after changes to capital gains tax and in response to our repositioning strategy where we are focused on extracting value while satisfying customer appetite for lower risk products. Our recent commission changes are a further step in this process. Lower sales of unit-linked bonds of £686 million (down 59%) were offset by good growth in with profit bonds (up 51% to £1,002 million) and offshore bonds (up 76% to £523 million).

Sales through the Royal Bank of Scotland Group UK retail business grew 7% up to £1,236 million (2007: £1,153 million). While sales have slowed in the third quarter in line with the wider market trends, both partners remain focused on the development of this bancassurance venture.

Our process for the reattribution of the inherited estate continues and is not scheduled to conclude until the middle of next year at the earliest. However, in making the offer we made assumptions about the value of the estate, which have naturally been affected by market conditions (in fact the FTSE stood at 5,421 on 30 July 2008, the day our offer was announced). Should these conditions persist, then the terms of the offer could change to ensure it remains fair to both customers and shareholders, although this is not a decision we will make in the short term given the current volatility in world markets. If this situation were to arise we would fully involve the policyholder advocate.

We have experienced an increase in the number and frequency of customer calls enquiring on the value of their policies, as consumer confidence is impacted by market uncertainty. The focus of our service teams is to provide the necessary support to customers to re-assure them that their savings are safe and remind them of the benefits of their policies. We have seen no significant change in the pattern of withdrawals from our core life and pensions portfolios.

Our simplification agenda and the streamlining of our business model are gathering pace. Our progress on outsourcing to Swiss Re, IFDS and Scottish Friendly is in line with our plans. We are on track to migrate in excess of one million policies to Swiss Re by the end of the year. Progress on simplification activity and outsourcing has enabled us to make our cost base more variable, decommission over 160 systems and allowed us to make significant progress towards eliminating our expense overrun.

We expect the long term savings market in 2008 to decline by up to 5% as the current financial crisis impacts the real economy more deeply, reinforcing our determination to drive through our simplification, cost reduction and efficiency strategy. We continue to manage our business in a controlled and profitable manner and believe we are well placed to succeed as a result of our strong capital position, broad distribution reach, product range and substantial customer base.

Europe

Total sales in Europe were up 10% to £12,754 million (2007: £11,556 million) supported by the strength of the euro. Within this, life and pensions sales were up 16%. On a local currency basis sales were down 5% in total and flat for life and pensions business. This is a resilient performance in the current challenging conditions and volatile investment markets, achieved through the strength of our geographical and product diversity and a multi-channel distribution strategy.

Sales in the Netherlands were up 78%, benefitting from our increased focus on corporate pension schemes, which contributed premiums of £1,080 million. Growth has also been strong across central and eastern Europe, particularly in Poland and Romania, offset by lower consumer demand in a number of other countries. The performance of the bancassurance distribution channel has been mixed and, while Italy and Ireland have been more significantly impacted by liquidity issues in the banking sector, sales in France and Poland have held up well. We continue to see the benefits from Cajamurcia, our most recent Spanish bancassurance partnership, which contributed £204 million of sales in 2008, including one-off transfers of £151 million.

Sales in France increased by 5% against the prior period reflecting the strength of the euro. On a local currency basis volumes were lower by 9%, in line with the market. While unit-linked product sales are being adversely affected by the current economic conditions as well as competition from short-term banking products offering high deposit rates, this has been offset by an increase in sales of our Euro products which offer our customers guarantees.

[3] Source: Bank of England "Number of loans approved for house purchase" for the eight months period to the end of August 2008

Sales in Ireland and Italy have been particularly impacted by current worldwide uncertainty of the financial markets. In Ireland sales were 27% lower than the prior period, also reflecting property market uncertainty and the one-off impact of Special Savings Investment Accounts (SSIA) maturities in 2007. In Italy sales were down 26% although the acquisitions of Avipop[4] and UBI Vita[5] had a positive impact on sales of protection products and pension sales respectively.

Life and pension sales in our central and eastern European countries increased by 108% with growth across most of our businesses in these high potential markets. In Poland, life and pension sales volumes were 90% higher, reflecting the significant volumes of short-term endowment policies sold through Deutsche Bank in the first half of the year as well as the continued success of our new individual regular premium product. In Romania, sales were substantially higher at £359 million, reflecting the £336 million one-off impact resulting from government reforms to the provision of compulsory pensions. In Turkey we continued to see strong sales through our joint venture with AK Bank[6], despite increasing market competition.

North America

In the United States, sales increased by 39% to £3,763 million (2007: £2,705 million) with our third consecutive quarter of record volumes. On a local currency basis sales were up 36%. We retained our number one sales position in both the indexed annuity market and the indexed life insurance market in the second quarter and expect to double the sales in our US business, while maintaining margins, within two years of the acquisition of the former AmerUs business, one year ahead of target.

Sales of annuities increased by 39% to £2,736 million (2007: £1,975 million), a significant accomplishment which demonstrates a consumer demand for products with guarantees, particularly in light of the current investment climate. During 2008, we have contracted seven new Independent Marketing Organisations (IMOs), 31 wholesalers and 7,653 agents to expand our annuity distribution network and have gained approval in most key states to distribute our popular new bonus annuity product. While competitive pressures have increased, sales momentum and current and future product launches combined with marketing programmes, product innovation and expanding distribution, support our ongoing confidence for future growth.

The comment period for the proposed ruling by the U.S. Securities & Exchange Commission (SEC) to classify equity indexed annuities as securities for regulatory purposes, initially closed on 10 September but has recently been reopened, following significant public interest, to allow further consideration of the proposal. Indexed annuities are valuable products that fill an important need for many consumers and we expect indexed products to be an important part of our product offering for years to come.

Life sales totalled £406 million (2007: £401 million), an increase of 1% from prior year despite our decision to exit certain markets in late 2007. Life performance to date reflects changes in our product mix to focus on higher margin products, new product launches, marketing programmes and growth in the indexed life insurance market. New term assurance products launched in the quarter have been well received and are starting to gain momentum.

Funding agreement sales were very strong at £621 million (2007: £329 million), an increase of 89% over the prior period as we continue to take advantage of favourable market circumstances resulting from volatile investment markets. Funding agreement sales, an integral part of our product portfolio, are large corporate transactions and will continue as market opportunities arise.

Asia Pacific

Total long-term savings sales for Asia Pacific were £2,659 million (2007: £3,068 million). Within this, life and pension sales of £1,168 million (2007: £1,038 million) for the nine months grew by 13%, 3% on a local currency basis, reflecting both the rapid expansion of our distribution network and agency forces in China and India and the new joint ventures in South Korea, Taiwan and Malaysia. Cautious investor sentiment in the volatile market conditions has had a significant impact on the sales of investment products across the region, which were down 27% to £1,491 million (2007: £2,030 million).

In China, sales through the joint venture life business Aviva-COFCO increased by 79%, reflecting ongoing distribution expansion. We have increased our presence in the country to nine provinces, with a total of 36 city branches (2007: seven provinces, 22 city branches). In India, our share of total sales from Aviva's joint venture with the Dabur Group increased by 34%, reflecting the ongoing expansion of the direct sales force.

[4] 14 December 2007
[5] 18 June 2008
[6] Established 31 October 2007

In Australia, life and pension sales were down 21%. However, 2007 included the benefit of a one-off transfer of group pensions business of £64 million as well as the £21 million impact of a favourable change to superannuation legislation. Excluding the one-offs and the impact of exchange rate movements, underlying sales decreased by 8% against the prior year, due to the current volatile markets. Investment sales were down 20% with the prior year including £227 million due to the changes in superannuation legislation.

Life and pension sales in Singapore decreased by 8%, including the favourable impact of exchange rate movements. On a local currency basis, sales were 18% down on the prior year as a result of changes to local pension regulations which had the effect of limiting sales of certain products, partly offset by the impact of new product initiatives. Investment sales in Singapore were also adversely impacted by the change to local pension laws which restricts external contributions from the government pension fund.

In Hong Kong, our products are mainly investment related and competition together with cautious investor sentiment has contributed to a 25% decrease in sales.

Looking forward, the last quarter of the year will remain challenging if the stock markets continue to be volatile. However, we remain committed to our medium-term sales target to grow long-term savings new business sales by an average of at least 20% a year to 2010.

General insurance

In the nine months under review, our general insurance operations have delivered a combined operating ratio of 98%, in line with our stated target.

United Kingdom

In our UK general insurance operation we are making significant progress on our programme to transform the business by reducing the cost base and through continued focus on underwriting discipline. We remain on track to deliver phase 1 cost savings of £200 million in 2008 and further savings of £150 million and an expense ratio of less than 11% by 2010 as a result of phase 2. We are focused on reshaping our book of business to drive growth in our direct channel, continue to support independent brokers, leverage our strength in commercial lines and to fix or exit poor performing business. This activity, coupled with the backdrop of challenging market and economic conditions, is resulting in pressure on business volumes in the short-term.

We are now seeing early evidence of increased rating discipline resulting from volatile investment markets beginning to emerge, and looking forward to 2009 and beyond, we are very confident that we have the right strategies and actions in place to transform our business and result in increased profitability. However market conditions will remain challenging in the near future and so it will take longer to realise the benefits of our actions.

Europe

Across Europe we have seen premium growth year on year in the Netherlands, mainly due to property and protection sales and Italy, due to the acquisition of Avipop. In Poland the launch of our direct motor business is driving a significant increase in premiums. In contrast, the market in Ireland is still characterised by aggressive competition and declining rates, and has also experienced exceptional weather-related claims during the third quarter of 2008.

In May we entered the Irish healthcare market through the acquisition[7] of a 70% holding in VIVAS Group Limited, an Irish health insurance company, which has since been re-branded as Hibernian Health.

North America

In a highly competitive Canadian market, we continue to achieve growth without compromising profitability. Since the launch of our first consumer focused brand campaign in April of "Let's Change Insurance", we have seen increased awareness of Aviva both in the minds of consumers and as a thought leader in the financial services sector. In July, we completed the acquisition of the National Home Warranty Group of Companies, western Canada's leading provider of new home warranty coverage. We are also set to launch a leading edge single website broker solution providing access to our full range of on-line services. This website will enhance our communication of new product launches and corporate information to support the efforts of our brokers.

[7] 15 May 2008

Fund management

Aviva Investors was officially launched on 29 September marking the initial integration of our asset management businesses, which now operate globally under the Aviva Investors brand, with 1,100 employees across 21 locations and £235 billion of funds under management[8].

Further transformation of Aviva Investors will include expansion of our third party distribution capability and increasing cross-border sales with the aim of significantly increasing contribution to group profit. Progress has already been made, with a number of locally and globally manufactured products now being distributed through the Aviva Investors network, including new funds from the US, Ireland and Australia on the SICAV platform.

Balance sheet and regulatory capital

Strong and resilient balance sheet and capital position

- Net asset value per share on an EEV basis of 696p at 30 September 2008 (30 June 2008: 702p)
- Net asset value per share on an IFRS basis of 434p at 30 September 2008 (30 June 2008: 434p)
- £1.9 billion IGD surplus as at 30 September 2008 (30 June 2008: £1.8 billion)
- £1.3 billion estimated IGD surplus as at 24 October 2008

Assets robustly valued

- 100% of financial investments carried at fair value in our IFRS financial statements
- £400 million provided in respect of actual defaults already reported, including Lehmans and AIG
- Excellent track record of commercial mortgage loans to back UK annuity portfolio, with no material default losses

IGD is not a risk based measure

- Economic capital remains higher than IGD surplus
- Range of actions available to actively manage the IGD surplus

Overall balance sheet

At the end of September 2008, the total equity attributable to ordinary shareholders of Aviva plc on an IFRS basis was £11.5 billion (30 June 2008: £11.5 billion). This is equivalent to a net asset value per share on an IFRS basis of 434p. On an EEV basis our net asset value per share was 696p.

These net asset values have remained in line with the half year as the adverse impact of equity and credit market movements on our net assets has been offset by the strengthening of the US dollar during the period and the move in the UK staff pension scheme from deficit to surplus. The surplus relating to the pension scheme of £600 million has arisen due to an increase in high quality corporate bond yields and a decrease in the implied long term inflation rate. This has had a favourable impact on our net asset value per share, on both bases, of 23p.

Our capital position remains strong despite the impact of market turmoil in the period, benefiting from our reduced equity market sensitivity. This follows the significant equity de-risking undertaken in 2007 and the recent implementation of further equity hedging. Since half year 2008 we have strengthened the group balance sheet position by purchasing hedges, which are predominantly exchange traded, that cover £2.5 billion of our equity exposure. These are in addition to the £2 billion cover that was already in place.

The IFRS net assets are valued on a prudent basis taking into account all unrealised losses from our bond portfolio with 100% of financial investments carried at fair value. With such a significant portion of the total assets carried at fair value, the impact of market and credit risks for these assets has been reflected in the group's IFRS financial position.

[8] As at 30 June 2008

Total shareholder equity and IGD
The group's IGD position is calculated in line with regulatory requirements. For the group's regulatory capital resources, over 80% of the assets are carried at fair value with movements in market and credit risks fully reported in the IGD solvency position. The remaining assets are largely made up of bonds held to maturity which are reported at amortised cost and regularly tested for impairment.

The starting point for calculating the IGD is IFRS net assets (£11.5 billion) plus the Tier 1 and Tier 2 debt instruments we are allowed to include in our regulatory capital (£5.8 billion), giving a total of £17.3 billion. The rules allow us to include £12.5 billion of this £17.3 billion in the IGD calculation. Deducting the capital resource requirements of £10.6 billion, which are the amounts regulators require us to hold above statutory solvency to provide a buffer for policyholders, gives an overall IGD surplus of £1.9 billion.

Regulatory capital and sensitivities
The group solvency position remains strong. The IGD basis surplus was £1.8 billion at 30 June 2008 and £1.9 billion at 30 September 2008. The IGD capital position benefited during the period from the hedges explained above and an additional £200 million of hybrid debt issued in August.

The key movements in the IGD between 30 June 2008 and 30 September 2008 are set out in the table below and include the benefit of revaluation of the RAC in accordance with insurance regulations.

	£bn
30 June 2008 IGD surplus	1.8
Hybrid capital raised	0.2
Sale of offshore operation	0.1
Market movements	(0.6)
Hedging strategy	0.2
Dividends	(0.3)
Other (including the benefit of the RAC revaluation)	0.5
30 September 2008 IGD surplus	1.9

As announced earlier this month, our sensitivity to equity falls has been improved through increased hedges so that a 40% fall in equities since 30 September would reduce the surplus by £700 million. This is a significant improvement when contrasted with the position as at 30 June 2008 when a 40% fall in equity markets would have reduced the surplus regulatory capital by £1.3 billion.

The IGD surplus at 24 October 2008 is estimated at £1.3 billion. From this position, a further 20% fall in equity markets would reduce the surplus by £0.4 billion.

Ratings
The Standard & Poors (S&P) ratings of the main operating subsidiaries are AA/AA- ("very strong"). The group rating continues to be AA- with a stable outlook reflecting the continued robust performance of the Aviva group. The UK Life companies are rated AA with all of our other core subsidiaries being rated AA-. The outlook for the UK Life companies was changed to negative following the announcement of the reattribution of the inherited estate in July. The outlook for all of our other S&P ratings is stable. The main operating subsidiaries are all rated Aa3 ("excellent") with a stable outlook from Moody's and A+ ("superior") with a stable outlook from AM Best.

Credit risk
On an IFRS basis, our debt securities are all measured at fair value and at 30 September the carrying value of these was £128 billion. These assets, of which 94% are investment grade[9], are held predominantly to back long term liabilities and as a result, the principal risk is from default of these securities. Around 35% of the portfolio relates to shareholder assets and, of these, around 60% are corporate bonds.

The Aviva USA business' fixed income portfolio of £16.5 billion ($29.3 billion) recorded default losses of £137 million ($267 million) in the third quarter of 2008. The main components of this are public fixed income stock losses of £77 million ($151 million), principally in respect of Lehman and Washington Mutual, and write-offs of preferred stock of £31 million ($61 million), principally in respect of Freddie Mac and Fannie Mae. Aviva USA's gross unrealised losses have moved from £815 million ($1,589 million) at 30 June 2008 to £1,583 million ($3,086 million) at 30 September 2008 (of this total unrealised loss, £1.3 billion relates to assets classified as available for sale). This reflects the market-wide re-pricing of credit and other risks which do not relate to specific factors within the Aviva USA portfolio.

In line with the IGD requirements, we have applied US regulatory rules for our US subsidiaries. These require us to value the US corporate bond portfolio assets at amortised cost, reflecting our expectation that they will be held to maturity and the fact that they are matched with the underlying liabilities.

Total default losses throughout the Group (including the US amounts set out above) were around £400 million for the year to date. This includes amounts in respect of AIG, Lehman, Bradford and Bingley, Freddie Mac and Fannie Mae and Washington Mutual.
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UK commercial mortgages
Our UK commercial loan book, excluding Dawnay Day, continues to perform well with no default losses. These are fixed term loans supporting our annuity book and around 20% of our portfolio is linked to general practitioners' surgeries which are effectively government backed. Excluding these, the remaining portfolio is well diversified with over 800 loans and over 6,000 tenants, the largest of which is the UK government, with an average loan to value of 87% based on market valuations at 30 September 2008. The loan to value is only one measure of evaluating loan recoverability and we also focus on credit quality, rental income, interest service cover and loan service cover. At 30 September the average interest service cover across the portfolio is 1.27 times and the average loan service cover is 1.16 times.

The Dawnay Day Group have £642 million of loans outstanding secured by a fixed charge over the properties and a floating charge over the assets of the company. Following the company entering administration in July we have appointed BDO Stoy Hayward as receivers. In this capacity they are managing the property portfolio and securing future rent receipts from the tenants. Having marketed this portfolio we have received 28 offers, including sale and refinancing options, and we are now working to conclude the process. Based on the offers and the expected value from the floating charge, we do not expect any material loss on the settlement of this issue.

Liquidity
The Group and its subsidiaries have a strong liquidity position. Aviva plc has direct access to £1.6 billion of liquid assets which are sufficient to meet our operational requirements for the foreseeable future without having to borrow externally. In addition, the first call date on Aviva plc's hybrid debt is not until November 2011.

Aviva plc also has a commercial paper programme (£400 million outstanding) which continues to be refinanced in the normal course of business and £2.2 billion of undrawn committed credit facilities which are provided by a range of leading international banks.

[9] Based on 30 June 2008 asset quality analysis

Outlook

The current economic volatility is expected to continue to have an impact on our industry throughout the remainder of the year and into 2009. Consequently we expect to see some slowdown in sales in the remainder of 2008. However, while more cautious than in recent years, people continue to save and invest for their retirement and look to protect their assets.

Our well diversified portfolio of businesses and distribution channels around the world together with our high quality balance sheet and strong capital and liquidity positions puts us in a good position to withstand the current economic conditions. Initiatives to deliver our strategy continue to create value for customers and shareholders and will position our business for growth in volume and profit as the economic environment improves.

Statistical Supplement

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Analyses

Life new business sales

Geographical analysis of life, pension and investment sales

	Present value of new business premiums[1]			
	9 months 2008 £m	9 months 2007 £m	% Growth Sterling	% Growth Local currency
Life and pensions business				
UNITED KINGDOM	**8,628**	8,750	(1)%	(1)%
France	**2,824**	2,684	5%	(9)%
Ireland	**949**	1,303	(27)%	(37)%
Italy	**1,752**	2,362	(26)%	(36)%
Netherlands (including Germany and Belgium)	**3,017**	1,692	78%	54%
Poland	**1,160**	611	90%	49%
Spain	**1,729**	1,513	14%	(1)%
Other Europe	**683**	277	147%	126%
EUROPE	**12,114**	10,442	16%	-
NORTH AMERICA	**3,763**	2,705	39%	36%
Australia	**275**	349	(21)%	(30)%
China	**175**	98	79%	60%
Hong Kong	**188**	252	(25)%	(27)%
India	**115**	86	34%	31%
Singapore	**201**	219	(8)%	(18)%
Other Asia	**214**	34	523%	491%
ASIA PACIFIC	**1,168**	1,038	13%	3%
Total life and pensions	**25,673**	22,935	12%	4%
Investment sales [2]				
UNITED KINGDOM [3]	**1,243**	2,199	(43)%	(43)%
Netherlands	**272**	502	(46)%	(53)%
Poland	**54**	223	(76)%	(81)%
Other Europe [3]	**314**	389	(19)%	(30)%
EUROPE	**640**	1,114	(43)%	(51)%
Australia	**1,227**	1,525	(20)%	(29)%
Singapore	**264**	505	(48)%	(53)%
ASIA PACIFIC [3]	**1,491**	2,030	(27)%	(35)%
Total investment sales	**3,374**	5,343	(37)%	(42)%
Total long-term savings	**29,047**	28,278	3%	(5)%

1 All references to sales in this announcement refer to the present value of new business premiums (PVNBP) unless otherwise stated. PVNBP is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.

2 Investment sales are calculated as new single premium plus the annualised value of new regular premiums.

3 Investment sales include sales from the retail operations of Aviva Investors.

Present value of life new business premiums
The present value of new business premiums (PVNBP) is derived from the single and regular premiums of the products sold during the financial period and is expressed at the point of sale. The PVNBP calculation is equal to total single premium sales received in the year plus the discounted value of regular premiums expected to be received over the term of the new contracts. The projection assumptions used to calculate PVNBP for each product are the same as those used to calculate new business contribution. The discounted value of regular premiums is also expressed as annualised regular premiums multiplied by a Weighted Average Capitalisation Factor (WACF). The WACF will vary over time depending on the mix of new products sold, the average outstanding term of the new contracts and the projection assumptions. The table below sets out the factors required to derive PVNBP by business units.

									9 months 2008
	Regular premiums				**Single premiums**		**PVNBP**		
	£m	*Local currency growth*	**WACF**	**Present value £m**	**£m**	*Local currency growth*	**£m**	*Local currency growth*	*Sterling growth*
United Kingdom									
Individual pensions	310	*(3)%*	4.3	**1,322**	**1,564**	*14%*	**2,886**	*8%*	*8%*
Group pensions	59	*(9)%*	5.6	**332**	**306**	*(39)%*	**638**	*(25)%*	*(25)%*
Annuities	-	-	-	**-**	**1,920**	*28%*	**1,920**	*28%*	*28%*
Bonds	-	-	-	**-**	**2,399**	*(16)%*	**2,399**	*(16)%*	*(16)%*
Protection	114	*16%*	4.8	**550**	**80**	*(59)%*	**630**	*(10)%*	*(10)%*
Equity release	-	-	-	**-**	**155**	*(4)%*	**155**	*(4)%*	*(4)%*
UNITED KINGDOM	483	-	4.6	**2,204**	**6,424**	*(2)%*	**8,628**	*(1)%*	*(1)%*
France									
Euro funds[1]	19	*36%*	5.8	**111**	**1,864**	*18%*	**1,975**	*19%*	*38%*
Unit-linked funds	33	*(25)%*	5.1	**167**	**564**	*(49)%*	**731**	*(45)%*	*(37)%*
Protection business	18	*6%*	6.4	**115**	**3**	-	**118**	*9%*	*27%*
Total life and pensions	70	*(7)%*	5.6	**393**	**2,431**	*(9)%*	**2,824**	*(9)%*	*5%*
Ireland									
Life and savings	25	*(36)%*	5.1	**127**	**296**	*(51)%*	**423**	*(46)%*	*(38)%*
Pensions	67	*(7)%*	3.7	**248**	**278**	*(38)%*	**526**	*(27)%*	*(15)%*
Total life and pensions	92	*(17)%*	4.1	**375**	**574**	*(45)%*	**949**	*(37)%*	*(27)%*
Italy									
Total life and pensions	95	*(9)%*	5.4	**514**	**1,238**	*(43)%*	**1,752**	*(36)%*	*(26)%*
Netherlands **(including Belgium and Germany)**									
Life	54	-	6.8	**368**	**349**	*(8)%*	**717**	*(2)%*	*14%*
Pensions	81	*9%*	8.1	**655**	**1,645**	*165%*	**2,300**	*87%*	*117%*
Total life and pensions	135	*5%*	7.6	**1,023**	**1,994**	*100%*	**3,017**	*54%*	*78%*
Poland									
Life and savings	35	*35%*	5.5	**192**	**478**	*96%*	**670**	*79%*	*127%*
Pensions	45	*25%*	8.1	**366**	**124**	*(15)%*	**490**	*21%*	*55%*
Total life and pensions	80	*29%*	7.0	**558**	**602**	*54%*	**1,160**	*49%*	*90%*
Spain									
Life and savings	83	*24%*	5.4	**452**	**762**	*(25)%*	**1,214**	*(12)%*	*1%*
Pensions	48	*78%*	5.3	**254**	**261**	*24%*	**515**	*41%*	*63%*
Total life and pensions	131	*39%*	5.4	**706**	**1,023**	*(17)%*	**1,729**	*(1)%*	*14%*
Other Europe	95	*74%*	6.3	**594**	**89**	*(1)%*	**683**	*126%*	*147%*
EUROPE	698	*11%*	6.0	**4,163**	**7,951**	*(8)%*	**12,114**	-	*16%*
North America									
Life	49	*(9)%*	7.9	**387**	**19**	*(46)%*	**406**	*(1)%*	*1%*
Annuities	-	-	-	**-**	**2,736**	*36%*	**2,736**	*36%*	*39%*
Funding agreements	-	-	-	**-**	**621**	*85%*	**621**	*85%*	*89%*
NORTH AMERICA	49	*(9)%*	7.9	**387**	**3,376**	*42%*	**3,763**	*36%*	*39%*
Asia	125	*51%*	4.5	**561**	**332**	*(5)%*	**893**	*21%*	*30%*
Australia	46	-	3.3	**151**	**124**	*(49)%*	**275**	*(30)%*	*(21)%*
ASIA PACIFIC	171	*33%*	4.2	**712**	**456**	*(23)%*	**1,168**	*3%*	*13%*
Total life and pensions	**1,401**	*8%*	**5.3**	**7,466**	**18,207**	*1%*	**25,673**	*4%*	*12%*

Present value of life new business premiums (continued)

					9 months 2007
			Regular premiums	Single premium	PVNBP
	£m	WACF	Present value £m	£m	£m
United Kingdom					
Individual pensions	319	4.1	1,297	1,367	2,664
Group pensions	65	5.5	356	500	856
Annuities	-	-	-	1,502	1,503
Bonds	-	-	-	2,864	2,864
Protection	98	5.2	509	193	702
Equity release	-	-	-	162	161
UNITED KINGDOM	482	4.5	2,162	6,588	8,750
France					
Euro funds	12	5.9	71	1,364	1,435
Unit-linked funds	38	5.3	202	954	1,156
Protection business	15	6.0	90	3	93
Total life and pensions	65	5.6	363	2,321	2,684
Ireland					
Life and savings	34	4.6	158	523	681
Pensions	62	3.8	235	387	622
Total life and pensions	96	4.1	393	910	1,303
Italy					
Total life and pensions	90	5.2	469	1,893	2,362
Netherlands **(including Belgium and Germany)**					
Life	47	6.5	304	327	631
Pensions	64	8.2	524	537	1,061
Total life and pensions	111	7.5	828	864	1,692
Poland					
Life and savings	20	5.2	104	191	295
Pensions	28	7.2	202	114	316
Total life and pensions	48	6.4	306	305	611
Spain					
Life and savings	58	5.4	313	884	1,197
Pensions	23	5.8	134	182	316
Total life and pensions	81	5.5	447	1,066	1,513
Other Europe	50	4.0	199	78	277
EUROPE	541	5.6	3,005	7,437	10,442
United States					
Life	53	6.9	367	34	401
Annuities	1	4.0	4	1,971	1,975
Funding agreements	-	-	-	329	329
NORTH AMERICA	54	6.9	371	2,334	2,705
Asia	79	4.6	366	323	689
Australia	41	3.2	133	216	349
ASIA PACIFIC	120	4.2	499	539	1,038
Total life and pensions	1,197	5.0	6,037	16,898	22,935

Analysis of sales via bancassurance channels

	Present value of new business premiums[1]			
	9 months 2008 £m	**9 months 2007 £m**	*Local currency growth[2]*	*Sterling growth*
Life and pensions				
UNITED KINGDOM	**895**	860	*4%*	*4%*
France	**686**	600	*(1)%*	*14%*
Ireland	**485**	651	*(36)%*	*(25)%*
Italy				
UniCredit Group	**662**	1,401	*(59)%*	*(53)%*
Banca Popolare	**169**	203	*(28)%*	*(17)%*
Banca delle Marche	**17**	44	*(67)%*	*(61)%*
Unione di Banche	**699**	606	-	*15%*
UBI Vita	**104**	-	-	-
	1,651	2,254	*(37)%*	*(27)%*
Netherlands	**337**	282	*4%*	*20%*
Poland	**431**	68	*395%*	*534%*
Spain				
Bancaja	**434**	545	*(31)%*	*(20)%*
Caixa Galicia	**209**	276	*(35)%*	*(24)%*
Unicaja	**476**	351	*17%*	*36%*
Caja España	**149**	129	-	*16%*
Caja de Granada	**82**	78	*(9)%*	*5%*
Cajamurcia	**204**	-	-	-
	1,554	1,379	*(3)%*	*13%*
Other Europe	**43**	-	-	-
EUROPE	**5,187**	5,234	*(13)%*	*(1)%*
NORTH AMERICA	**9**	31	*(72)%*	*(71)%*
ASIA PACIFIC	**483**	281	*60%*	*72%*
Total life and pensions	**6,574**	6,406	*(8)%*	*3%*
Investment sales[3]				
UNITED KINGDOM	**341**	293	16%	16%
Total bancassurance sales	**6,915**	6,699	(7)%	3%

1 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.

2 Growth rates are calculated based on constant rates of exchange.

3 Investment sales are calculated as new single premium plus annualised value of new regular premiums.

Detailed worldwide investment sales analysis

	Regular			Single			PVNBP
	9 months 2008 £m	9 months 2007 £m	*Local currency growth*	**9 months 2008 £m**	9 months 2007 £m	*Local currency growth*	*Local currency growth*
UNITED KINGDOM [1]	**64**	64	-	**1,097**	2,026	*(46)%*	*(43)%*
Netherlands (including Belgium and Germany)	-	-	-	272	502	*(53)%*	*(53)%*
Poland	5	3	*25%*	49	220	*(83)%*	*(81)%*
Other Europe	-	-	-	314	389	*(30)%*	*(30)%*
EUROPE	**5**	3	*25%*	**635**	1,111	*(52)%*	*(51)%*
Australia	-	-	-	1,227	1,525	*(29)%*	*(29)%*
Singapore	-	-	-	264	505	*(53)%*	*(53)%*
ASIA PACIFIC	**-**	-	-	**1,491**	2,030	*(35)%*	*(35)%*
Total investment sales	**69**	67	*1%*	**3,223**	5,167	*(43)%*	*(42)%*

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1 UK regular premium investment sales include SIPP products. These are similar in nature to pension products and their payment pattern is stable and predictable and accordingly they have been capitalised. Regular premium SIPP sales for the 9 months to 30 September 2008 totalled £20 million (2007: £27 million) and have been capitalised using a weighted average capitalisation factor of 5.0 (2007: 5.0). As such, regular premium SIPP sales have produced an overall contribution to investment sales of £102 million (2007: £136 million) out of the UK investment sales of £1,243 million (2007: £2,199 million).