Aviva plc Preliminary results 2008

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Agenda

Overview	**Andrew Moss** Chief Executive Officer
2008 preliminary results	**Philip Scott** Chief Financial Officer
Review of the business	**Andrew Moss** Chief Executive Officer
Questions and Answers	

2008 was an exceptionally tough year….

But we continue to make real progress

Key messages

- Strong operating results
  - IFRS operating profits up 4% to £2,297 million
  - MCEV operating profits up 10% to £3,358 million
  - Total profits impacted by adverse investment variances
- Strong balance sheet
  - Strengthened reserves and provisions
  - IGD surplus of £2.0 billion at 31 December 2008
- Dividend maintained at 33.0p

Strong balance sheet

- Undertaken a thorough review of the value of assets and liabilities
- Unrealised losses of 8% against the debt security portfolio
- Strengthened provisions against asset impairment
  - eg: Provisions/write offs in UK Life annuity book increased by £550 million
- A well diversified mortgage portfolio
  - Interest service cover remains strong
  - Dawnay Day resolved with no loss
  - 0.2% of interest in arrears

Focus on capital

- IGD surplus of £2 billion at 31 December 2008
  - Range of measures available to manage the surplus
- Disciplined capital and balance sheet management
  - Vanilla risks, not exotic
  - Limited inorganic activity in 2008
- Decreased emphasis on sales targets in 2009 balancing volume vs returns

Dividend

- 2008 dividend of 33.0p - 1.9 x covered,
  - Maintained in spite of large investment variances in 2008
- Our dividend policy states:

  "Our intention is to increase the dividend on a basis judged prudent using a dividend cover in the 1.5 to 2.0 times range as a guide, while retaining capital to support future business growth"
- Continuing focus on managing our business to ensure dividend paying capability

Aviva plc Preliminary results 2008

Philip Scott

Chief Financial Officer

2008 results

- Life and pensions new business sales up 11% to £36.3bn
- Global GI COR of 98%
- IFRS operating profit up 4% to £2,297m, with operating EPS of 62.9p per share
- MCEV operating profit up 10% to £3,358m
- IFRS loss after tax of £885m, with total return EPS of (36.8)p per share
- Net asset value per share: IFRS basis 416p and MCEV basis 486p
- Estimated IGD surplus is £2.0bn
- Total Dividend per share maintained at 33.00p, with a cover of 1.9 times, scrip dividend available to investors

UK Life

	2008 £m	2007 £m
New business		
Life and pensions	**11,858**	11,797
Investment sales	**1,485**	2,751
Value of new business	**204**	278
Operating profit		
Life MCEV	**883**	822
Non-life	**(30)**	(41)
Total MCEV	**853**	781
Life IFRS	**751**	723
Non-life	**(30)**	(41)
Total IFRS	**721**	682

- Record sales in 2008 for life and pensions:
  - Full year market share 11.3% (2007: 10.5%)
  - Life and pension sales up 1%
  - Margin of 1.7% (2007: 2.4%) lower due to greater amount of annuity business
  - IRR 14% (2007: 13%)
- Life MCEV operating profit up 7%
  - Stable persistency, £70m provision against lapses in the short term
  - £60m cost savings achieved out of £100m by end 2009 target
- IFRS life operating profit up 4%
  - £124m benefit of special distribution (2007: £167m PS06/14 one off)
  - Underlying improvement due to cost saves (£65m) and lower new business strain (£20m)

UK General Insurance

	2008 £m	2007 £m
Operating profit*		
Underwriting result	**63**	(221)
LTIR	**579**	642
Non-insurance	**2**	17
	644	438
Net written premiums	**4,981**	5,440
COR	**99%**	106%
Expense ratio	**12.1%**	13.9%

*includes Aviva Re and agencies in run-off

- Making progress against the transformational agenda
- Combined operating ratio of 99%
- Net written premium down due to exiting lower margin business
- Rate increases across all major lines of business
  - Motor up 5%, household up 9%
  - Commercial rates up 3%
  - No exceptional adverse weather claims (2007: £475m)
  - Lower prior year development £285m (2007: £430m)
  - Commission ratio stabilised
- £265m cost savings delivered

Europe

AVIVA

	2008 £m	2007 £m
New business		
Life and pensions	**16,990**	15,684
Investment sales	**764**	1,572
Value of new business	**478**	502
Operating profit		
Life MCEV	**1,638**	1,503
General Insurance	**397**	442
Fund management	**6**	21
Other	**(116)**	(45)
Total MCEV	**1,925**	1,921
Life IFRS	**881**	777

- Life and pensions sales up 8%
  - Favourable euro impact
  - Growth in Netherlands and Central and Eastern Europe
  - Lower volumes in Italy and Ireland
- Margins down to 2.8% (2007: 3.2%) with higher margins in Spain and Italy offset by lower margins in Ireland, Netherlands and Poland
- IRR 11% (2007: 13%)
- MCEV life operating profit up 9%, reflecting strong growth in France, Poland and Spain
- IFRS life operating profit up 13%
- GI COR 97% (2007: 89%) due to higher claims costs in Ireland and the Netherlands

North America

United States

	2008 £m	2007 £m
PVNBP	**5,715**	3,646
Value of new business	**55**	52
Life MCEV operating profit	**201**	124
Life IFRS operating profit	**16**	79

Canada

	2008 £m	2007 £m
GI operating profit	**145**	154
Net written premiums	**1,601**	1,412
COR	**99%**	98%

- Excellent sales growth of 57% - sales doubled over two years since acquisition
- Value of new business £55m and margin 1.0% (2007: 1.4%)
- IRR 11% (2007: 12%)
- IFRS down due to new business strain and higher option costs for guarantees
- Canadian GI net written premiums up 13% - boosted by impact of Canadian $ rates and growth in commercial lines
- Canadian operating profit decrease due to impact of adverse weather

Asia Pacific

	2008 £m	2007 £m
New business		
Life and pensions	**1,720**	1,595
Investment sales	**1,746**	2,660
Value of new business	**43**	65
Operating profit		
Life MCEV	**79**	95
Non-life	**(10)**	6
Total MCEV	**69**	101
Life IFRS	**46**	31

- Life and pension sales up 8%
  - Strong growth in China – up 66%
  - A good start in South Korea, Taiwan and Malaysia
- Investment sales down 34%
  - Equity market down around 40% in 2008
  - One-off £227m pension legislation change in Australia in 2007
- New business margin 2.5% (2007: 4.1%) reflecting new start ups
- IFRS life operating profit up to £46m reflecting good results across the portfolio

Aviva Investors

IFRS operating profit	2008 £m	2007 £m
UK	**64**	**70**
Europe	**35**	**43**
North America	**14**	**27**
Asia Pacific	**1**	**7**
Total Aviva Investors	**114**	**147**
Total funds managed by Aviva Investors	**£236bn**	**£235bn**
Total Funds across Group	£381bn	£359bn

- Significant progress towards developing a global asset management business
- IFRS profit of £114m reflects lower asset management fees and increased costs outside the UK
- Funds under management reflect market falls offset by FX gains

Total IFRS profits

AVIVA

	2008 £m	2007 £m
Operating profit	2,297	2,216
Integration and restructuring costs	(326)	(153)
Exceptional items	(551)	-
Amortisation and impairment of goodwill and intangibles and profit on disposal of subsidiaries and associates	(176)	(64)
UK Life asset default provisions	(550)	-
Profit before tax before investment variances	694	1,999
Investment variances – long-term business	(1,081)	15
Investment variances – non long-term business	(913)	(182)
(Loss) / profit before tax	(1,300)	1,832
Tax	415	(334)
(Loss) / profit after tax	(885)	1,498

- Operating profit up 4%
- Investment variances show net asset and liability movement and includes:
  - Equity markets down 30% - 50%
  - Bond yields falling 80bps in UK and 110bps in Eurozone
  - Credit spreads widening, with peak in Q408

Non-recurring charges

	£m	£m
Integration and restructuring		
Exceptional costs to deliver cost savings	287	
Other integration and restructuring costs	39	
		326
Exceptional items		
Latent claims strengthening	304	
Netherlands unit-linked compensation	126	
Lifetime transfer	94	
Other	27	
		551
Additional UK Life asset defaults provision		550
Non recurring charges		**1,427**

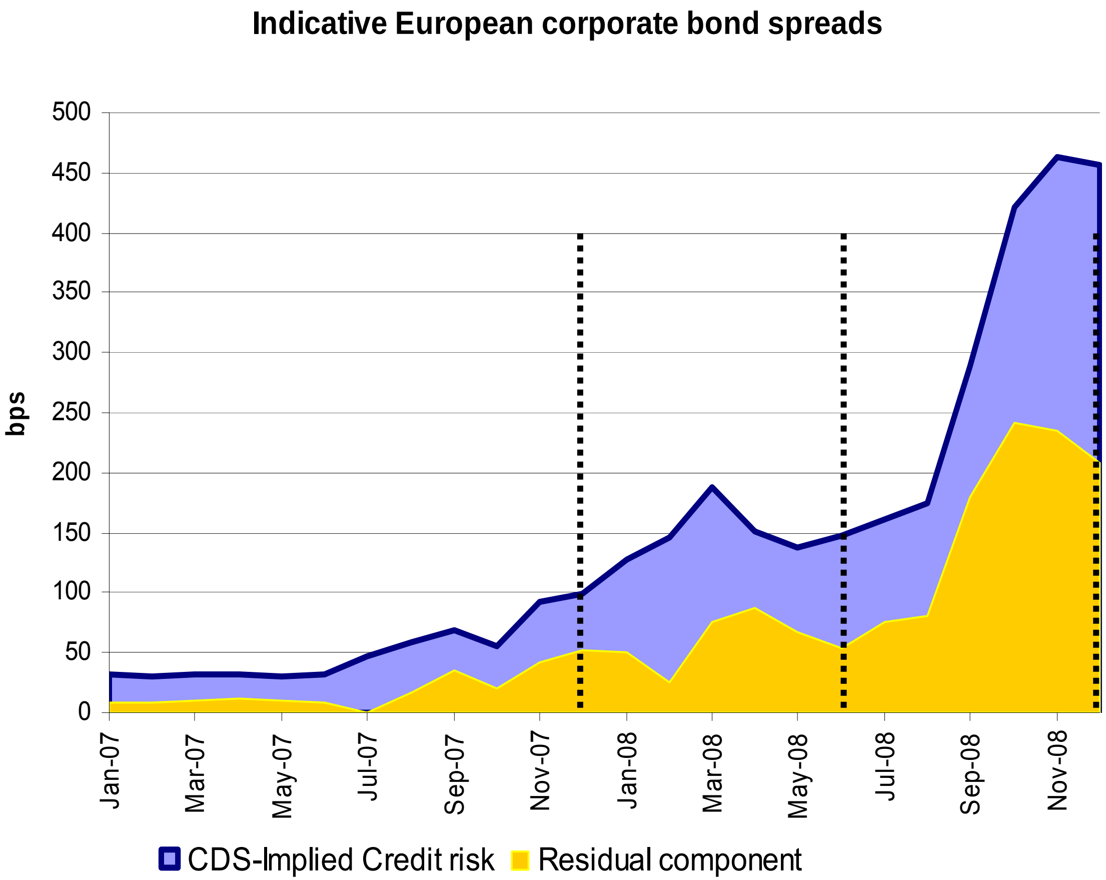
- Costs to deliver cost savings on track
- Aviva investors transformation and closure of underperforming businesses
- Exceptional strengthening of latent claims provision £304m
  - Response to market developments
  - Long tail book – run rate of c£30m p.a.
  - Claims payments expected to 2045
- Significant provisions made in UK Life to strengthen the balance sheet in the current environment

Market consistent embedded value

MCEV is a conservative reporting methodology which is impacted by volatile investment markets

- Risk free rates calculated with reference to the market
- Spread returns are booked only when they are earned
- Widening credit spreads reduce assets without a corresponding adjustment to investment income

Market consistency in the current market



Analysis of Tillinghast values

.... - Denotes period end for reporting purposes

- In stable markets, swap rates are a suitable proxy for risk-free returns
- In the current market, risk free returns in excess of swaps can be earned
- EV risk free rates adjusted by 150bps for UK and Netherlands immediate annuities and between 250bps and 300bps for US products
- Sensitivity analysis provides information to adjust the risk free rate
- Methodology will be updated when additional CFO Forum guidance is given

MCEV key performance indicators

Key performance indicators:	2008	2007
PVNBP	£36,283m	£32,722m
Value of new business*	£780m	£897m
Margins*	2.1%	2.7%
Operating profit	£3,358m	£3,065m
Equity shareholders' funds	£12,912m	£19,998m
Net asset value per share	486p	763p
IRR	11.4%	12.9%

- PVNBP up 11% with record sales in the UK and US
- Value of new business and margins lower due to greater mix of spread business in the UK and the Netherlands
- Operating profit up 10%, including solid returns from existing business
- NAV per share reflects volatile investments markets
- IRR: Increase in UK offset by decrease in Europe

*gross of tax and minorities

NAV per share – MCEV and IFRS basis

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Investment variances analysis: Total	
Value of in-force	£4.8bn
Net assets/Net Worth	£4.9bn
Total	**£9.7bn**

	MCEV		IFRS	
	£m	**NAV p**	**£m**	**NAV p**
As at 31 December 2007	**19,998**	**763**	**12,946**	**494**
Operating Profit after tax	2,262	86	1,719	66
Investment variances	(9,734)	(371)	(3,986)	(152)
Non-operating items	(841)	(32)	(734)	(28)
Foreign exchange	2,311	88	2,182	83
Pension scheme	(300)	(11)	(300)	(11)
Dividend	(805)	(31)	(805)	(31)
Other	21	1	30	1
Change in shares	-	(7)	-	(6)
As at 31 December 2008	**12,912**	**486**	**11,052**	**416**

All figures are quoted post tax and minority interest

IGD Solvency surplus

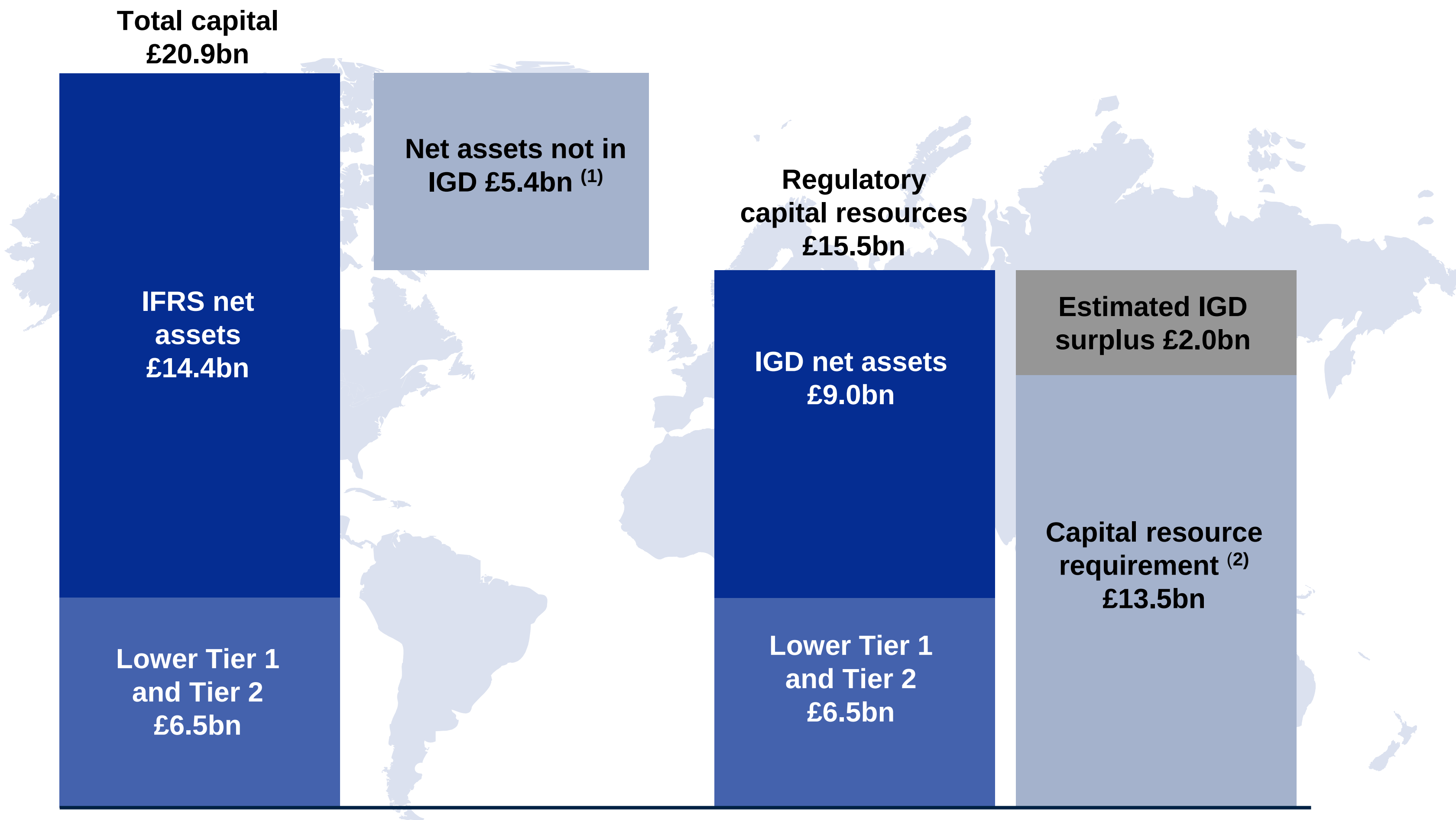
	£bn
Actual IGD solvency surplus 31 December 2007	**2.9**
Operating profits and other income	0.9
Hybrid debt	1.0
UK life non-profit surplus	0.4
Dividend	(0.8)
Netherlands (Van Lanschot bank)	(0.2)
Market movements	(1.9)
Other	(0.3)
Estimated IGD solvency surplus 31 December 2008	**2.0**

- IGD surplus is margin over Capital Resource Requirement
- Solvency cover 1.3 times*
- Downside protection increased
- Sensitivity to equities:

Equity movement	Surplus remaining £bn
-10%	1.8
-20%	1.7
-30%	1.4
-40%	1.2

* Figures exclude UK life as funds ring-fenced for IGD purposes. Calculated as capital resources of £9.8bn divided by capital resource requirements of £7.8bn

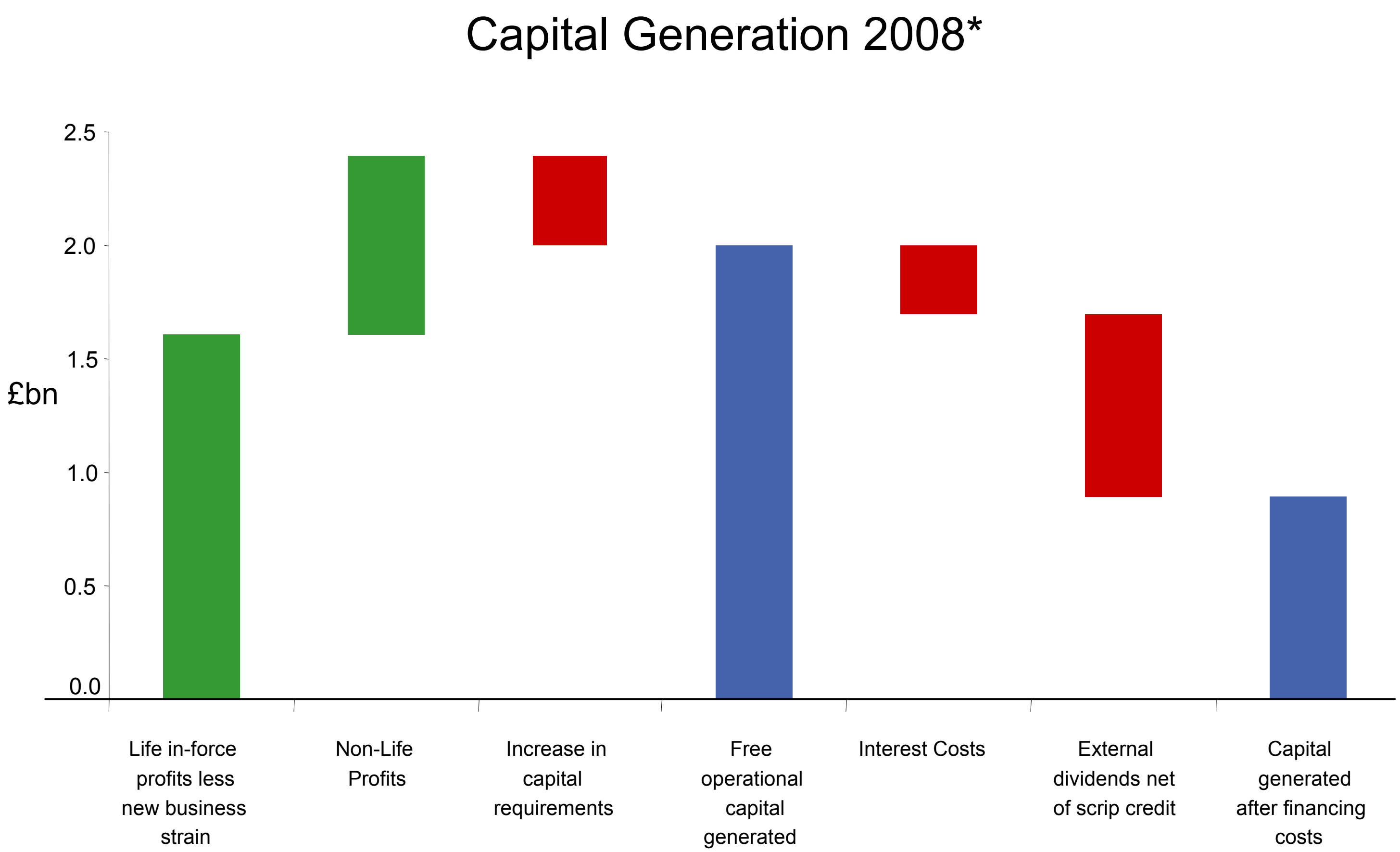
Assets prudently valued
Estimated IGD surplus of £2.0bn



(1) Includes £2.9 billion of unrealised losses on bonds held to maturity in the US, in line with the regulatory rules. Also includes other asset valuation differences.

(2) The aggregation of the amounts local regulators require insurers to hold above statutory solvency to provide buffer for policyholders

Aviva Capital Generation



*Using MCEV movements in net worth

A strong balance sheet

- Equities marked to market and additional hedging provides significant shareholder protection
- A high quality debt portfolio, valued at fair value
  - 94% investment grade or insurance rated
  - Unrealised losses of £13.1bn on total debt securities of £150.6bn or 8% of total portfolio
  - 2008 actual defaults of £140m or 0.2% of the portfolio and other impairments of £260m
- Mortgage loans: Excluding Dawnay Day, 99% of loans neither past due nor impaired

A strong balance sheet

- Provisions increased in the current environment
  - UK annuity business: £1.13bn default provision against £14bn of assets
    - Consisting of
      - UK corporate debt provision increased by £300m to £460m
      - UK mortgage loss provisions increased by £250m to £670m
    - Equivalent to
      - 86 bps for the life of the portfolio or
      - 190 bps for 3 years and 42 bps thereafter

Analysis of IFRS balance sheet assets

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	Policyholder Assets £m	Participating fund assets £m	Shareholder assets £m	Total assets analysed £m
Goodwill AVIF and intangible assets	194	950	9,469	10,613
Investment Property	4,126	7,555	2,745	14,426
Loans	1,799	8,702	31,736	42,237
Debt Securities	19,588	79,566	51,437	150,591
Equity Securities	23,840	13,817	5,754	43,411
Other Investments	23,527	9,443	3,146	36,116
Reinsurance assets	1,704	803	5,387	7,894
Deferred acquisition costs	-	-	2,642	2,642
Cash and cash equivalents	4,125	9,332	11,217	24,674
Other Assets	990	4,497	16,471	21,958
Total	**79,893**	**134,665**	**140,004**	**354,562**
Percentage of total assets	**22%**	**38%**	**40%**	**100%**

Group mortgage loans
Summary of shareholder assets

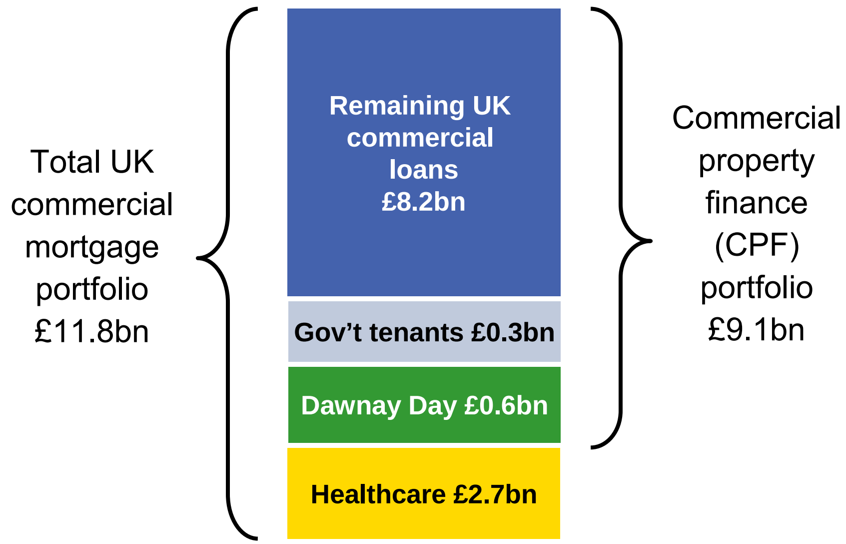
Group £27.0bn

- UK commercial mortgage portfolio developed over a period of 30 years to back annuity liabilities, with no material losses incurred since 1992
  - 25% effectively government backed
  - Well diversified across the UK and sectors
  - Many layers of security
  - Dawnay Day resolved at no loss
  - UK provisions for defaults strengthened by £250 million bringing total to £670m (3yr 170bps and 50bps thereafter)
- Residential mortgages are mainly in the Netherlands:
  - £4.4bn relates to the Netherlands and £1.4bn relates to equity release
  - Dutch market more stable than UK as not subject to property "bubble"
  - Dutch: 18% government guaranteed
- Securitised Mortgages are Aviva originated

Shareholder assets

	2008 £m
Loans:	
Mortgages	27,045
Other loans	4,690
Total loans	31,736

UK Commercial mortgages
Loan and interest service cover remains strong



	Dec 2008	Jun 2008
Loan Service Cover	1.17	1.16
Interest Service Cover	1.30	1.28
Uncovered Exposure (£bn)	0.7	0.05
Portfolio Average % LTV	103%	81%

- Long term fixed rate mortgages, typically 10 – 15 years
- Average LTV of 103% due to 37% fall in market values since the market peak of July 2007
- UK LTV's are the market value of the loan over the market value of the property
- Loan service cover and interest service cover remains strong
- £0.7bn of loans not covered by property value but covered by income stream
- Mortgage maturity and rental lease time-line spread over a number of years, with no material capital repayment or rental break points in the short term
- Excluding Dawnay Day, over 99% of loans neither past due nor impaired – 0.2% of interest in arrears

Corporate debt - a high quality, diverse portfolio

Shareholder debt securities £51.4bn

Corporate debt securities £26.3bn

Other debt securities £8.8bn

Government debt securities £16.3bn

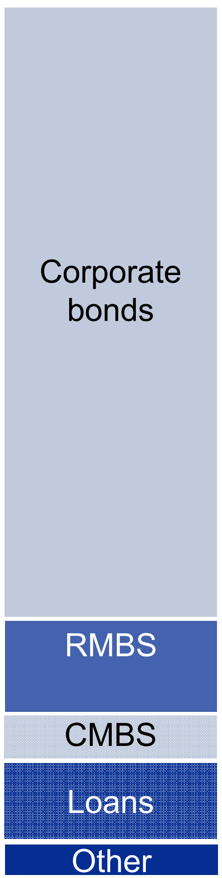
Direct shareholder exposure to corporate debt of £26.3bn

£m	AAA/ AA / A	Insurance rated	BBB	Less than BBB	Un rated	Total
UK	4,449	-	1,023	39	15	5,524
Netherlands	2,237	-	330	2	233	2,802
Europe ex Neth.	1,818	-	137	6	52	2,014
North America	8,103	1,639	4,654	1,038	80	15,516
Asia Pacific	341	-	99	1	24	466
Total	**16,948**	**1,639**	**6,242**	**1,086**	**407**	**26,322**

- 94% is investment grade or insurance rated
- Unrealised losses equate to around 8% of the portfolio
- Insurance rated assets are US private placements rated by NAIC, equivalent to A- rating
- UK provisions for defaults strengthened by £300m to £460m (3yr 220 bps and 30bps thereafter)

US asset portfolio
High quality and prudently stated

Financial investments £23.6bn



- Quality of financial investments is strong
  - 93% of corporate bonds are investment grade or insurance rated
  - 98% of CMBS / RMBS are AAA rated - 99% of RMBS is agency guaranteed
  - A well diversified portfolio with low concentration risk, with top-ten issuers representing 4% of the total portfolio
  - 93% of commercial mortgages have LTVs <90%
- IFRS balance sheet is prudently stated
  - Assets marked to market; liabilities valued upon a prescribed and prudent basis under US GAAP
  - Actual defaults in 2008 of £120m and impairments of £80m
  - 83% of gross unrealised losses are on investment grade securities
  - 86% of gross unrealised loss are on securities with maturities > 5 years

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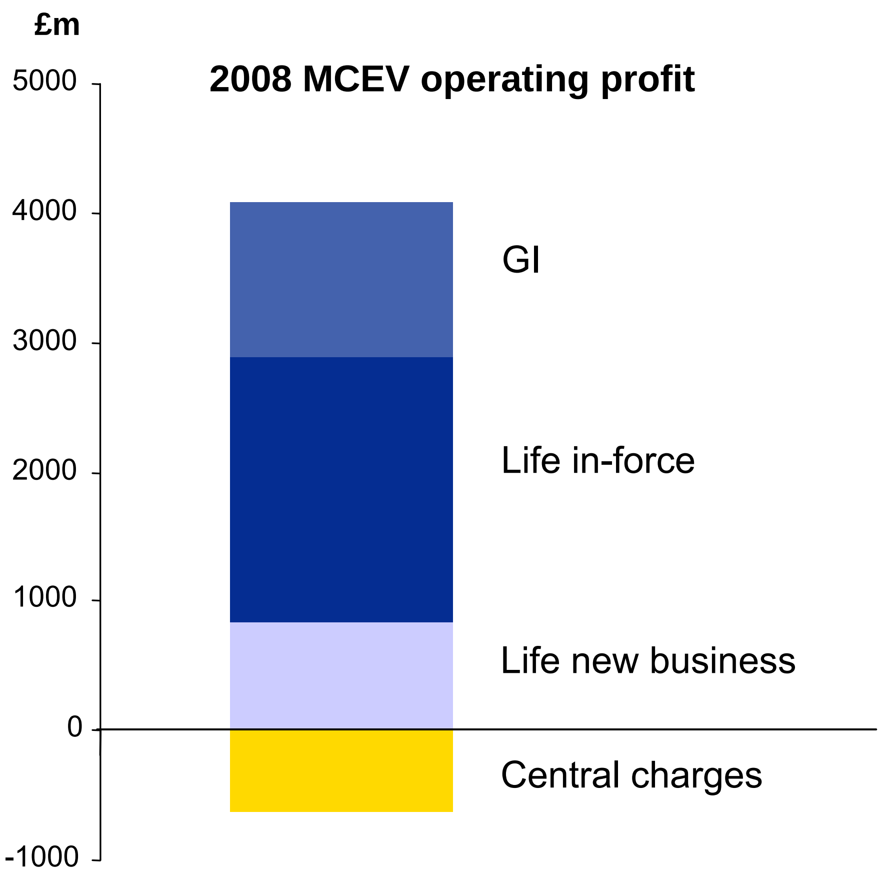
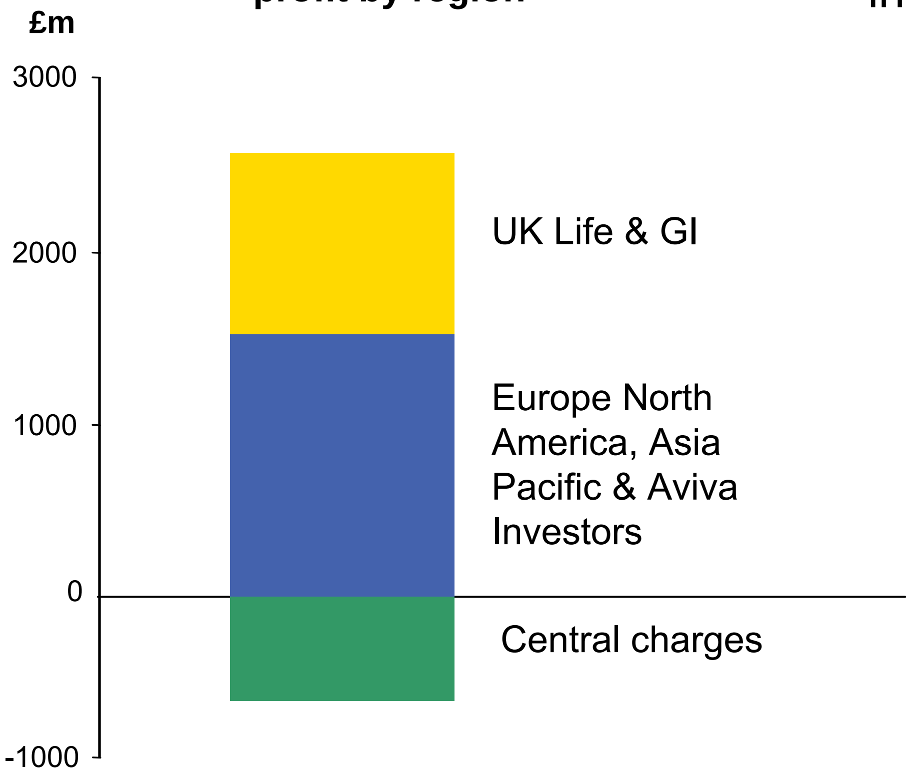
Aviva is well positioned



- Profit flows are less susceptible to a downturn
  - Over 50 million customers globally
  - 80% of profits from in-force book and GI
- Diversity in the composite model
  - Strong multinational GI business with disciplined underwriting
  - Generating strong capital flows

Strong presence in our home market

2008 IFRS operating profit by region



Competitive strength from market leadership in the UK

- Nearly half IFRS operating profits derived from UK businesses

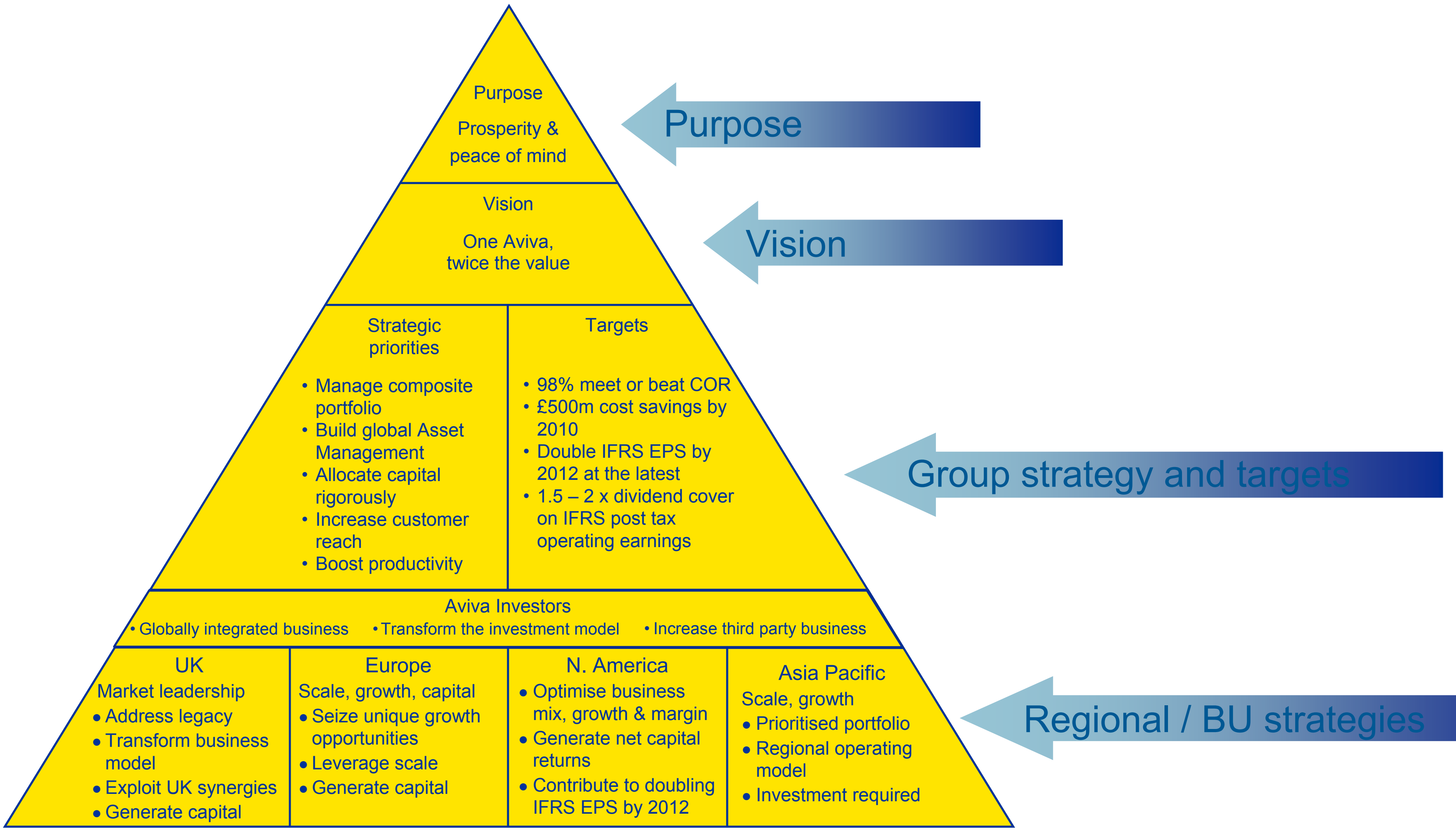
UK Life

- Highest ever sales in 2008
- UK Life market share jumped 3% to 14% in Q4 2008
- 6 May investor day

UK GI

- Transformational change progressing
- Visible signs of rate hardening
- Voted General Insurer of the year for sixth year running

The right strategy



Focus on efficiency

- £340 million of the £500 million cost savings target secured
  - Primarily in the UK
- Leaner ‘One Aviva’ operating model being developed
  - IT data centre outsourcing to EDS
  - Shared services in UK, Ireland, France, Canada and Asia
  - Sale of offshoring business to WNS
  - Outsourcing part of the UK Life book to Swiss Re
- Exiting non-core businesses
  - HPI, BSM, Auto Windscreens, DL Health Business

Key messages

- Strong operating results
  - IFRS operating profits up 4% to £2,297 million
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  - Total profits impacted by adverse investment variances
- Strong balance sheet
  - Strengthened reserves and provisions
  - IGD surplus of £2.0 billion at 31 December 2008
- Dividend maintained at 33.0p
- Consistent strategy

Weathering the storm

Questions and answers

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