

Aviva plc Preliminary Results 2010



Disclaimer

Cautionary statements:

This should be read in conjunction with the documents filed by Aviva plc (the “Company” or “Aviva”) with the United States Securities and Exchange Commission (“SEC”). This announcement contains, and we may make verbal statements containing, “forward-looking statements” with respect to certain of Aviva’s plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words “believes”, “intends”, “expects”, “plans”, “will,” “seeks”, “aims”, “may”, “could”, “outlook”, “estimates” and “anticipates”, and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the presentation include, but are not limited to: the impact of difficult conditions in the global capital markets and the economy generally; the impact of new government initiatives related to the financial crisis; defaults and impairments in our bond, mortgage and structured credit portfolios; changes in general economic conditions, including foreign currency exchange rates, interest rates and other factors that could affect our profitability; the impact of volatility in the equity, capital and credit markets on our profitability and ability to access capital and credit; risks associated with arrangements with third parties, including joint ventures; inability of reinsurers to meet obligations or unavailability of reinsurance coverage; a decline in our ratings with Standard & Poor’s, Moody’s, Fitch and A.M. Best; increased competition in the U.K. and in other countries where we have significant operations; changes to our brands and reputation; changes in assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; changes in local political, regulatory and economic conditions, business risks and challenges which may impact demand for our products, our investment portfolio and credit quality of counterparties; the impact of actual experience differing from estimates on amortisation of deferred acquisition costs and acquired value of in-force business; the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of various legal proceedings and regulatory investigations; the impact of operational risks; the loss of key personnel; the impact of catastrophic events on our results; changes in government regulations or tax laws in jurisdictions where we conduct business; funding risks associated with our pension schemes; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing impact and other uncertainties relating to acquisitions and disposals and relating to other future acquisitions, combinations or disposals within relevant industries. For a more detailed description of these risks, uncertainties and other factors, please see Item 3, “Risk Factors”, and Item 5, “Operating and Financial Review and Prospects” in Aviva’s Annual Report Form 20-F filed with the SEC on 30 March 2010. Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this presentation are current only as of the date on which such statements are made.

Agenda



1. Review of the business

Andrew Moss

2. Financial results

Patrick Regan

3. Looking ahead

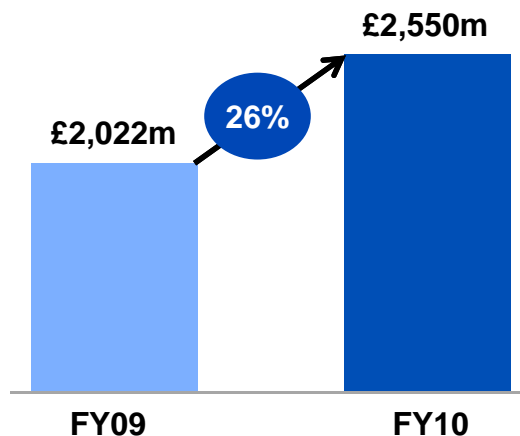
Andrew Moss

4. Q&A

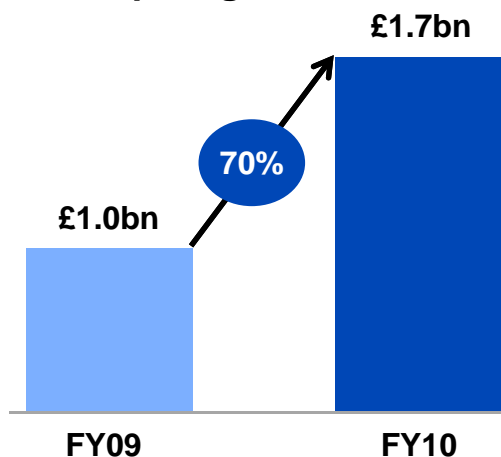
Significant growth in all key performance metrics



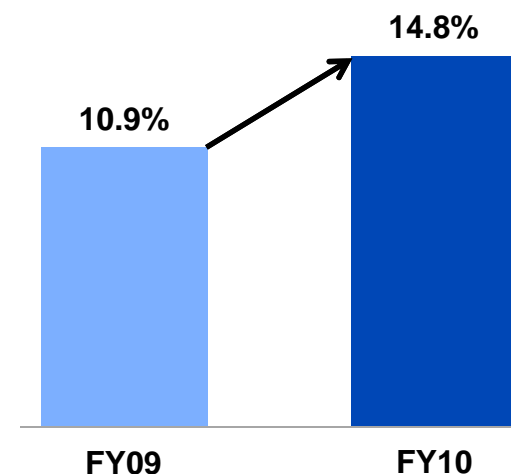
IFRS operating profit



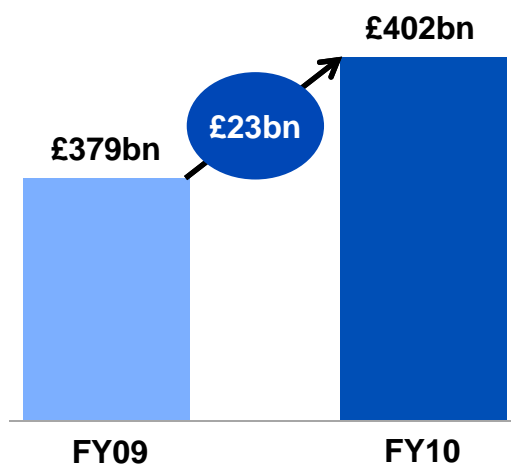
Net operating capital generated



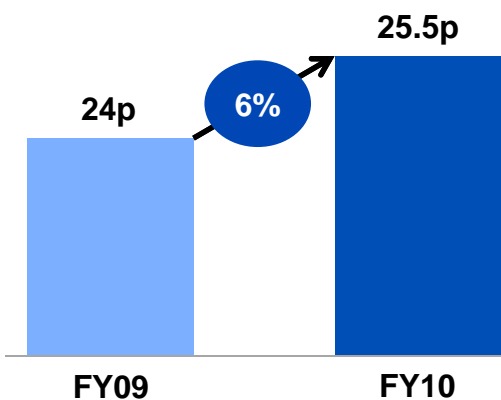
IFRS Return on Equity



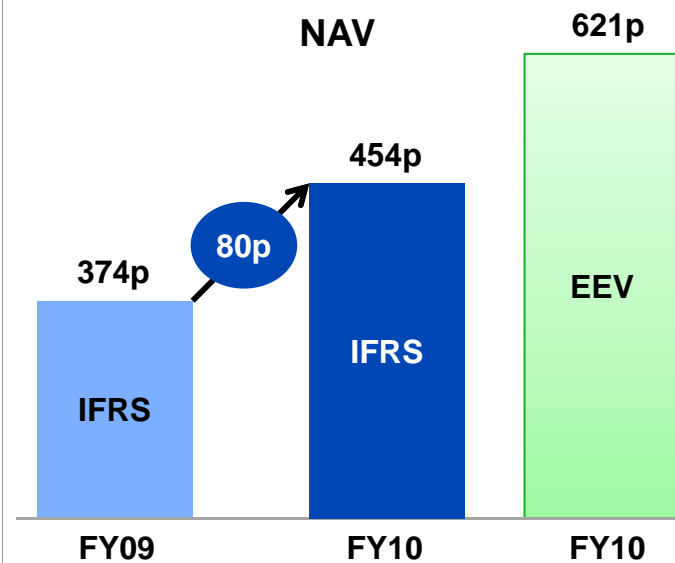
Funds under management



Dividend



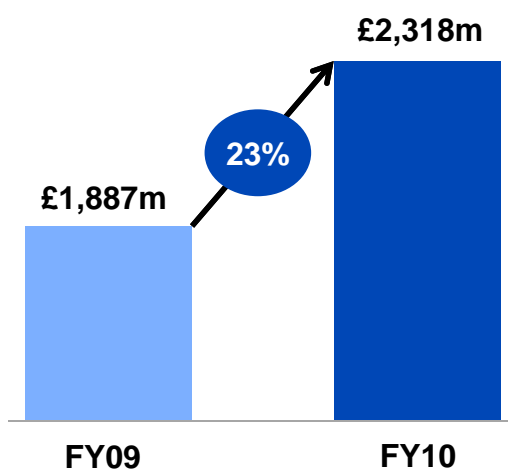
NAV



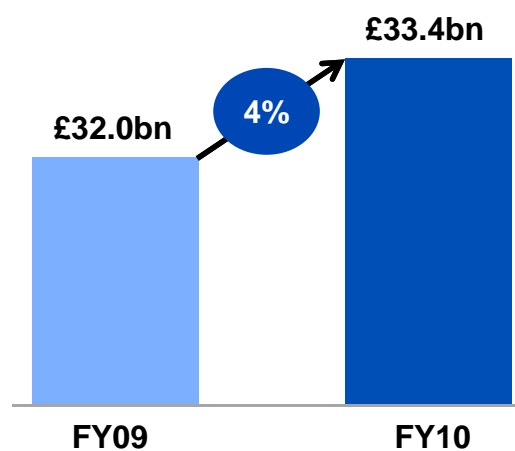
Strong growth in Life & GI



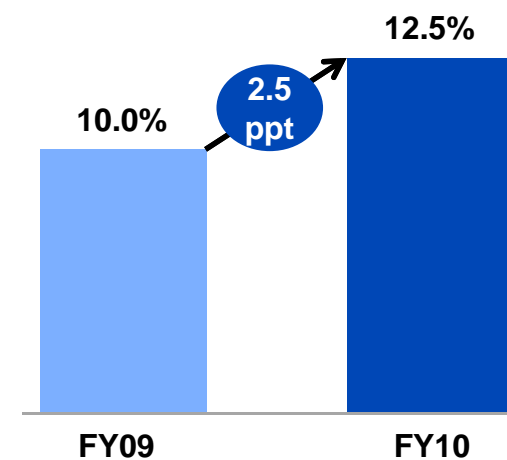
Life operating profit



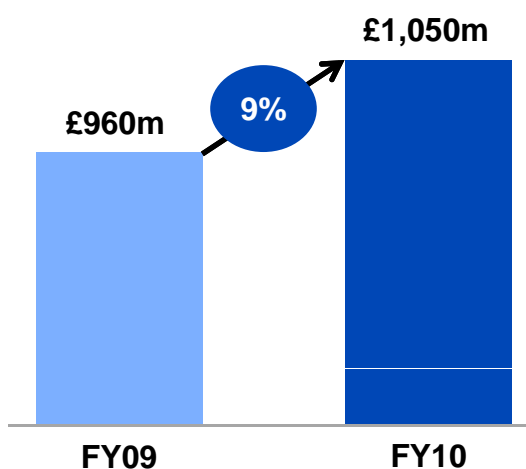
Life sales (PVNBP)



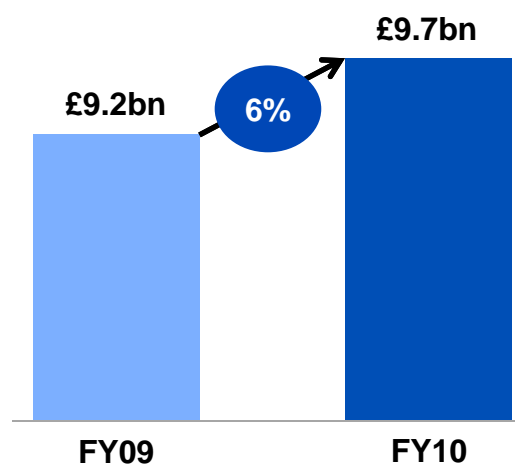
Life IRR



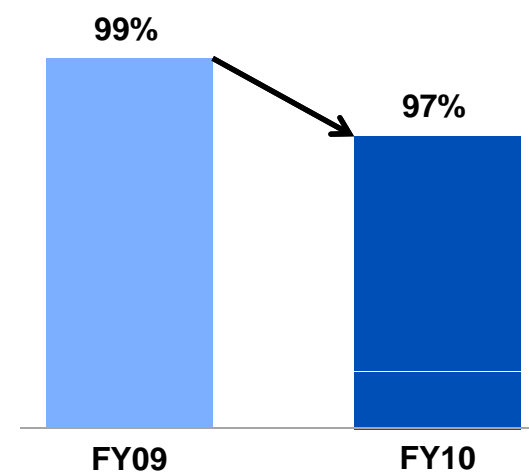
GI & Health operating profit



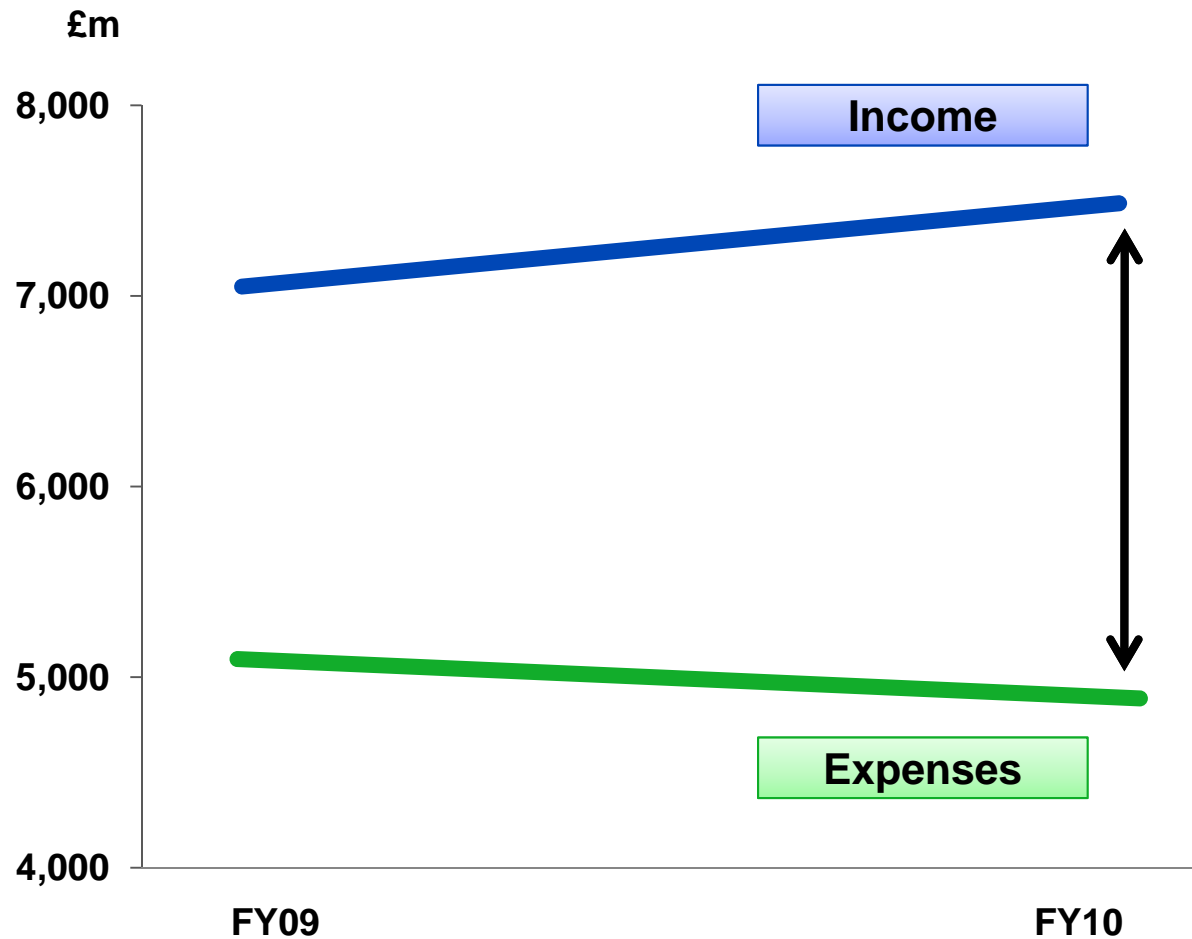
GI & Health sales (NWP)



GI COR



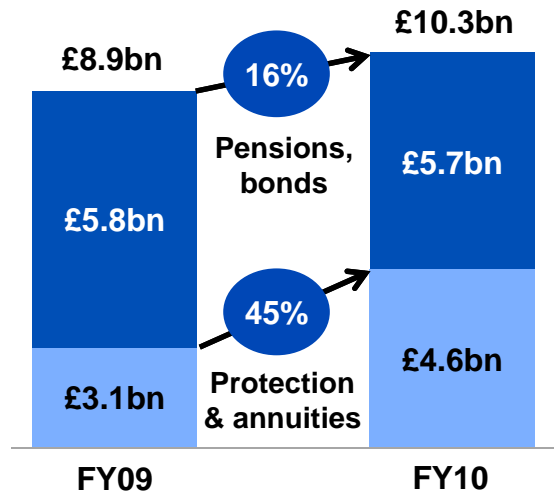
Growing income whilst controlling expenses



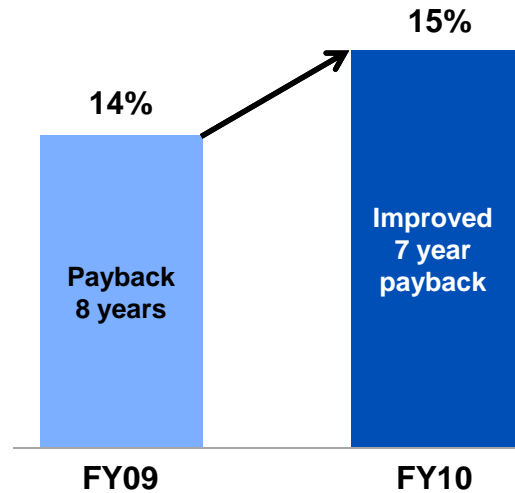
Growth in sales and profits in UK – Life



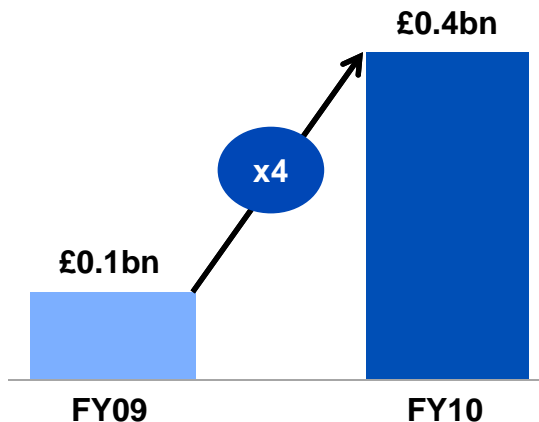
L&P sales



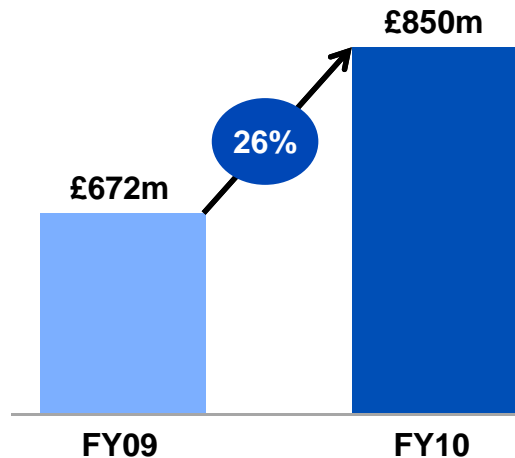
New business IRR



Net operating capital generated



IFRS operating profit



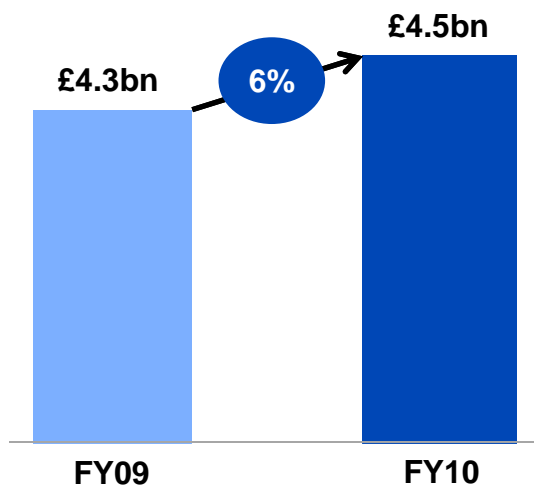
Increased sales, returns and profits

- Record and sustainable profits of £850 million
- Substantive and permanent operational change implemented
- Increased earnings from new business and the in-force book
- Continued shift in mix towards more profitable credit and insurance related earnings
- New distribution agreements with Santander and RBS

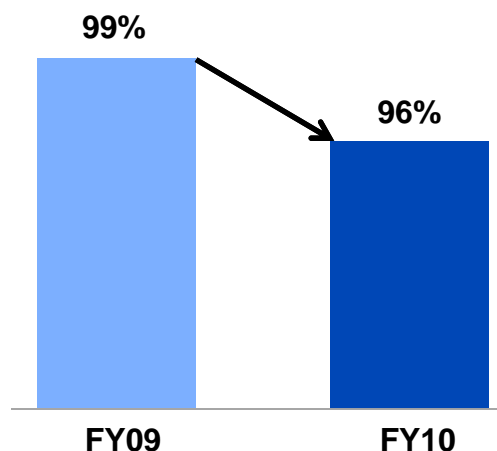
Growth in sales and profits in UK – GI



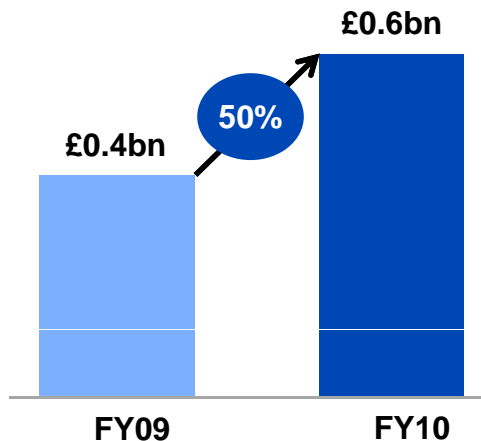
GI & health NWP



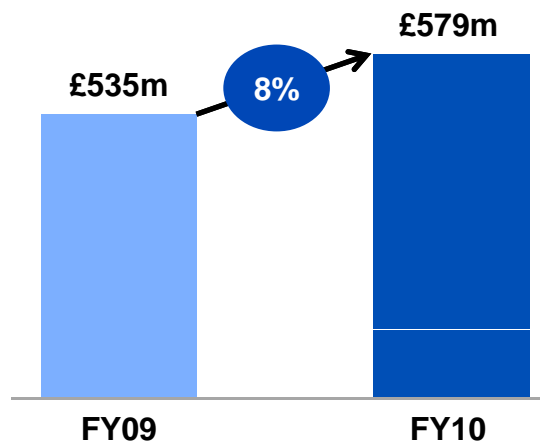
GI COR*



Net operating capital generated



GI & health operating profits



* COR excludes Aviva Re and run-off business

Improved sales, COR and profits

Four consecutive quarters of GI sales growth

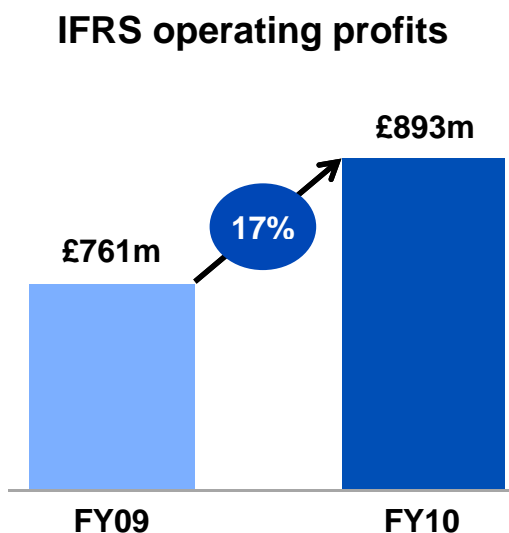
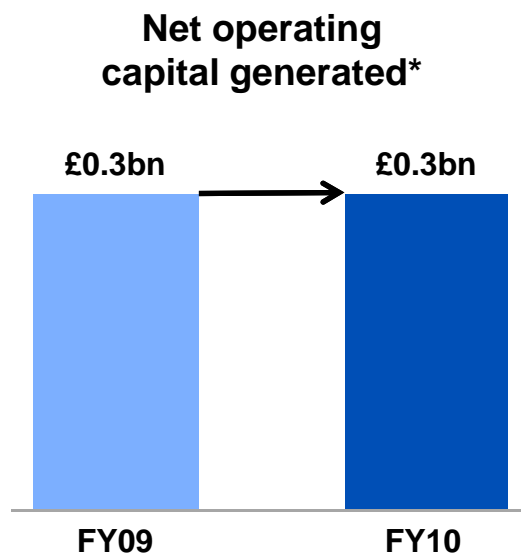
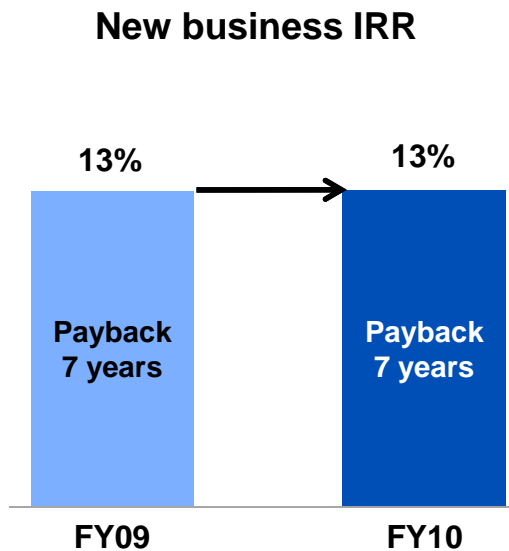
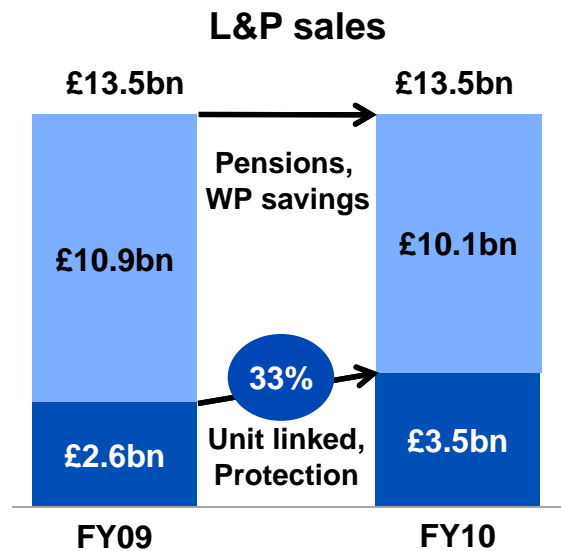
- Strong retention levels
- Growth in Direct and the RAC panel

Significant improvement in current year COR due to:

- Strong underwriting
- Further cost savings
- Distribution management

Improvement in spite of £40 million exceptional weather-related claims

Resilience and profit growth in Europe – Life



Resilience and growth in profits

Resilient new business in a period of continued economic volatility

Second half sales lower due to:

- Legislative changes and economic pressures
- Actions taken to redesign products and refocus sales

Resulting in improved second half margin and increased capital efficiency

Continued bancassurance leadership

Higher returns from AUM growth in France, Italy and Spain

Introduction of realistic term assurance reserving in Ireland

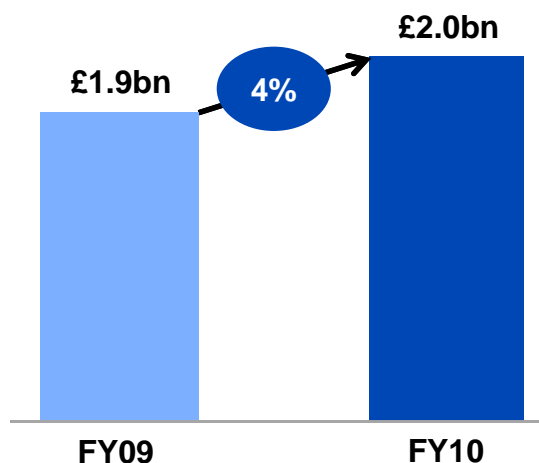
Quantum Leap programme continues to deliver

* For both life and non-life business

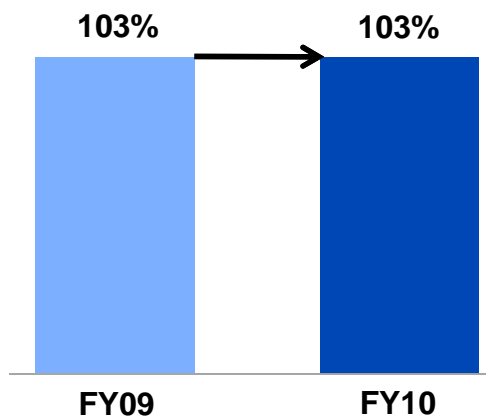
Improved sales in Europe – GI but COR remains high



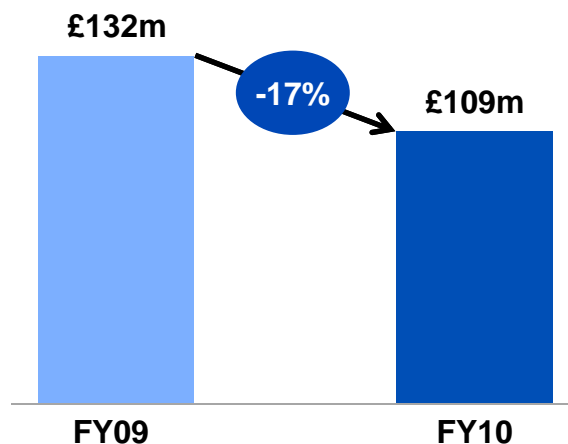
GI & health NWP



GI COR



GI & health
operating profits



Improved sales, COR remains high

- GI sales growth across the portfolio offset by a tougher environment in Ireland
- Health franchise continues to grow
- Profit reflects a fall in investment returns

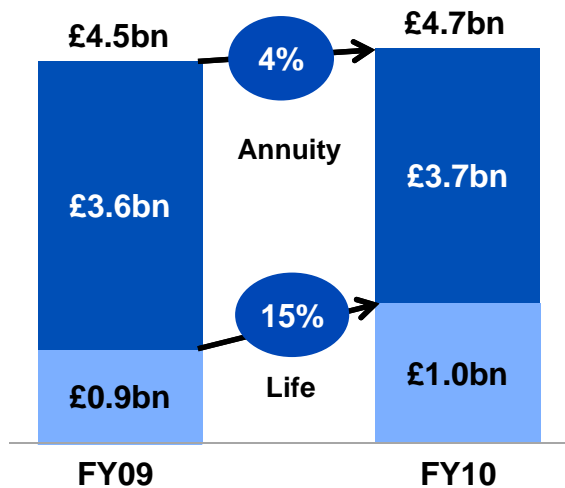
COR reflects:

- Second year of exceptional weather related claims
- Lower reserve margin releases
- Offset by cost savings

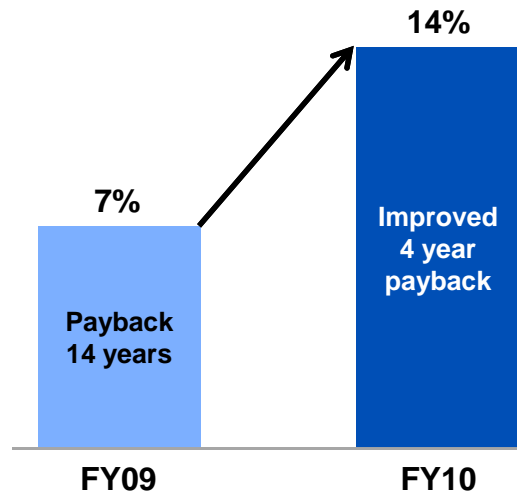
Significant profit improvement in North America



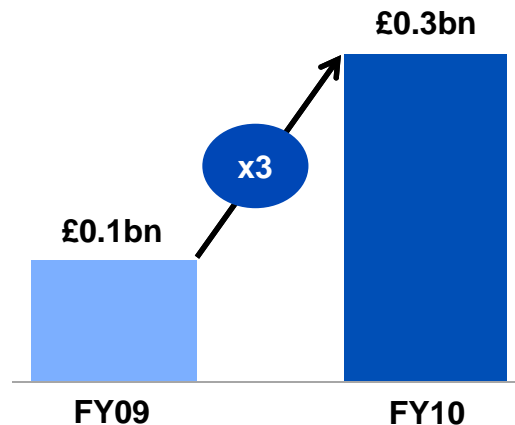
L&P sales



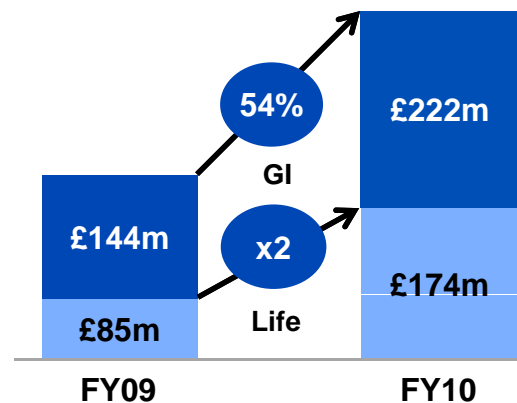
New business IRR



Net operating capital generated



IFRS operating profit



Significant increase in Life profits

Profitable growth and capital self-sufficiency

- Diversification of business mix with a focus on life sales
- Strong improvement in IRR reflects product, pricing & capital actions
- Re-pricing of the in-force book
- Improved economic environment

Canadian COR of 97%

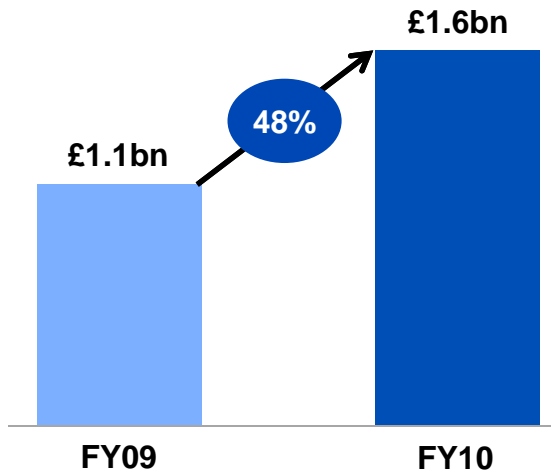
Record profits achieved in 2010

- Improved underwriting
- Pricing action across the book
- Favourable weather conditions

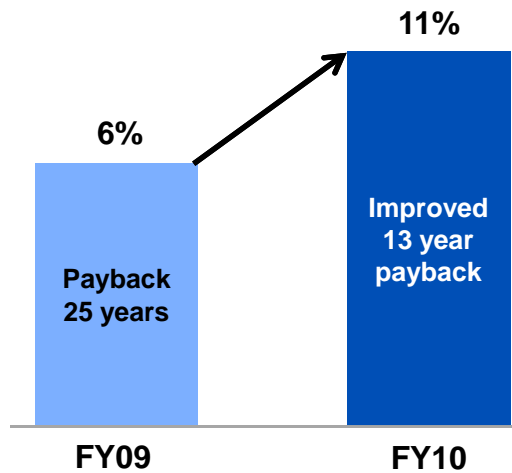
Value growth in Asia Pacific



L&P sales



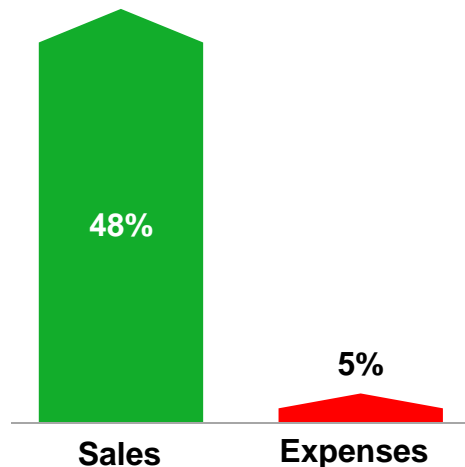
New business IRR



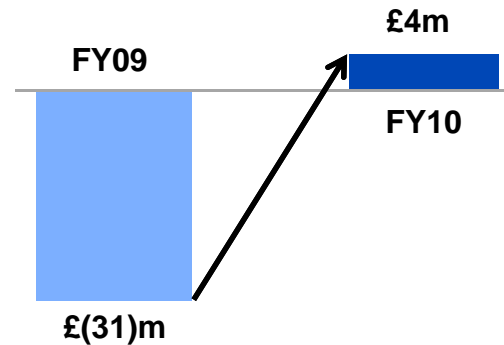
Increased sales, returns and profits

- Scale and mix drives a 500 bps IRR improvement
- Bancassurance contributes 51% of sales, a 76% increase from 2009
- Resilient and growing in-force book with a 66% increase in IFRS in-force profits

Sales growth absorbs expenses



Underlying total IFRS operating profits*



Continuing progress

- Well positioned to benefit from the region's long-term growth potential
- Pulling back from high capital low return markets
- Sharpened focus on creating franchise value through organic growth

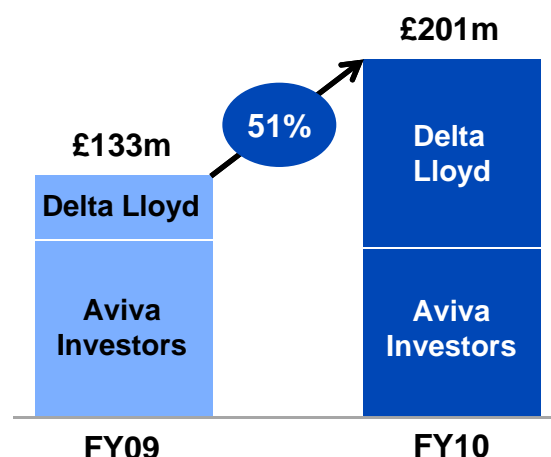
All FY09 figures exclude Australia, which was sold in 2009

* Underlying operating profit excludes Australia and Singapore reserve release in FY09; FY10 excludes China GAAP adjustment

Profit growth and further investment in fund management



Operating profits



Increase in profits

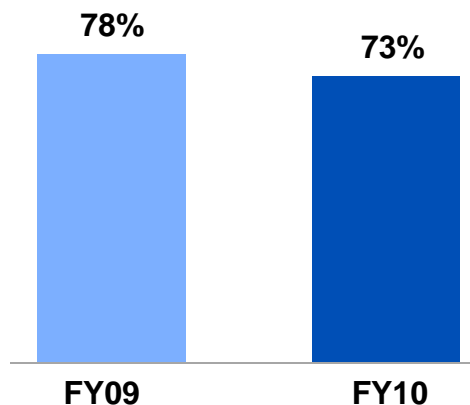
Growth in profits driven by Delta Lloyd emerging markets profits

Continuing investment in Aviva Investors

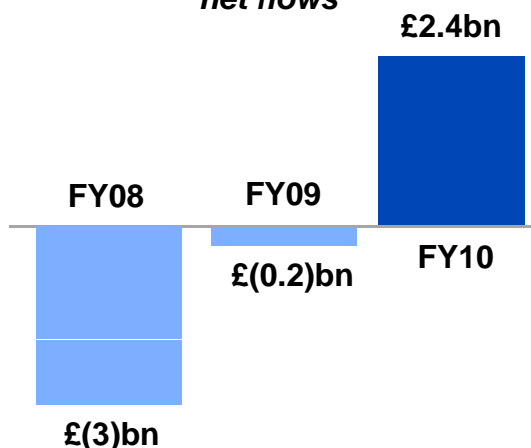
- Investment in capability and infrastructure development
- Continuing high performance against benchmarks
- Growing pipeline of external mandates
- Increased focus on higher margin assets
- Ongoing improvement in client service standards

Aviva Investors

*Funds performing above benchmark**



*Positive third party net flows***

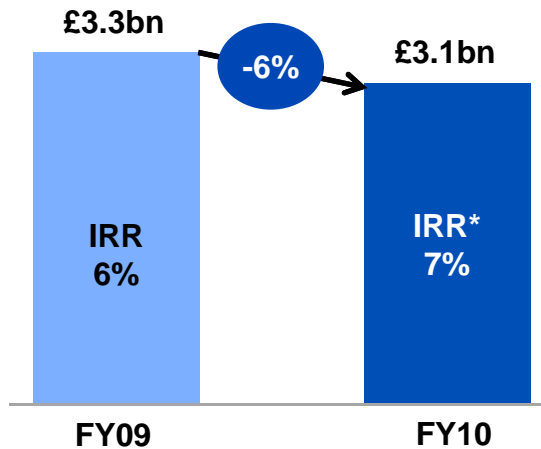


* On an equally weighted 1 and 3 year basis where benchmarks exist ** excluding liquidity funds

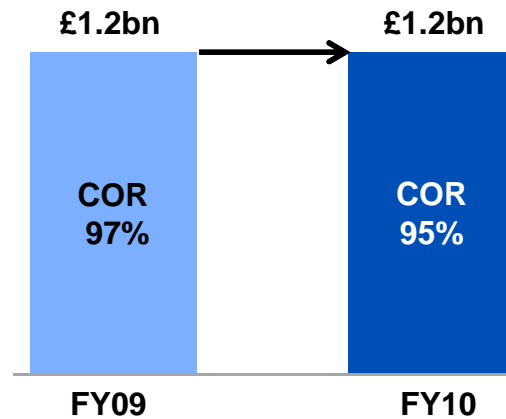
Delta Lloyd – strong profit growth



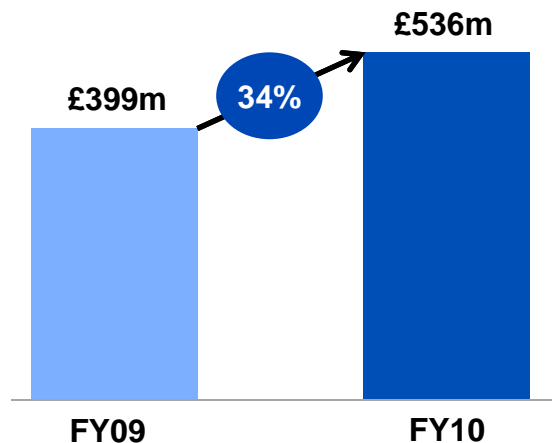
Life PVNBP*



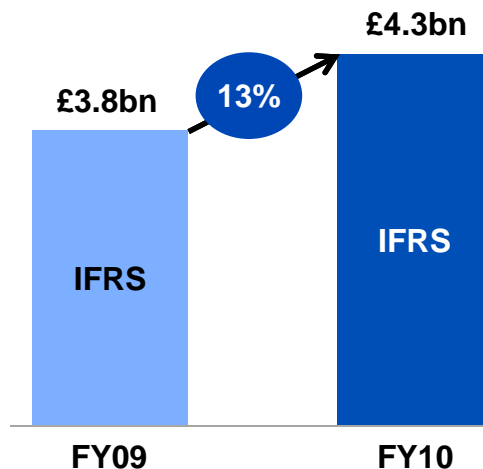
GI&H NWP



Total IFRS operating profit



IFRS net assets**



Strong operating performance

- Life new business IRR improvement due to mix and cost savings
- Three-fold asset management profit growth to £103 million
- Continuing low investment impairments
- Dividend increased to €1.0 (2009 €0.5) per share

Continued structural improvements

- German subsidiary closed to new business
- Programme on track to deliver cost savings by 2012

Longevity reserving increase in line with the *Dutch Central Bureau of Statistics* findings

* Excluding German life operation, now closed to new business

** 100% of IFRS net assets

Patrick Regan

Financial results

1. Capital generation and efficiency

2. IFRS operating profits

3. Total profits

4. The balance sheet

5. Return on equity, NAV and IGD

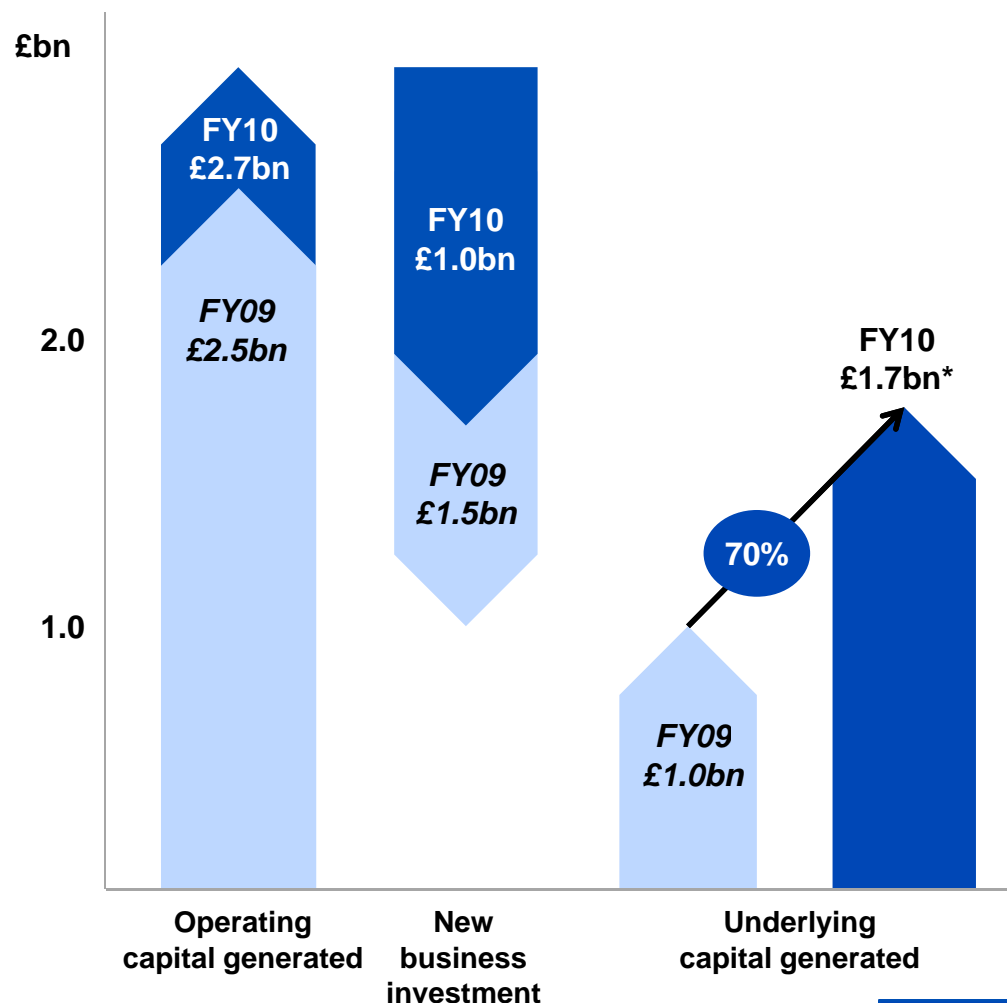
Capital generation and efficiency



70% increase in net capital generation provides strong dividend cover



2010 vs 2009



2010 £bn	Operating capital		
	Generated	Usage	Net
UK	0.9	0.1	1.0
Europe	0.8	(0.5)	0.3
North America	0.6	(0.3)	0.3
Asia Pacific	-	(0.1)	(0.1)
Delta Lloyd*	0.4	(0.2)	0.2
Total	2.7	(1.0)	1.7

£0.7 billion uplift from 2009 driven by:

- £0.2 billion higher gross capital generated
- £0.2 billion lower US new business strain
- £0.2 billion lower GI capital requirements
- £0.1 billion benefit of UK inherited estate

* Excluding Delta Lloyd longevity reserving of £0.2 billion post tax & MI

Capital efficiency

IFRS

Total profits

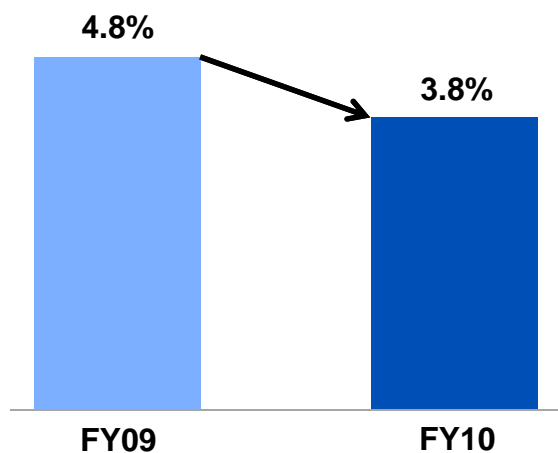
Balance sheet

ROE & NAV

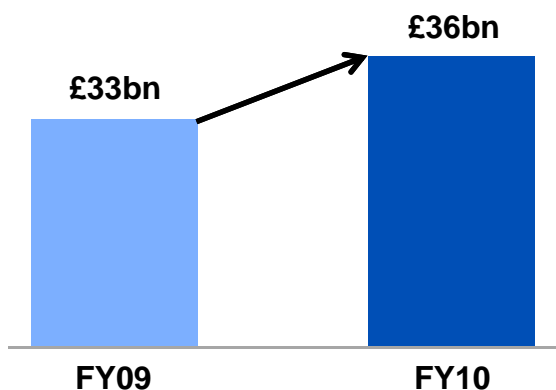
Effective use of capital to grow shareholder value



Improved life capital efficiency*



Increased future cash flows



* Life capital efficiency (life capital usage over life sales) excluding Delta Lloyd & Australia

2010 £bn	Sales	Capital usage	IRR %	Payback period years
UK Life	10.3	(0.1)	15	7
Europe Life	13.5	(0.5)	13	7
North America Life	4.7	(0.4)	14	4
Asia Pacific Life	1.6	(0.1)	11	13
Delta Lloyd Life	3.2	(0.1)	7*	16
Non-life**	13.7	0.2	n/a	n/a
Total	47.1	(1.0)	12.5	8

*Delta Lloyd IRR excludes German operations closed to new business

**Non-life sales include investment sales and GI & health net written premiums

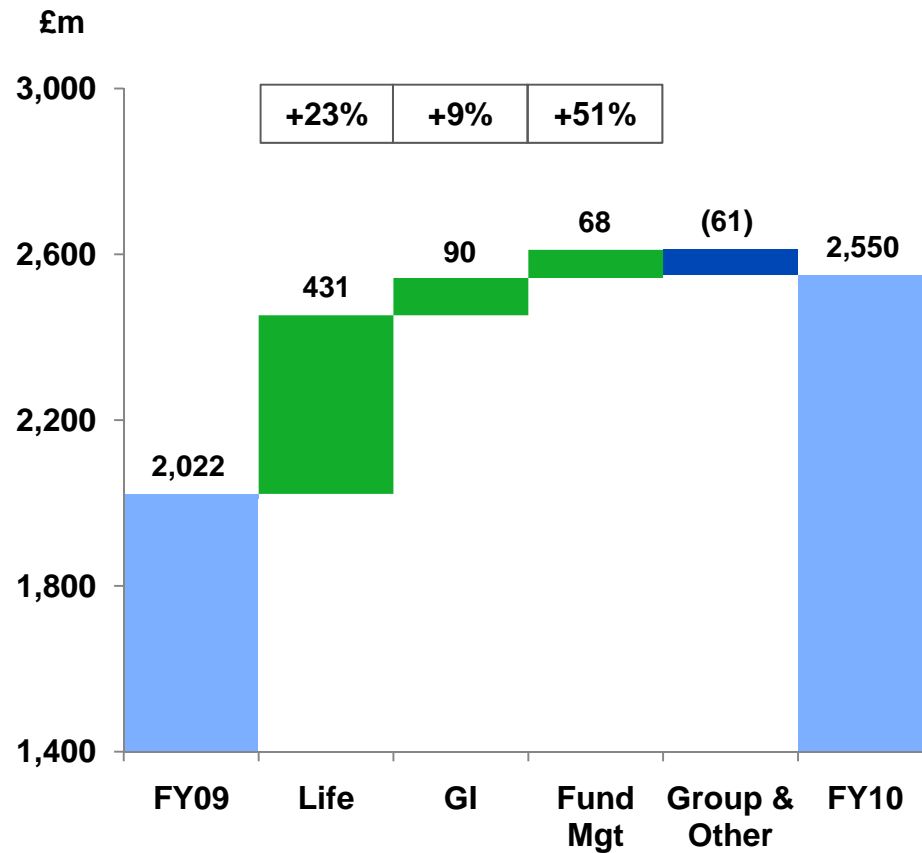


IFRS operating profits

Improved performance flowing through to profit



IFRS operating profits



	FY09		FY10	
	Life	GI	Life	GI
UK	672	535	850	579
Aviva Europe	761	132	893	109
Delta Lloyd	277	143	330	146
North America	85	144	174	222
Asia Pacific	92	6	71	(6)
Total Life / GI	1,887	960	2,318	1,050
Fund Management		133		201
Other, non-insurance		(214)		(220)
Corporate costs		(108)		(143)
Group debt costs		(562)		(569)
Pension costs		(74)		(87)
Operating profit		2,022		2,550



Summary IFRS life profit drivers

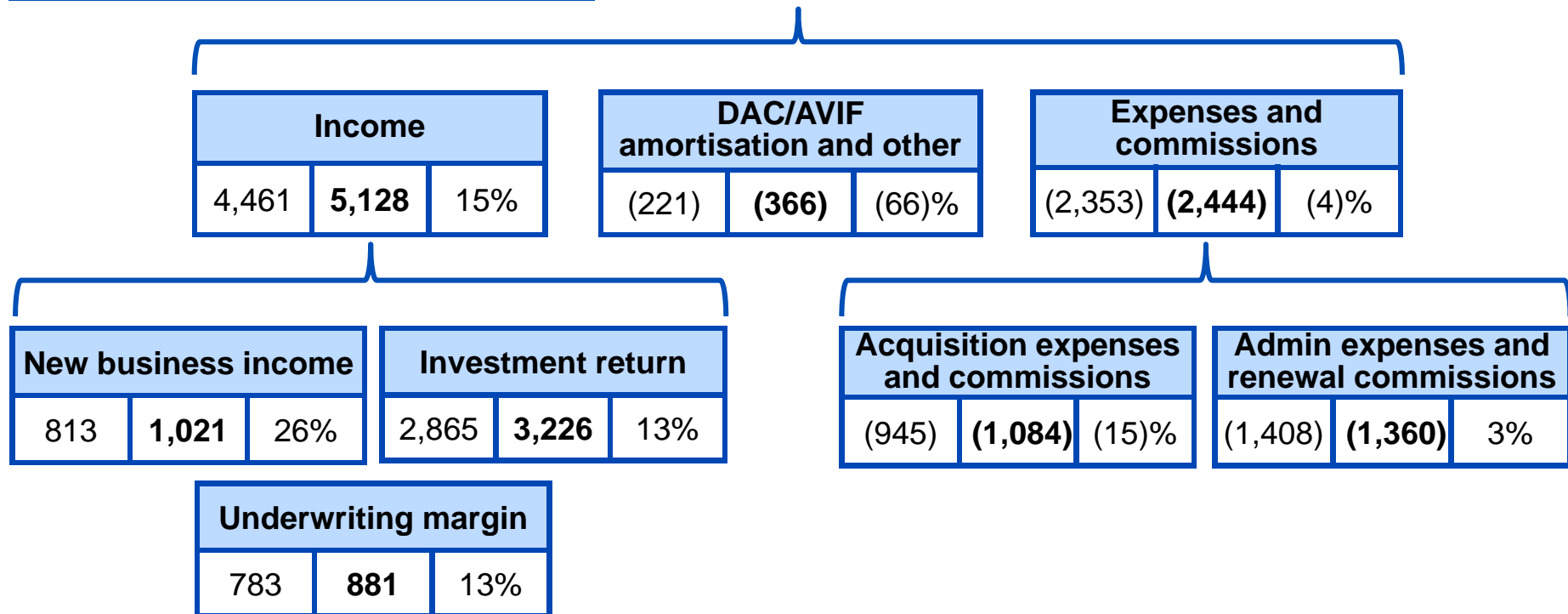


£m	FY09	FY10
UK	672	850
Aviva Europe	761	893
Delta Lloyd	277	330
North America	85	174
Asia Pacific	92	71
Operating profit	1,887	2,318

Key:

Driver		
FY09	FY10	Variance

Pre-tax operating profit		
1,887	2,318	23%



Life new business income



Key:

Driver		
FY09	FY10	Variance

Total New business income		
813	1,021	26%

UK New business income		
402	499	24%

APE	1,143	1,310	15%
Margin	35%	38%	3ppt

- Growth in annuities, protection and group personal pension sales
- Benefit of business mix on margin

Aviva Europe New business income		
310	382	23%

APE	1,554	1,544	(1)%
Margin	20%	25%	5ppt

- Focus on profit over volume reflected by increase in margin

ROW* New business income		
101	140	39%

APE	1,049	1,089	4%
Margin	10%	13%	3ppt

- Asian growth offset by lower sales in Delta Lloyd
- Margin reflects pricing action in US and Asia

* 2009 excludes Australia which was sold in October 2009



IFRS life underwriting margin



Key:

Driver		
FY09	FY10	Variance

Total Underwriting margin		
783	881	13%



Expenses	356	438	23%
Mortality & longevity	377	353	(6)%
Persistency	50	90	80%

Higher expense margins in Delta Lloyd and growth of the in-force book

Lower profits in Europe and the US offset by higher profits in UK

Release of reattribution guarantees and improved lapses in the rest of the world



Total IFRS life investment return



Key:

Driver		
FY09	FY10	Variance

Investment return		
2,865	3,226	13%

Unit linked margin				Participating business				Spread margin				Expected return on shareholder assets			
938	999	7%		660	682	3%		676	890	32%		591	655	11%	
AMC (bps)	111	108	(3)	Bonus (bps)	59	60	1	Spread (bps)	94	114	20	Equity	7.3%	7.2%	(0.1) ppt
Average reserves (£bn)	84.5	92.7	10%	Average reserves (£bn)	111.0	114.2	3%	Average reserves (£bn)	72.2	77.7	8%	Property	5.8%	5.7%	(0.1) ppt
Improved market conditions across all businesses				Growth in French AFER bonuses offset by lower UK with profit bonuses				Pricing actions in the US business				Bonds	4.9%	4.7%	(0.2) ppt



Life expenses



Key:

Driver		
FY09	FY10	Variance

Acquisition expenses and commissions		
(945)	(1,084)	(15)%



Acquisition expense ratio	25%	27%	(2)ppt
APE (£m)	3,746	3,943	5%

Growth in sales and higher initial commissions in Italy

Admin expenses and renewal commissions		
(1,408)	(1,360)	3%



Existing expense ratio (bps)	53	48	5
Average reserves (£bn)	267.7	284.6	6%

Growing in-force book and cost savings in UK and Delta Lloyd



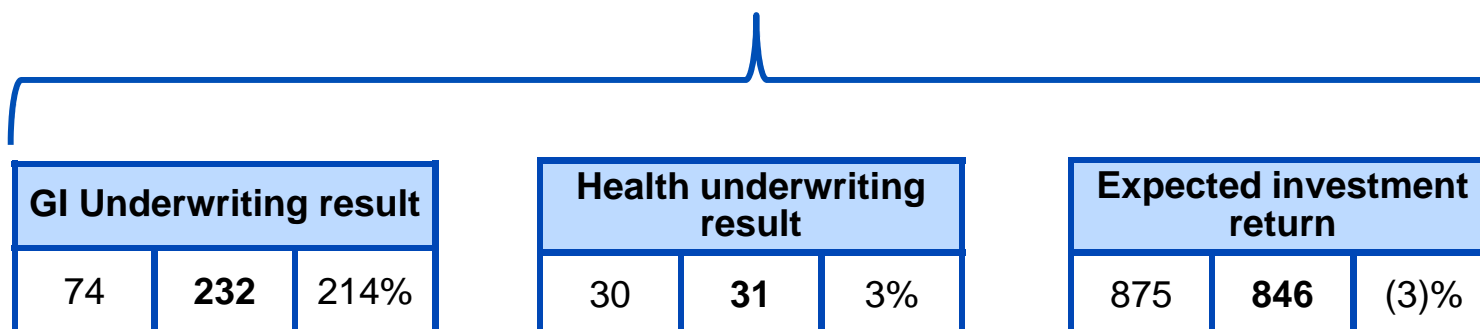
GI & Health profit drivers



Pre-tax operating profit		
960	1,050	9%

Key:

Driver		
FY09	FY10	Variance



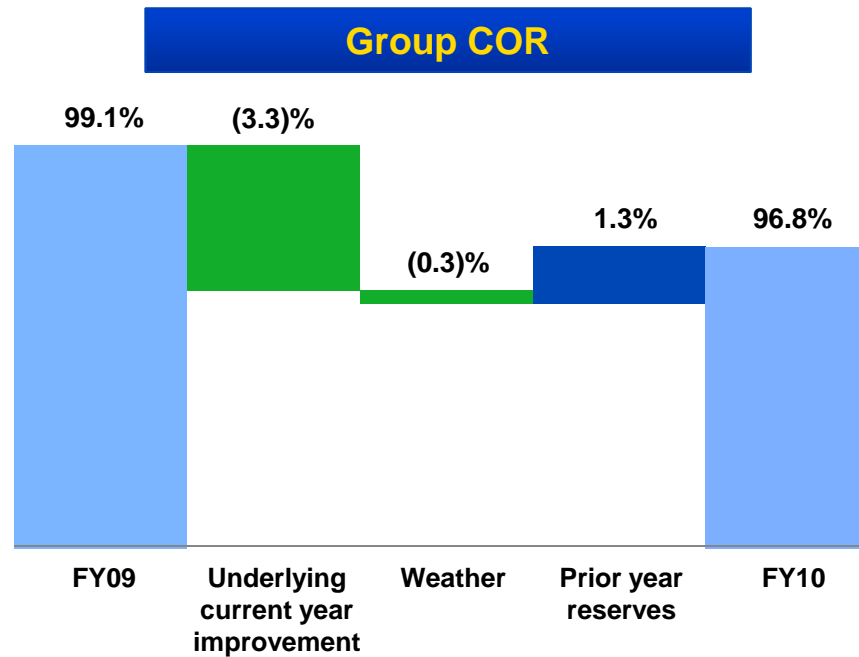
Net written premiums	8,492	8,920	5%
Claims ratio	66.7%	64.5%	2.2ppt
Commission ratio	19.8%	19.9%	(0.1)ppt
Expense ratio	12.6%	12.4%	0.2ppt
COR	99%	97%	2.3ppt

Average rate	4.6%	4.6%	-
Average assets £bn	19.1	18.5	(3)%

Note: Operating profit includes £(59)m resulting from unwind of discount and pension scheme finance costs (FY09: £(19)m)



General Insurance performance



	GI & Health NWP £m		GI COR	
	FY09	FY10	FY09	FY10
UK	4.3	4.5	99%	96%
Aviva Europe	1.9	2.0	103%	103%
North America	1.8	2.0	100%	97%
Delta Lloyd & others	1.2	1.2	97%	95%
Total	9.2	9.7	99%	97%



Fund management



£m	FY09	FY10
Aviva Investors	115	97
Delta Lloyd	28	103
Other	(10)	1
Fund Management	133	201

Key:

Driver		
FY09	FY10	Variance

Pre-tax operating profit		
133	201	51%



Total income		
731	803	10%

Operating expenses		
(598)	(602)	(1)%

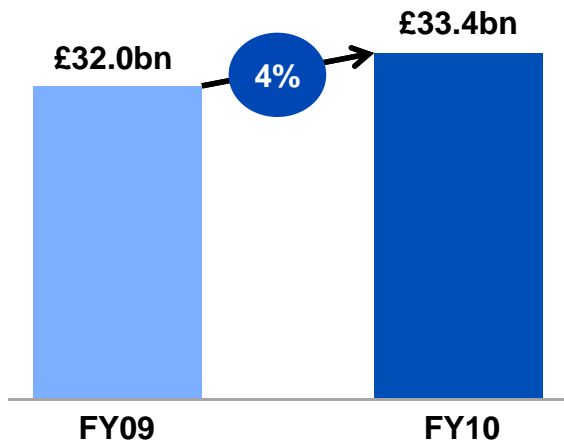
Average fees (bps)	17.4	18.6	1.4
Average assets £bn	289	315	9%



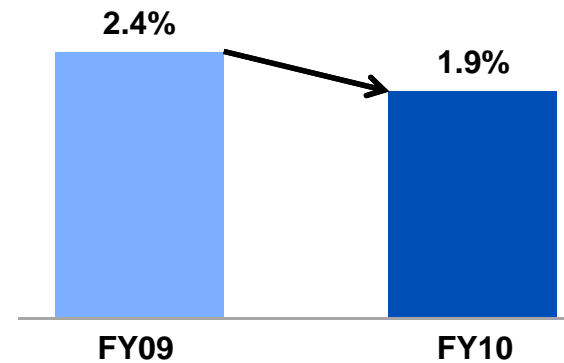
MCEV performance



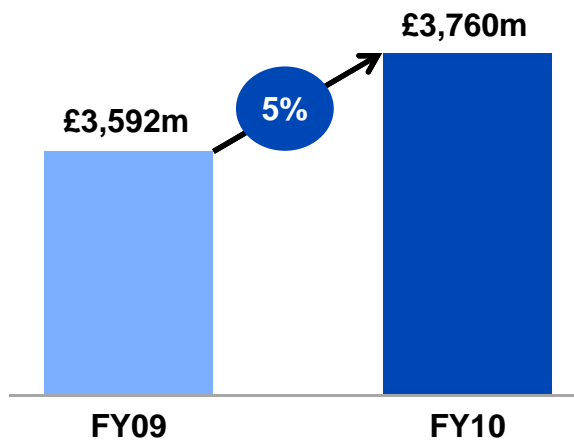
PVNB



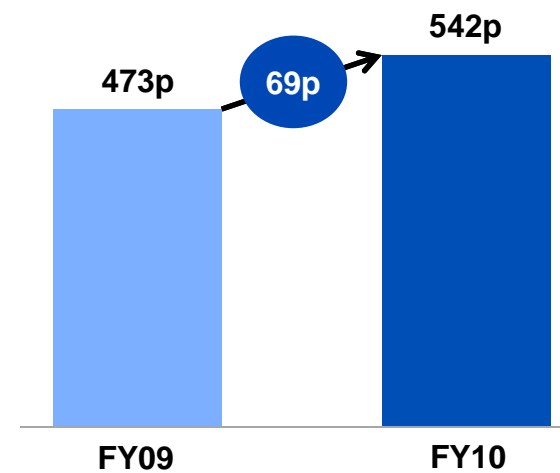
New business margin



Total MCEV operating profit



MCEV NAV



Total profits

IFRS profit after tax



	FY09 £m	FY10 £m
Operating profit	2,022	2,550
Integration & restructuring costs	(286)	(243)
Other exceptional items	45	(273)
Investment variances & assumption changes	77	487
Profit on disposals	153	159
Goodwill and intangibles amortisation	(206)	(240)
Profit before tax	1,805	2,440
Tax	(490)	(548)
Minority interest & DCI	(291)	(488)
Total return	1,024	1,404
Earnings per share	37.8p	50.4p

Integration and restructuring costs

- Regional restructuring and Solvency II

Profit on disposals

- RBS bancassurance joint venture profit of £128 million
- Non-core disposals in France and UK

Total dividend per share increase by 6% to 25.5p (2009: 24p)

* Earnings per share - stated after tax, minority interest, preference dividend and DCI



IFRS profit after tax



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Earnings per share	37.8p	50.4p

Other exceptional items	FY10 £m	Aviva share
Net gain on UK pension schemes closure	286	
Delta Lloyd		
Longevity reserve increase	(483)	
Reorganisation of Germany and compensation payments	(66)	
	(549)	(318)
Other	(10)	
	(273)	

Total dividend per share increase by 6% to 25.5p (2009: 24p)

* Earnings per share - stated after tax, minority interest, preference dividend and DCI



IFRS profit after tax



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Investment variances and assumption changes	FY10 £m	Aviva share
Asset and liability curve movements	800	
Other investment variances	210	
Delta Lloyd life investment variances	1,010	586
Other life investment variances and assumption changes	(219)	
GI short-term fluctuations and economic variances	(304)	
	487	

Total dividend per share increase by 6% to 25.5p (2009: 24p)

* Earnings per share - stated after tax, minority interest, preference dividend and DCI



The balance sheet

Balance sheet assets remain high quality



	FY09 £bn	FY10 £bn
Government bonds	17.0	19.1
Corporate bonds	33.7	38.7
Asset backed securities	8.3	6.8
Other	1.0	1.3
Debt securities	60.0	65.9
Mortgages and loans	32.6	34.7
Cash	6.6	8.5
Equities	5.1	5.3
Properties	2.2	2.0
Other investments	2.8	3.3
Total investments	109.3	119.7
Other assets	28.7	28.2
Total shareholder assets	138.0	147.9

Government Bonds

- 96% investment grade
- Limited exposure to higher risk sovereigns
- Minimal losses

Corporate Bonds

- 90% investment grade or NAIC rated
- Minimal losses
- Limited exposure to financial institutions in higher risk countries

Mortgages and Loans – minimal losses

- £13bn** Healthcare and UK commercial property with 1.3x rental cover
- £7bn** Dutch residential mortgages with minimal losses
- £8bn** Securitised mortgages with minimal residual risk
- £7bn** Other loans with low LTVs and/or guarantees

Equities

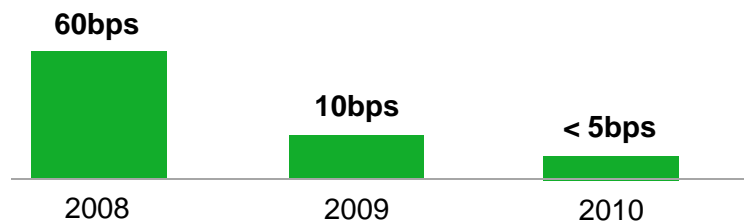
- Significant hedging remains in place
- £4.2bn held by Delta Lloyd continues to outperform



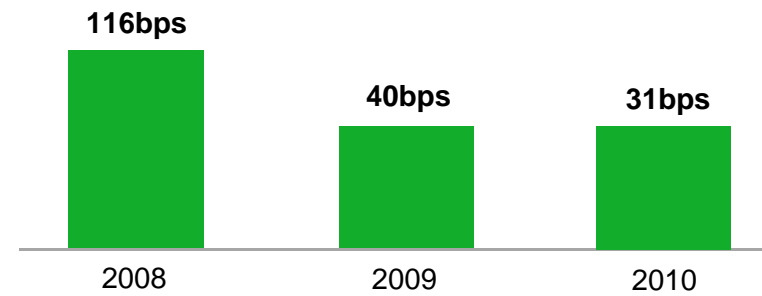
Continuing low levels of losses



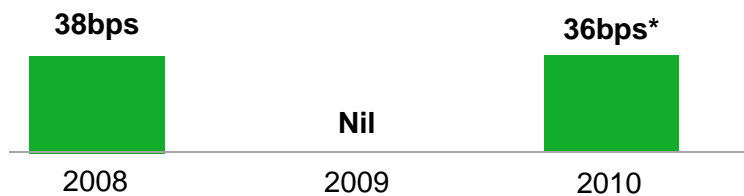
UK Corporate bonds



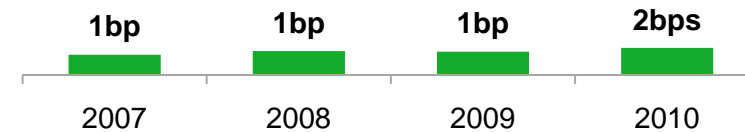
Aviva USA



UK mortgage portfolio



Delta Lloyd mortgage portfolio



* 36bps = £57 million loss



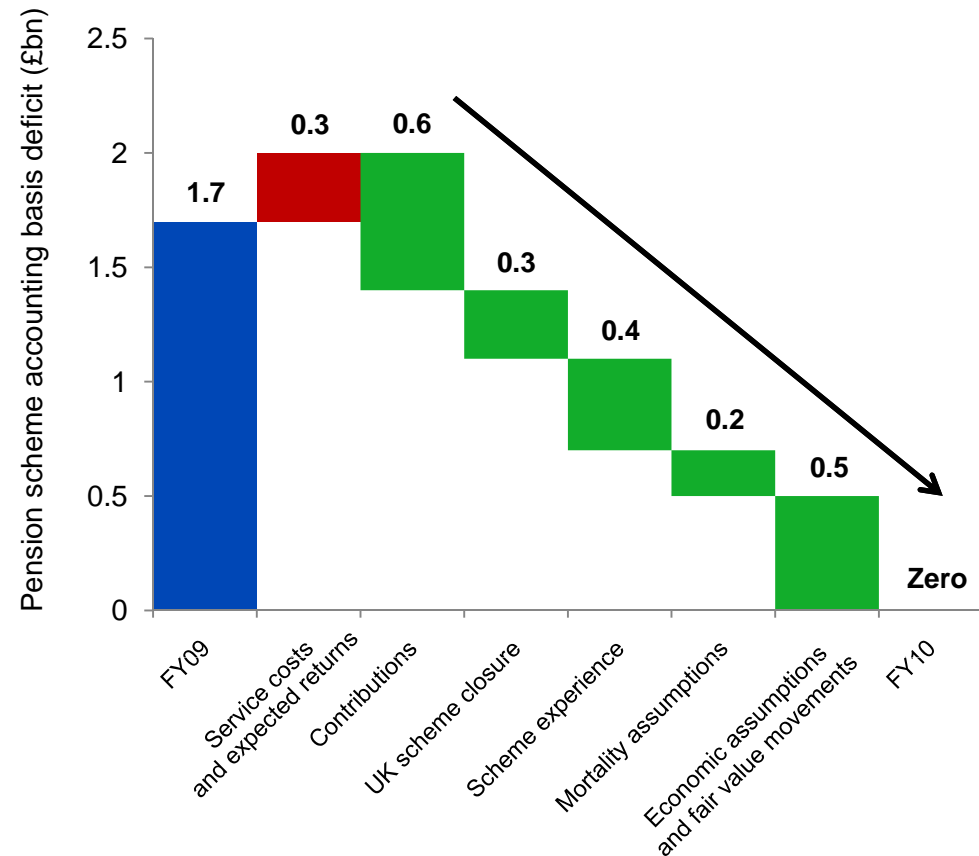
Aviva's pension schemes



Actions

- Aviva and RAC schemes closed reducing liabilities
- Aviva scheme:
 - Long-term funding agreement in place
 - £378 million deficit funding payment in 2010
- Updated mortality assumptions favourable in the UK with offset in DL
- Ongoing further ALM improvements and volatility mitigation strategies underway-covering longevity, equity, interest rate, inflation and credit exposure

Result (£bn)



Capital efficiency

IFRS

Total profits

Balance sheet

ROE & NAV

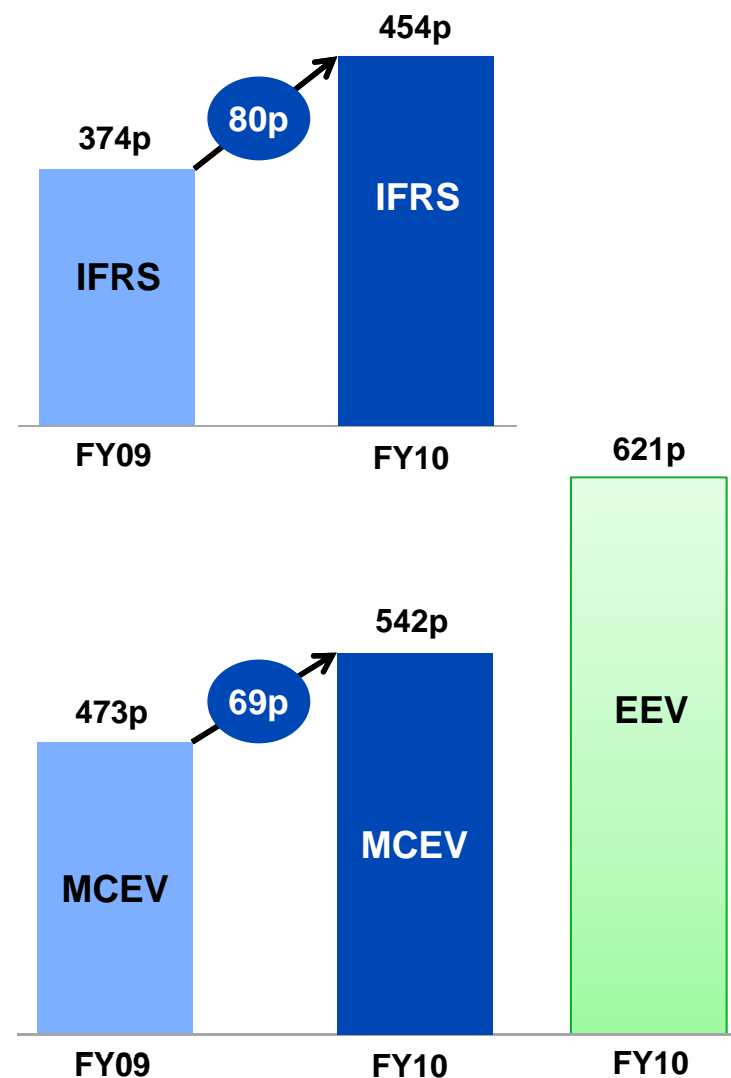
IGD, ROE & NAV

Significant improvement in NAV

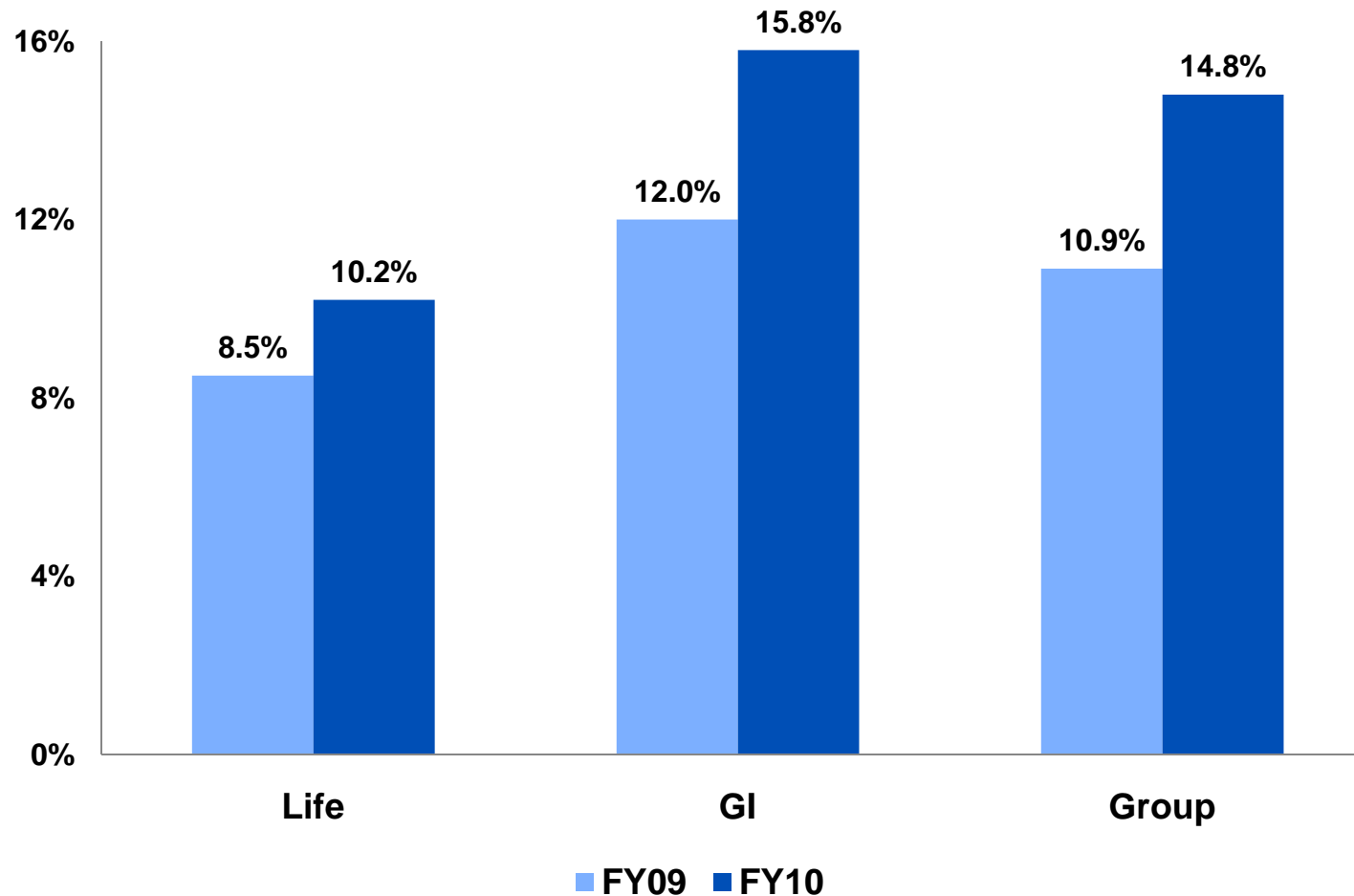


Pence per share	IFRS	MCEV
NAV at year end 2009	374p	473p
Profit and investment variances	68p	62p
Dividends (net of scrip) and new shares issued	(26)p	(26)p
Pension scheme revaluation	37p	37p
Foreign exchange and other movements	1p	(4)p
NAV at year end 2010	454p	542p

IGD Solvency £3.8bn (HY10: £3.8bn)



Growing return on equity



Group IFRS return on equity stated after tax, minority interest, preference dividend and DCI over opening shareholders' funds



Andrew Moss

Looking ahead

Looking ahead: a clear direction



Strategic portfolio changes	Increasing focus and depth in 12 countries	<ul style="list-style-type: none">• Progress on portfolio changes in 2011
Operational excellence	Excelling in Life, General Insurance & Asset Management Driving out composite value from the business	<ul style="list-style-type: none">• UK: Continued market leadership with profitable sales growth• Europe: Rigorous focus on delivery & execution• North America: Profit growth & capital self sufficiency• Asia Pacific: Strong value growth• Aviva Investors: Increasing external AUM
Short term goals	Demonstrating financial discipline through a range of short term targets	<ul style="list-style-type: none">• At least £1.5 billion operational capital generation in 2011• Life IRR of at least 12% with payback of 10 years or less• 2011 general insurance COR to be 97% or better• £400 million cost savings & efficiency gains by end 2012

Strong results pave the way for further growth



Strong performance

- IFRS operating profit up 26% to £2,550 million
- Increased net operational capital generation by 70% to £1.7 billion
- IFRS NAV per share up by 21% to 454p

Profitable growth in both life and general insurance

- 23% increase in life operating profit to £2,318 million with new business IRR of 12.5%
- 9% increase in GI operating profit to £1,050 million with a COR of 96.8%

Positive outlook, an excellent platform for continued growth

- Focussed on markets where we have strength and scale
- A stronger and larger balance sheet
 - £23 billion increase in funds under management to £402 billion
 - Pension deficit reduced to zero
 - Shareholder equity exceeding pre crisis level

Q&A

