News Release

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20 March 2006 **Embargoed until 7.00 a.m.**

Proposed merger of Aviva and Prudential

Aviva confirms that, on 16 March 2006, it made a written proposal to the Board of Prudential in relation to a possible combination of the two groups (the "**proposal**"). The Board of Aviva believes that such a combination would create significant value for both Aviva and Prudential shareholders.

Aviva is only prepared to proceed with the proposal on a recommended basis. However, Prudential has rejected the proposal and has informed the Board of Aviva that it is not prepared to enter into discussions.

This announcement enables both Prudential's and Aviva's shareholders to assess the proposal on an informed basis.

Summary of proposal

- An all-share merger of the two groups
- A merger ratio of 82 new Aviva Shares for every 100 Prudential Shares held
- The merger ratio represents a 10 per cent. premium[1] for Prudential Shareholders (based on the closing share prices of Aviva and Prudential on 16 March 2006, the date on which the proposal was made)
- An implied value to Prudential Shareholders of 708 pence per Prudential Share[2], including Prudential's proposed final dividend for 2005 which Prudential Shareholders will be entitled to retain, based on the closing share prices on 17 March 2006
- An implied pro forma 2005 dividend uplift of 37 per cent. for Prudential Shareholders[3]
- The opportunity for both sets of shareholders to participate in the significant value creation expected to arise from the combination of Prudential and Aviva
- Estimated cost savings of approximately £320 million per annum before tax, attributable to shareholders
- A balanced new board and management team drawn from both organisations, with Richard Harvey as the Chief Executive

Strategic rationale and benefits of the combination

- **Establish a leading global insurer.** The combined group would be a leading global insurer with a pro forma market capitalisation of approximately £36 billion and premium income of approximately £40 billion.

- **Diversified geographic presence.** The combined group would have strong market positions in the UK, Continental Europe, Asia and the US with the management breadth and financial strength to expand and invest for growth.

- **Opportunities for growth and revenue benefits.** Revenue synergies and organic growth opportunities would be expected to arise across businesses and markets through the complementary expertise and market positions of Prudential and Aviva.

- **Balanced mix of earnings.** The cash generative earnings of the general insurance business and the enhanced asset management operations of the combined group would complement the growth demands of the combined life businesses.

- **Capital and cash flow strength.** The combined group would have the capital and cash flow, supported by cost saving opportunities, to accelerate the growth and development plans of the respective organisations, as well as supporting the increased total dividend.

- **Enhanced margins and returns.** The synergies and economies of scale arising from the combination are expected to provide significant opportunities for capital efficiencies, improved margins and enhanced returns on capital.

Richard Harvey, Aviva's Group Chief Executive said today:

"The combination of Prudential and Aviva has a compelling strategic, financial and operational logic. This is a real opportunity to create a leading player in the global savings, investments and insurance market. The group would have significant presence and growth opportunities in Europe, Asia and the US. This is a value-creating proposition for the shareholders of both companies."

This summary should be read in conjunction with the full text of the accompanying announcement which contains further information about the terms and pre-condition to the implementation of the proposal. The proposal does not constitute a firm intention to make an offer and there can be no certainty that any offer will be made even if the pre-condition to the proposal is satisfied.

The sources of information and bases of calculation of certain financial and other information contained in this announcement are set out in Appendix 1 of the accompanying announcement. Certain defined terms used in this announcement are set out in Appendix 2 of the accompanying announcement.

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Notes:

[1] Based on Aviva's and Prudential's closing ordinary share prices of 827 pence and 627.5 pence respectively on 16 March 2006. The Prudential Share price has been adjusted for the proposed final dividend for 2005 of 11.02 pence which, under the proposal, would be retained by the Prudential Shareholders.

[2] Based on the merger ratio, Aviva's closing ordinary share price of 850.5 pence on 17 March 2006 and Prudential's proposed final dividend for 2005 of 11.02 pence.

[3] On a pro forma 2005 basis, assuming a merger ratio of 82 new Aviva Shares for every 100 Prudential Shares, Aviva's proposed full year dividend for 2005 of 27.27 pence and Prudential's proposed full year dividend for 2005 of 16.32 pence.

Morgan Stanley is acting for Aviva and no one else in connection with the proposal and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of Morgan Stanley nor for giving advice in relation to the proposal.

JPMorgan Cazenove is acting for Aviva and no one else in connection with the proposal and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of JPMorgan Cazenove nor for giving advice in relation to the proposal.

This announcement does not constitute an offer or any invitation to purchase any securities or the solicitation of any vote or approval in any jurisdiction.

Statements in this announcement regarding the proposed transaction between Aviva and Prudential, future financial and operating results, benefits and synergies of the transaction, future opportunities for the combined group and any other statements about Aviva's management's future expectations, beliefs, goals, plans or prospects constitute forward looking statements. Any statements that are not statements of historical fact should also be considered to be forward looking statements. There are *a number of important factors that could cause actual results or events to differ materially from those indicated by such forward looking statements, including: the ability to consummate the transaction, the ability of the combined group to successfully integrate the businesses of Aviva and Prudential and their respective operations and employees; the ability to realise anticipated synergies and cost savings and Aviva disclaims any intention or obligation to update any forward looking statements as a result of developments occurring after the date of this announcement.*

Dealing Disclosure Requirements
Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of Aviva or Prudential, all "dealings" in any "relevant securities" of Aviva or Prudential (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by no later than 3.30 p.m. (London time) on the London business day following the date of the relevant transaction. This requirement will continue until the date on which any offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the "offer period" otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of Aviva or Prudential, they will be deemed to be a single person for the purpose of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of Aviva or Prudential by Aviva or Prudential, or by any of their respective "associates", must be disclosed by no later than 12.00 noon (London time) on the London business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the City Code, which can also be found on the Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Takeover Panel.

Nothing in this announcement should be construed as a profit forecast or be interpreted to mean that Aviva's future earnings per share, or those of the combined group, will necessarily match or exceed the historical published earnings of Aviva and/or Prudential.

The availability of any offer implementing the proposal, if made, to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located.

Neither this announcement nor the proposal constitutes an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States. No offer to acquire securities or to exchange securities for other securities *has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than (i) in accordance with the tender offer requirements under the U.S. Securities Exchange Act of 1934, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements.*

The new Aviva Shares referred to in this announcement have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements

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Aviva is only prepared to proceed with the proposal on a recommended basis. However, Prudential has rejected the proposal and has informed the Board of Aviva that it is not prepared to enter into discussions.

This announcement enables both Prudential's and Aviva's shareholders to assess the proposal on an informed basis.

1. Terms of the proposal

The proposal is a share-for-share merger of Aviva and Prudential, on terms such that Prudential Shareholders would receive a premium of 10 per cent., based on the closing prices for Prudential and Aviva Shares on 16 March 2006, the date on which the proposal was made to the Board of Prudential.

Under the terms of the proposal, Prudential Shareholders would receive 82 new Aviva Shares for every 100 Prudential Shares held. Prudential Shareholders would retain their entitlement to Prudential's proposed final dividend for 2005. The implied value of these terms, including Prudential's proposed final dividend for 2005 of 11.02 pence, is 708 pence per Prudential Share, based on Aviva's closing share price of 850.5 pence on 17 March 2006.

Aviva believes that the proposed terms fairly reflect the relative valuations of the groups and their respective contributions to the combined group and offer a significant premium to Prudential Shareholders. The merger would provide both sets of shareholders with the opportunity to benefit from the growth platform and synergies created by the transaction.

In addition to the premium and strategic benefits of the combination, the proposal would provide Prudential Shareholders with the opportunity to receive a substantially higher dividend, based on Aviva's proposal that the combined group adopts Aviva's current dividend policy. Prudential Shareholders would receive a dividend uplift of approximately 37 per cent. on a pro forma 2005 basis[1].

2. Rationale for the combination and strategy of the combined group

The combined group

The merger of Prudential and Aviva would create a powerful force in the global insurance industry, with strong positions across the UK, US, Asia and Continental Europe. On a pro forma basis, the combined group would have approximately £40 billion of premium income and a market capitalisation of approximately £36 billion, making it the 5th largest insurer in the world by market capitalisation and an industry leader by premiums.

The combined group would be geographically diversified and have an attractive spread of earnings from long-term savings, asset management and non-life insurance activities. The cash generative earnings of the general insurance business and the enhanced asset management business would complement the growth demands of the combined life businesses. The tables below set out the pro forma split of EEV operating profit for the combined group:

By business segment	Year to 31 December 2005
Life	65%
General insurance and health	29%
Fund management	4%
Other	2%
Total EEV operating profit before tax*	£5,432m

By geography	Year to 31 December 2005
UK	42%
Europe	28%
North America	17%
Asia	10%
Other	3%
Total EEV operating profit before tax*	£5,432m

* Before corporate costs and unallocated interest charges in the case of Aviva and before other income and expenditure in the case of Prudential.

Strategic benefits

Aviva believes that the combined group would be able to accelerate the growth of its overseas life businesses, building on the strength of the existing and complementary platforms in Asia, Continental Europe and the US, while pursuing a disciplined approach to profitable growth in the UK life market. The combination would offer significant opportunities for value creation. In particular:

- in the UK, the combined group would be the largest life assurance business, with pro forma life and pensions new business APE sales of £2.0 billion and new business profits of £456 million in 2005. The proposed combination would combine the strengths of both groups' life businesses, creating greater scale and product breadth, and would allow significant opportunities for capital efficiencies, improved margins and enhanced returns on capital;

- in UK general insurance, where Aviva has a market leading position, Prudential's distribution and customer base would help accelerate the growth of Norwich Union Insurance and RAC with the potential to sell an expanded product offering across a significantly enlarged customer base;

- in the US, Aviva's business would be integrated into Jackson National Life. The US market, which both groups have identified as a strategically attractive market, would remain a core part of the combined group's strategy with a continued intention, and greater scope, to expand the existing operations;

- in Asia, the combination would enhance the growth potential of Prudential's business with the benefit of a more powerful capital base and increased operational cash flow. In addition, Aviva's bancassurance experience would be employed to build further distribution partnerships across the region, while the introduction of Aviva's general insurance products in Asia would allow for significant revenue growth opportunities; and

- in asset management, the combined operations would have over £550 billion of assets under management, making it the estimated 6th largest fund manager based in Europe and in the top 10 globally. M&G has both a leading brand and a first class reputation for investment products and performance across asset classes. Aviva's substantial UK asset management business, Morley, would provide strong capabilities and enhanced scale, particularly in property and fixed income asset classes.

Integration of the UK life operations

The Board of Aviva regard the complementary product and distribution capabilities and the resulting scale and market position of the combined group as being strong attractions of the proposal.

The combined group would commit to a multi-product, multi-distribution strategy, targeting significant positions in all major product lines. Aviva proposes that both brands would be retained but with distinct target markets. The Prudential brand would be retained for the corporate market, while Norwich Union would be used as the retail brand for both life and general insurance products. The relative strengths of the two groups in the core product areas would allow for a clear plan of integration and choice as to the retained manufacturing platform. Aviva is confident that significant cost savings could be realised while allowing the combined group to achieve its growth targets across all areas.

3. Merger benefits

The merger would provide an opportunity for significant economies of scale and cost elimination. Aviva expects that the combination with Prudential would generate annual shareholder cost savings of approximately £320 million before tax by 2009[2]. Integration costs for shareholders are estimated to be approximately £480 million before tax.

These amounts have been calculated by Aviva management on the basis of existing costs, operating structures and business volumes and Aviva's proposed strategy for the combined group. They have not been reported on at this stage by a firm of accountants and the financial advisers in accordance with the requirements of the City Code. Reports, including the bases of belief and sources of information supporting the statements and an analysis and explanation of the constituent elements of these amounts, will be published shortly.

UK life and pensions, which would represent the source of approximately half of the estimated total shareholder cost savings, would benefit from reduced operating expenses and the elimination of overlap in administration. In asset management, savings would result from the combination of operations, rationalisation of the product range and reduced overheads, primarily in the UK. It is expected that scale efficiencies would be achievable in the US and Asia, reflecting the proposed strategy in those regions. Central expenses would be reduced through the elimination of duplication and the streamlining of general services and administrative costs in central functions across the combined group.

Aviva believes that its management has strong credentials to work with Prudential in delivering the merger benefits and ensuring a smooth integration process.

4. Dividend

Aviva is committed to providing shareholders with an attractive return through dividend payments. On 2 March 2006, Aviva proposed a final dividend of 17.44 pence per share bringing the full year dividend to 27.27 pence which is a 7.5 per cent. increase on the previous year. As stated in its preliminary results, Aviva is committed to growing the dividend taking account of the group's financial performance in a given year and the capital demands of its businesses.

The combined group would adopt Aviva's existing dividend policy, paying a dividend that is appropriately covered by earnings. This policy would continue to offer shareholders an attractive level of dividend growth. Under this proposal and on a pro forma 2005 basis, Prudential Shareholders would have received a full year dividend of 22.36 pence per Prudential Share, a 37 per cent. increase on the full year dividend of 16.32 pence per share proposed by Prudential in respect of 2005[1].

5. Capital and cash flow

The merger would give the combined group the capital strength and cash flow, supported by cost savings, to accelerate the growth and development plans of the respective organisations as well as supporting the proposed dividend policy going forward.

During 2005, Aviva produced operational capital generation (net of financing and dividends) of £833 million and EU Groups Directive solvency capital of £1.5 billion (net of increased regulatory capital required to support growth) resulting in an EU Groups Directive surplus of £3.5 billion at 31 December 2005. The combined group would have an estimated pro forma EU Groups Directive surplus of £4.3 billion.

6. Board and management

The combined group would have a balanced board and senior management team, which would combine the talents of both organisations. Richard Harvey would be Chief Executive of the combined group, with the remaining board positions, both executive and non-executive, drawn from the directors and management of both organisations. The merger would bring together two outstanding management teams with complementary strengths and expertise and would create a group of exceptional ability and standing.

7. Pre-condition and conditions to the proposal

Implementation of the proposal would be subject to the recommendation of the Board of Prudential. Any offer, if made, would also be subject to the terms and conditions set out in any formal offer announcement, including respective shareholder approvals and customary regulatory and competition consents.

This announcement does not constitute a firm intention to make an offer for Prudential and, accordingly, there can be no certainty that any offer implementing the proposal will be made, even if the pre-condition is satisfied.

The written proposal was made after thorough consideration by the Board of Aviva and was put forward with sufficient detail and information to enable a fair assessment by Prudential of the merits of engaging in discussions. This announcement contains the key terms of the proposal.

8. Aviva's 2005 Results

On 2 March 2006, Aviva announced its preliminary results for the year ended 31 December 2005. Group operating profit, on an EEV basis, was £2,904 million, up 29 per cent, and net asset value per share grew to 622 pence from 511 pence. New business contribution from the life and pensions business was up 14 per cent. and the general insurance business achieved a worldwide combined operating ratio of 95 per cent, comfortably beating the 98 per cent. commitment. The full year dividend was raised by 7.5 per cent.

9. Relevant Securities

In accordance with Rule 2.10 of the City Code, Aviva confirms that as at the close of business on 17 March 2006, being the last business day prior to this announcement, it had 2,396,214,806 ordinary shares of 25 pence each in issue. The International Securities Identification Number of Aviva Shares is GB0002162385.

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Notes:

[1] On a pro forma 2005 basis, assuming a merger ratio of 82 new Aviva Shares for every 100 Prudential Shares, Aviva's proposed full year dividend for 2005 of 27.27 pence and Prudential's proposed full year dividend for 2005 of 16.32 pence.

[2] This statement should not be construed as a profit forecast or be interpreted to mean that Aviva's future earnings per share, or those of the combined group, will necessarily match or exceed the historical published earnings of Aviva and/or Prudential.

Morgan Stanley is acting for Aviva and no one else in connection with the proposal and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of Morgan Stanley nor for giving advice in relation to the proposal.

JPMorgan Cazenove is acting for Aviva and no one else in connection with the proposal and will not be responsible to anyone other than Aviva for providing the protections afforded to clients of JPMorgan Cazenove nor for giving advice in relation to the proposal.

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A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Takeover Panel's website at www.thetakeoverpanel.org.uk.

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or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

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Nothing in this announcement should be construed as a profit forecast or be interpreted to mean that Aviva's future earnings per share, or those of the combined group, will necessarily match or exceed the historical published earnings of Aviva and/or Prudential.

The availability of any offer implementing the proposal, if made, to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are located.

Neither this announcement nor the proposal constitutes an offer of securities for sale in the United States or an offer to acquire or exchange securities in the United States. No offer to acquire securities or to exchange securities for other securities has been made, or will be made, directly or indirectly, in or into, or by use of the mails, any means or instrumentality of interstate or foreign commerce or any facilities of a national securities exchange of, the United States or any other country in which such offer may not be made other than (i) in accordance with the tender offer requirements under the U.S. Securities Exchange Act of 1934, as amended, or the securities laws of such other country, as the case may be, or (ii) pursuant to an available exemption from such requirements.

The new Aviva Shares referred to in this announcement have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements

APPENDIX 1

1. BASES OF CALCULATION AND SOURCES OF INFORMATION

1.1 Unless otherwise stated, the financial and other information relating to Aviva contained in this announcement is extracted or derived without adjustment from the Aviva 2005 Results, analyst and investor presentation materials issued by Aviva in relation to the Aviva 2005 Results, the published annual reports and accounts for Aviva for the relevant periods and other information made publicly available by Aviva.

1.2 Unless otherwise stated, the financial and other information relating to Prudential contained in this announcement is extracted or derived without adjustment from the Prudential 2005 Results, the published annual reports and accounts for Prudential for the relevant periods and other information made publicly available by Prudential.

1.3 Unless otherwise stated, the financial information relating to the combined group contained in this announcement is based on the sum of the relevant financial information extracted without adjustment from the Aviva 2005 Results and the Prudential 2005 Results.

1.4 Unless otherwise stated, the information contained in this announcement regarding possible merger benefits, revenue synergies, capital efficiencies, pre-tax cost savings, economies of scale and integration costs resulting from the proposal is based on Aviva management estimates and calculations and, in the case of Prudential, is based upon publicly available information.

1.5 Values stated throughout this announcement have been rounded to the nearest whole number and are given to the stated number of decimal places.

1.6 Share price information used throughout this announcement has, unless otherwise stated, been sourced from the London Stock Exchange Daily Official List closing prices in the case of Aviva and Prudential, and in the case of other companies, from Bloomberg closing prices as at the relevant dates.

1.7 The references to a proposed merger representing a dividend uplift of approximately 37 per cent. for Prudential Shareholders is based on applying the merger ratio of 0.82 to the Aviva proposed full year dividend of 27.27 pence for the year ended 31 December 2005, resulting in a notional dividend of 22.36 pence per Prudential Share. This represents a 37 per cent. premium to the proposed actual full year Prudential dividend of 16.32 pence per share for the year ended 31 December 2005.

1.8 The reference to the pro forma market capitalisation of the combined group being approximately £36 billion is based on the sum of (i) an implied market capitalisation for Aviva of £20,380 million (calculated by applying a figure of 2,396,214,806 Aviva Shares in issue at 17 March 2006 to the closing share price of 850.5 pence per Aviva Share as at the close of business on 17 March

2005), and (ii) an implied market capitalisation for Prudential of £16,001million (calculated by applying the figure of 2,420,783,534 Prudential Shares in issue as at 16 March 2006 (sourced from Prudential's website as at such date) to the closing share price of 660.98 pence per Prudential Share (on an ex dividend basis) as at the close of business on 17 March 2005).

1.9 The reference to the combined group being the fifth largest insurer in the world by market capitalisation is based on the pro forma market capitalisations (in each case, calculated by applying the issued share capital as at 31 December 2005 (other than in the case of Aviva and Prudential, where the issued share capital as at 17 March 2006 was applied) to the closing share price sourced from Bloomberg as at 17 March 2006) for the following peer group, representing the largest global insurance industry participants: Aviva, Prudential, American International Group, Inc., ING Groep N.V., AXA S.A., Allianz AG, Manulife Financial Corporation and Assicurazioni Generali S.p.A.

1.10 The data for the tables showing EEV operating profit on a pro forma basis both by business segment and by geographical split is derived from (i) in the case of Aviva, the Aviva 2005 Results (excluding corporate costs and unallocated interest charges), (ii) in the case of Prudential, the Prudential 2005 Results (excluding other income and expenditure), and (iii) in each case, is presented on an operating pre-tax basis and only includes continuing operations for both Aviva and Prudential.

1.11 The statement that the combined asset management operations of the Aviva and Prudential would make the combined group the estimated 6th largest fund manager based in Europe and in the top 10 globally is based on a report prepared by P&I/Watson Wyatt dated 5 September 2005 entitled "Special Report: World's largest managers" and assumes the combined stated total assets of Aviva and Prudential.

APPENDIX 2

2. DEFINITIONS

2.1 The following definitions apply throughout this announcement unless the context otherwise requires:

"**Aviva**" means Aviva PLC;

"**Aviva Shares**" means the ordinary shares of 25 pence each in the capital of Aviva;

"**Aviva's 2005 Results**" means the preliminary results announcement for the year ended 31 December 2005 issued by Aviva on 2 March 2006;

"**APE**" means annualised premium equivalent;

"**City Code**" or "**Code**" means the City Code on Takeovers and Mergers;

"**combined group**" means the combined Aviva group of companies and Prudential group of companies following the implementation of the proposal;

"**EEV**" means European Embedded Value;

"**EU Groups Directive**" means Directive 2002/87/EC of the European Parliament and of the Council;

"**JPMorgan Cazenove**" means JPMorgan Cazenove Limited;

"**Morgan Stanley**" means Morgan Stanley & Co. Limited;

"**Takeover Panel**" means the Panel on Takeovers and Mergers;

"**proposal**" means the proposed combination of Aviva and Prudential;

"**Prudential**" means Prudential plc;

"**Prudential Shareholders**" means holders of Prudential Shares;

"**Prudential Shares**" means the ordinary shares of 5 pence each in the capital of Prudential;

"**Prudential 2005 Results**" means the preliminary results announcement for the year ended 31 December 2005 issued by Prudential on 16 March 2006; and

"**RAC**" means RAC plc.; and

"**United States**" or "**US**" means the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all areas subject to its jurisdiction.

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