



**AVIVA**

# Acquisition of AmerUs & Trading Update

13 July 2006

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The statements in this document that the Acquisition will be earnings accretive on an IFRS basis from 2007 and on an EEV basis from 2008 relate to future actions and circumstances, which, by their very nature, invoke risks, uncertainties and other factors. As a result of this, these statements do not constitute a profit forecast and should not be interpreted to mean that earnings for 2007 or 2008 or any subsequent financial period would necessarily be greater than those for any preceding financial period.

# Agenda

## 1. Transaction Highlights

- A leader in highly attractive market segments

## 2. Strategic Rationale

- Fulfils stated US objectives, positioned for growth

## 3. Financial Aspects

- Appropriately financed, sound financial case with upside

# A leader in a high growth and profitable segment of the world's largest long-term savings market

## Platform for Growth

- AmerUs is a well-managed, innovative and fast growing business with national distribution
  - Excellent organic growth platform
  - First-class management team
  - No. 1 position in equity indexed life
  - No. 3 position in equity indexed annuities
- Aviva's financial strength will give AmerUs access to additional distributors

## Consistent with Stated Strategy

- Achieve leading positions in chosen products
- Delivering profitable growth

## Financial Case

- Pre-tax cost synergies of \$45 million
- Capital efficient business model with short product payback periods
- Accretive to IFRS and EEV operating earnings per share by 2007 and 2008 respectively
- Base case post-tax return on investment of over 10% by 2009

## Transaction highlights

### Price

- Price \$69 per AmerUs share in cash
- Equity consideration \$2.9 billion<sup>(1)</sup>
- Represents 10% premium to market<sup>(2)</sup>
- 12.5x estimated 2007 earnings<sup>(3)</sup> and 1.7x 31 March 2006 adjusted book value<sup>(4)(5)</sup> and c. 1.9x estimated EEV <sup>(5)(6)</sup>

### Value Creation

- Annual pre-tax cost savings of \$45 million (fully phased-in by 2008)
- Accretive to IFRS Operating EPS by 2007 <sup>(7)</sup>
- Accretive to EEV Operating EPS in 2008 <sup>(7)</sup>
- Base case post-tax return on investment over 10% by 2009 <sup>(7)(8)</sup>

### Financing

- Funded by a £900 million (\$1.7 billion) underwritten placing, c. 45% of total consideration (including debt assumed) is equity financed
- Remainder funded from internal financial resources and external debt
- Debt of around \$700 million assumed from AmerUs <sup>(9)</sup>

### Conditions & Other

- Recommended by AmerUs' board
- Subject to AmerUs' shareholders and customary regulatory approvals
- Expected transaction close Q4 2006
- \$90 million break fee payable to Aviva

<sup>(1)</sup> Based on fully diluted share count of 42.7 million as at 07/07/06 assuming treasury method for PRIDES settlement

<sup>(2)</sup> Over the closing price of an AmerUs share of \$62.51 on 06/07/06, the day before Aviva confirmed it was in discussions with AmerUs

<sup>(3)</sup> Based on mean Thomson Financial earnings per share estimate of \$5.52 for fiscal year ending 31/12/07 as at 06/07/06

<sup>(4)</sup> US GAAP adjusted for other comprehensive income and preferred stock

<sup>(5)</sup> Based on fully diluted share count as of 07/07/06 of 44.8 million assuming gross method for PRIDES and calculated pre transaction costs and other costs related to change of control

<sup>(6)</sup> EEV calculation based on Aviva management estimates for 31/12/06

<sup>(7)</sup> Based on Aviva management estimates including synergies

<sup>(8)</sup> The basis for return on investment includes all integration and other costs related to change of control

<sup>(9)</sup> Debt figure is as at 31/3/06 and includes preferred stock

## Trading update for H1 2006

- EEV operating profit before tax will be not less than £1.65 billion (2005: £1,318 million) and IFRS operating profit before tax will be not less than £1.35 billion (2005: £943 million)
- Life and pensions new business sales growth and margins expected to be broadly in line with those achieved for the first quarter of 2006. Aviva reported life new business sales up 20% to £6,788 million on a PVNBP basis with margins of 3.5% for the first quarter of 2006
- Combined operating ratio below 93%, ahead of its stated target of 98% and 95% for the half-year ended 30 June 2005
- The 2006 interim dividend will be announced at the same time as the half year results and will be an increase of around 10% compared to the 2005 interim dividend
- Aviva will disclose its results for the half year ended 30 June 2006 in full on 9 August 2006

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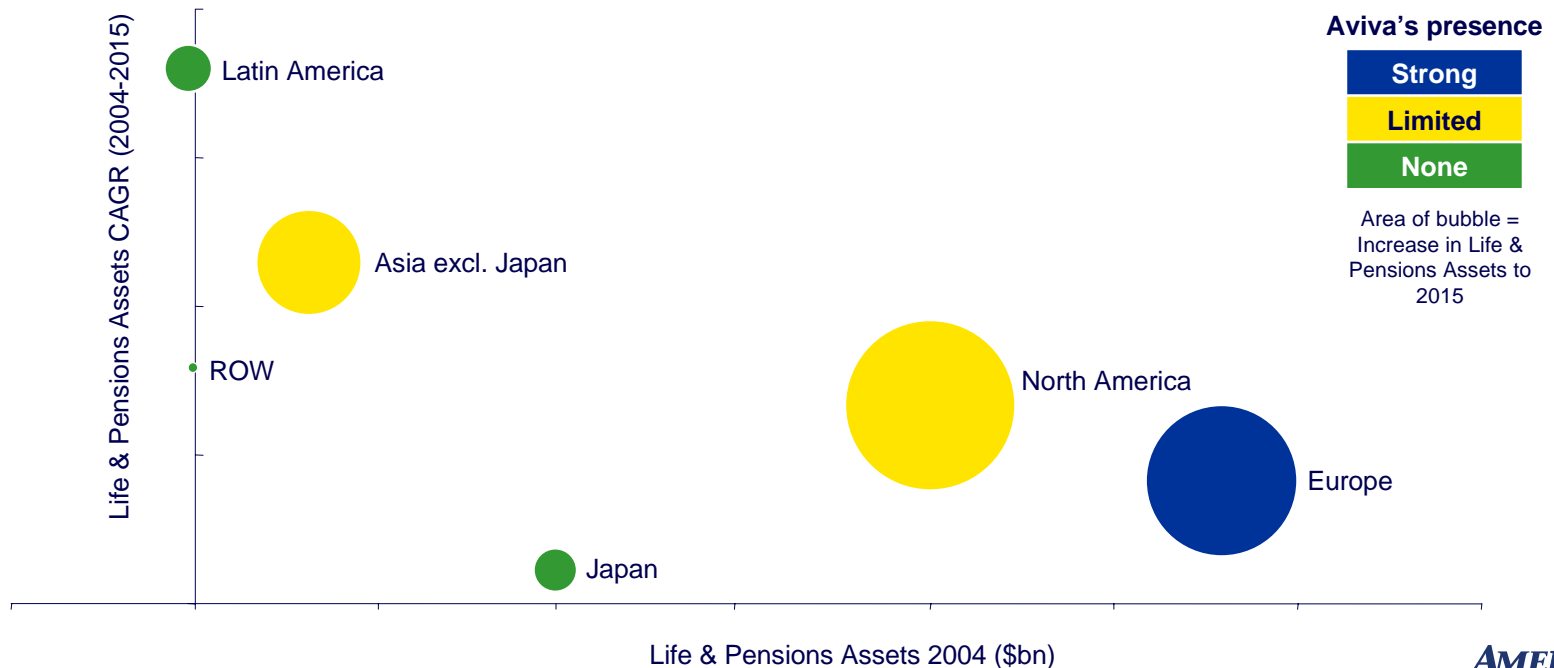
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## AmerUs is consistent with Aviva's strategy

- The US market is the world's largest long-term savings market
  - Post-accumulation opportunity with \$13 trillion in retirement assets targeting income generation and wealth accumulation
- Forecast population growth of over 40% by 2050 will support more absolute growth in Life & Pensions assets than any other region over the next decade
- North America is projected to be the fastest growing of the "mature" markets and is expected to account for 31% of global L&P growth from 2002 to 2013

### GROWTH IN LIFE AND PENSIONS ASSETS BY REGION <sup>(1)</sup>



<sup>(1)</sup> Source: Mercer Oliver Wyman / Aviva



# Fast growing specialist insurer fulfils stated US objectives

- Leading market positions:
  - No. 1 player in equity indexed life with 51% market share<sup>(1)</sup>
  - No. 3 player in equity indexed annuities with 9% market share<sup>(1)</sup>
  - No. 11 player in fixed annuities with 3% market share<sup>(2)</sup>
- Diversified nationwide distribution platform
- Track record of innovation to meet specific customer needs and develop new products
- Attractive business mix; 53% of operating income from Accumulation & Savings segment (annuities) and 47% from Protection segment (life)

AMERUS		
Founded: 1896	<b>Current Ratings:</b>	
HQ: Des Moines, Iowa	Moody's / S&P	A3/A+
Employees (31/12/05): 1,190	A.M. Best	A
<b>Key Financials:</b>		
	<b>2005</b>	
Operating Revenues <sup>(3)</sup>	\$1,629m	
Pre-Tax Operating Income <sup>(4)</sup>	\$327m	
Total Assets	\$24.8bn	

ACCUMULATION & SAVINGS SEGMENT	
	<b>2005</b>
New Business Sales (Deposits) <sup>(6)</sup>	\$2.7bn
of which	
Indexed annuities	90%
Traditional fixed annuities	9%
Funding agreements	1%
Operating Revenues <sup>(3)</sup>	\$846m
Pre-Tax Operating Income <sup>(4)</sup>	\$184m
Total Assets	\$17.1bn

PROTECTION SEGMENT	
	<b>2005</b>
New Business Sales (APE) <sup>(5)</sup>	\$118m
of which	
Indexed Life	80%
Term Life & Interest Sensitive Whole Life	10%
Universal Life	10%
Operating Revenues <sup>(3)</sup>	\$776m
Pre-Tax Operating Income <sup>(4)</sup>	\$166m
Total Assets	\$7.6bn

Note: All financials are US GAAP

<sup>(1)</sup> Source: Advantage Compendium (FY 2005)

<sup>(2)</sup> Source: LIMRA (H1 2005)

<sup>(3)</sup> Defined as premiums, product charges, net investment income & income from IMO's, excluding realised and unrealised capital gains and losses. Group figure includes \$6.8m of other revenues

<sup>(4)</sup> Pre-tax operating income represents total revenues less benefits & operating expenses. Group figure includes \$22.6m of eliminations

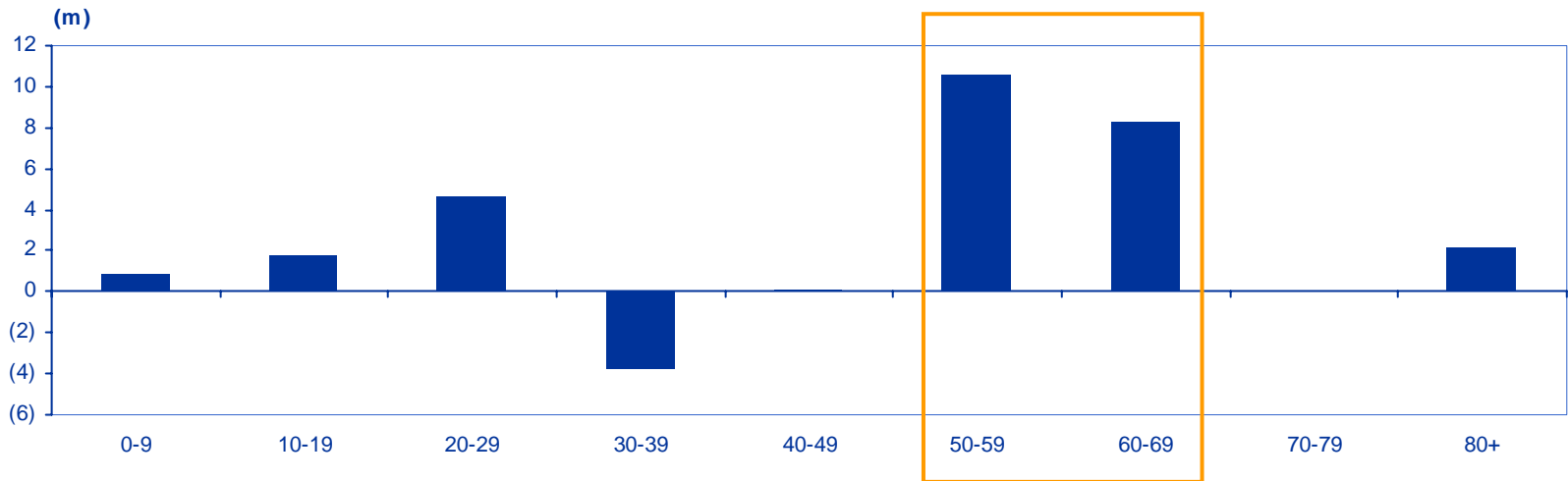
<sup>(5)</sup> Annualised premium equivalent

<sup>(6)</sup> Collected premiums, representing the amount of new business sold during the period

## “Baby boomers” in the post accumulation phase

- US “baby boomers” 50-59 and 60-69 age ranges represent the highest growth age groups - forecast growth of 37% from 2000 to 2010
- Equity index annuities are attractive to those in or near retirement:
  - provides a capital guarantee, guaranteed minimum return and potential upside related to a specific index (e.g. S&P 500)
  - allows for tax deferred accumulation
  - can provide retirees with a predictable income stream through annuitisation
- Significant room for further growth of equity indexed products - currently represent only 13% of the total individual annuity market

U.S. POPULATION CHANGE BY AGE GROUPS: 2000-2010



Source: US Census Bureau

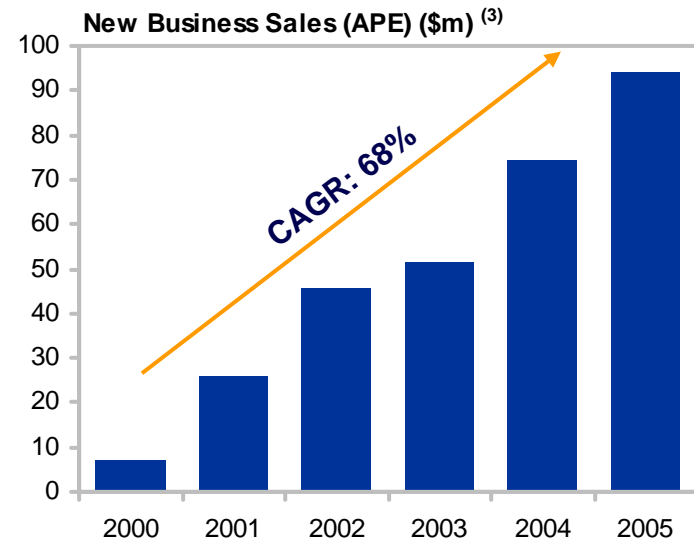
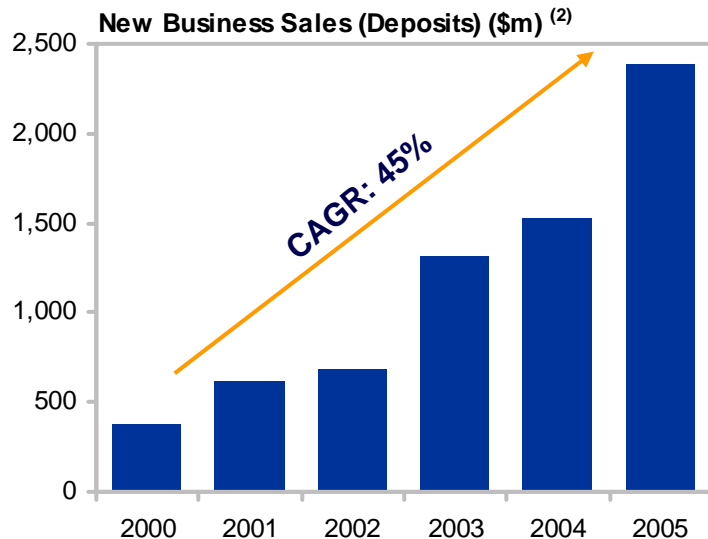
# Equity indexed products have driven AmerUs' growth

## EQUITY INDEXED ANNUITY PRODUCT

- 45% CAGR in sales between 2000 and 2005
- Products delivered an IRR <sup>(1)</sup> of 12% in 2005
- 1 year statutory break-even period
- Recent introduction of guaranteed lifetime income benefit options will improve competitive position against variable annuities
- AmerUs is well positioned to respond to SEC registration, if required

## EQUITY INDEXED LIFE PRODUCT

- Innovative new product development
- 68% CAGR in sales between 2000 and 2005
- Products delivered an IRR <sup>(1)</sup> of 14% in 2005
- Capital efficient with 5 year break-even period
- AmerUs has been the market leader for 18 consecutive quarters



<sup>(1)</sup> Unlevered. Allowing for capital at 325% of the NAIC Company Action Level risk-based requirement

<sup>(2)</sup> Collected premiums, representing the amount of new business sold during the period. Source: AmerUs

<sup>(3)</sup> Annualised premium equivalent. Source: AmerUs

## Revenue enhancements

- Aviva's superior financial strength and credit rating will provide access to additional distribution, including broker dealers, bank channels and high net worth advisers; financial strength is a key sales driver
- Aviva has significant relevant expertise in bank distribution, a key distribution channel in the US
- Leverage Aviva's market leading multi-channel distribution capabilities, global reputation and scale into the US market place

Equity Indexed Life (FY2005) <sup>(1)</sup>			
Rank	Company Name	(\$mm)	(%)
1	<b>AmerUs</b>	<b>\$94.1</b>	<b>50.7%</b>
2	Old Mutual	27.9	15.0
3	AIG	17.9	9.6
4	Conseco	10.7	5.7
5	Allianz	9.6	5.2

Equity Indexed Annuities (FY2005) <sup>(2)</sup>			
Rank	Company Name	(\$mm)	(%)
1	Allianz	\$8,792	32.4%
2	American Equity	2,689	9.8
3	<b>AmerUs</b>	<b>2,392</b>	<b>8.8</b>
4	Old Mutual	2,383	8.8
5	ING Group	2,034	7.5

<sup>(1)</sup> Source: Advantage Compendium, FY 2005 Premiums

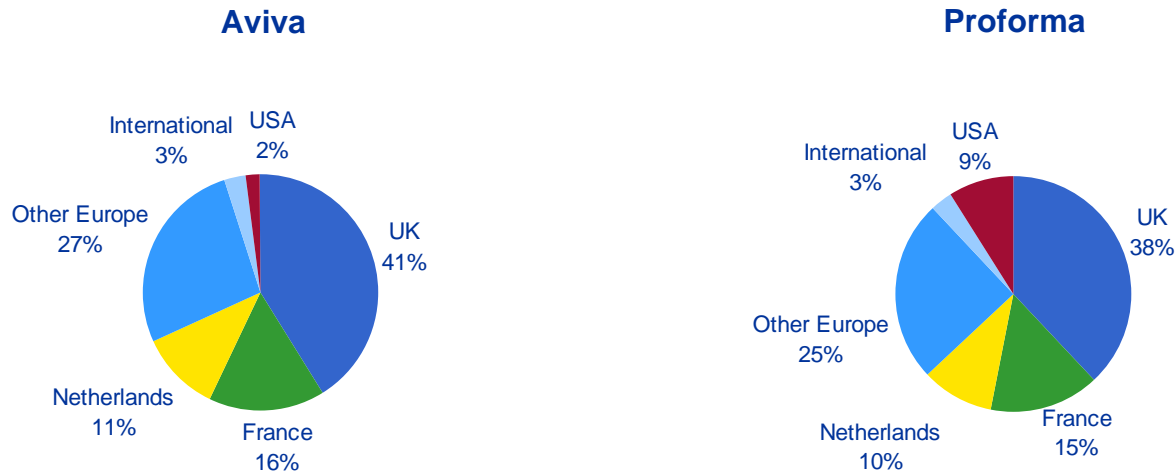
<sup>(2)</sup> Source: Advantage Compendium, FY 2005 Sales

# Aviva has a track record of growing international businesses

- Aviva has successfully expanded its business internationally, with over 59% of its life revenues in 2005 coming from outside the UK
  - Aviva USA achieved 18% average annual growth in premiums between 2000 and 2005
  - Proforma, in 2005, the acquisition would have increased the US to 9% of Aviva's life revenues (on a PVNBP basis) and would have made it its fourth largest life market

## LIFE REVENUE PVNBP 2005A<sup>(1)</sup>

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<sup>(1)</sup> Source: Aviva

# Swift integration planned, led by experienced management

- Integration due to be completed by 2008

## Aviva Group

- The combined business will be called Aviva
- Philip Scott to become Chairman of Aviva USA
- Full integration with Aviva Group risk management and control environment
- Size and compatible culture minimises implementation and business risk

## Management

- The new Aviva USA will be led by Tom Godlasky, AmerUs CEO
- Retention mechanism and incentive plans in place for key management
- The management team will be drawn from the best of both businesses
- Both Aviva and AmerUs have strong integration experience

## Synergy Benefits

- \$45 million (£24 million) of annual pre-tax cost savings by 2008 and significant revenue enhancement opportunities
- Headquartered in AmerUs' head office in Des Moines
  - IT and operational integration
  - Corporate overhead savings
- One-off pre-tax integration costs of c.\$50 million (£27 million)

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## Financial case

### Earnings Impact

- Accretive to operating EEV earnings per share by 2008 <sup>(1)</sup>
- Accretive to operating IFRS earnings per share by 2007 <sup>(1)</sup>

### Return on Investment

- Attractive base case post-tax return on investment of over 10% by 2009 significantly above cost of capital

### Cost Savings

- \$45 million (£24 million) of annual pre-tax cost savings

### Growth Potential

- Combined US business is well placed to exploit market growth and gain market share
- Sales growth expected to be above 10%, in line with Aviva stated targets
- AmerUs can achieve high growth in sales of core products without additional capital
- Capacity to leverage AmerUs' product development skills

<sup>(1)</sup> Based on Aviva management estimates including synergies



# Transaction financing

## Equity Placing

- Approximately £900 million fully underwritten placing
- New shares to rank for 2006 interim dividend
- Approximately 5% of Aviva's issued equity share capital

## Other Financial Resources

- Approximately £700 million of internal resources and external debt
- Assumption of around \$700 million (£380 million) of debt and preferred from AmerUs

## Capital Management

- Financing consistent with efficient capital structure and rating agencies' requirements
- Equity funding component is c. 45% of total consideration (including debt assumed)

## Conclusion

- Fulfils stated US objectives
- Growth accelerated by Aviva
- First class management team
- Sound financial case with upside
- Right markets, right capabilities, right people