S1 2019 Earnings Call

Company Participants

- Angela Darlington, Interim Chief Executive Officer, UK Life
- Christopher Esson, Group Investor Relations Director
- Colm Holmes, Chief Executive Officer, General Insurance
- Jason Windsor, Interim Chief Financial Officer
- Maurice Tulloch, Chief Executive Officer

Other Participants

- Andrew Crean, Analyst
- Ashik Musaddi, Analyst
- Blair Thomson Stewart, Analyst
- Dhruv Gahlaut, Analyst
- Dominic Alexander O'Mahony, Analyst
- Fahad Changazi, Analyst
- Gordon Aitken, Analyst
- Greig Paterson, Analyst
- James Shuck, Analyst
- Johnny Vo, Analyst
- Jon Hocking, Analyst
- Ming Zhu, Analyst
- Oliver Steel, Analyst

Presentation

Christopher Esson {BIO 16208369 <GO>}

Good morning everyone, and welcome to Aviva. Now before we kick-start the presentation, let's get some of the formalities underway with forward-looking statements.

And now I'd like to invite Maurice Tulloch, our Chief Executive to commence the presentation. Thank you.

Maurice Tulloch {BIO 17683736 <GO>}

Thank you, Chris. I love the steps and the imagery we have here this morning. Good morning and welcome everyone. I want to start with a reminder why I've taken this role? To change Aviva, to make us more commercially focused, more competitive and bring us back to the fundamentals of insurance. Work has started at pace, we updated the market two months ago. And since then we've made pretty good progress.

At our investor update, I said we'd separate the management of our UK Life and our UK General Insurance businesses, and we have. I said we bring digital trading business back into UK GI, and we have. I said we reduce annual costs by GBP300 million per annum by 2022, and we're on track. This is how I will run Aviva, delivering what we said we would. We've also made good progress on strategy and today announced that we are evaluating strategic options for Asian businesses. We look forward to updating you on this and the refreshed Group strategy as alluded to in November.

Now to our interim results. I have inherited our markets momentum here at Aviva, but more importantly I now own these results. Operating profit of GBP1.45 billion for the half year is up 1%. Operating earnings per share of GBP0.273, up 2% and our dividend per share of GBP0.095 is up 3%. We have a strong and resilient balance sheet and well run business units and we've made good progress so far this year.

But I wouldn't say I'm thrilled with the performance, it's just adequate and I'm not interested in adequate, but the changed journey for myself is only 150 days old. And whilst I'm incredibly impatient by nature to put Aviva on the right foot, I realize we will do much, much better.

Aviva is ready and resilient for the uncertainty, which may lie ahead. But of equal importance, I want the Company to have ambition and ultimately to have a robust strategy to realize its potential.

Let's take a look at the results snapshot. So looking beyond the headlines. There are five key points. I want you to takeaway from today. Firstly, we have delivered resilient results in a challenging market with fewer one-off benefits. Our headline growth, it's adhere to my ambitions for the business are much stronger and quite frankly, they should be, but there are clear signs within the results of the quality and potential of our franchises. I expect our business to respond quicker to both market headwinds and tailwinds and be far more nimble.

Second point, we are accelerating initiatives to improve the fundamentals, the changed journey is only just begun, but tangible progress has already been made on structure, expenses quite frankly, my favorite commercial rigor.

We have positioned the balance sheet for all seasons, so despite external uncertainty, we are ready and resilient. Our customers expect nothing else from Aviva. They trust us to help them save, prepare them for retirement and protect what matters most.

Four, we're delivering on our progressive dividend policy increasing the interim dividend by 3%.

And five, since my appointment, I've worked closely with the Board on refreshing Aviva's strategy. In conjunction with this process, we have decided to examine strategic options for our Asian business. Our businesses in the region are strategically and financially attractive providing strong growth opportunities and good returns.

I'll review -- will examine whether our current strategy and ownership structure is optimal and helping our businesses reach their full potential. A full suite of options is being considered. The broader strategy work with the Board is progressing well, and I'm looking forward to our Investor Day on November 20th.

Now let's look at each of these in turn, starting with our performance highlights. Jason, who will take you through the results in more detail following me. I will however drail some of the key themes that put our results into perspective and reinforce the strong foundations of our business. In Life insurance, you can see on this slide, our operating profit is down year-on-year. As we highlighted, however to you in June, this year's interim results did not benefit from the 200 million longevity release that was included in the first half of 2018. And there were headwinds for our savings businesses, caused by challenging investment markets, but looking deeper and how our franchises are competing in their respective markets provides some encouragement.

We have seen resilience and robust levels of customer net inflows into our long-term savings businesses here in the UK and also in Europe. Both the UK and Europe saw net inflows of circa GBP2.4 billion in the first half, and in both cases this equates to 4% opening assets on an annualized basis. Flows into Aviva investors were more challenging, but we have seen a pick up and external mandate wins within Aviva Investors of late, perhaps more pleasing is the recovery of underlying investment performance at Aviva Investors. We now have 79% of our funds bidding benchmark year-to-date in 2019, that's a pretty good lead indicator for what lies ahead.

In general insurance and health, our first half results demonstrate that we continue to be good and consistent underwriters. Our general insurance combined ratio improved to 95.9%, which includes an impact of 0.8% by moving our UKD costs over into UKGI. We did however benefit from the weather and our major general insurance markets, our recovery in Canada has accelerated as rates and claims actions begin to take hold, and we've shifted our general insurance mix to more profitable commercial lines segments. Just as importantly we maintain discipline when market conditions were less favorable like the retail property and casualty sector in Ireland, and the motor insurance and individual protection business here in the UK.

Aviva's core has been a tight range of between 94% and 97% for many years now. Despite the variations that naturally occur on weather and market cycles. This is a consistency is a mark of the quality of our underwriting results. The key takeaway is that our customers' trust Aviva, divide their savings and protection, and this is reflected in our results. There's still plenty of room for improvement.

On cost, on mix, on revenue growth and how we allocate resources to generate the biggest impact on performance. There is also room for improvement in our corporate and debt costs, while these costs have declined due to lower interest costs and reallocation of digital, the costs are still high and this is something I plan to address. This brings me another topic of fundamentals, at our investor update in the 6th of June, I spoke about the need to reduce complexity, drive greater commercial rigor and improve efficiency.

On efficiency, our plan is to reduce, to repeat operating expense base by 300 million per annum, net of inflation by 2022. This is necessary to improve margins and make us more competitive in our markets. We are moving at pace. And while our results show that expenses are up 2% year-on-year. This is largely a result preparing for the high cost base on the second half, it's still unsatisfactory.

Per our previous comments, we continue to expect operating expenses to be down in absolute terms over the full-year. This expectation is inclusive of costs, to achieve future savings. Run rate savings achieved so far in the first nine weeks were GBP25 million. The transformation team is now fully in place and plans are mapped out for savings across the business units, functions and Group centre.

So you should expect some pretty bold action, including a significant reduction in the size of our Group centre and cutting project costs by a substantive amount. A more rigorous assessment criteria for new investment will give us substantial savings as we look to resize the change budget from GBP600 million per annum, to a more sustainable level that delivers value.

When I talk about running Aviva and running Aviva better, I've said often, I want to run Aviva better with a relentless focus on the fundamentals of insurance. And sorry, if this is becoming boring it may still be boring in five years or 10 years. I'm going to focus on customer service. I'm going to focus on pricing. I'm going to focus on underwriting. I'm going to focus on cost efficiency and I'm going to focus on investment performance. We are not resting on our laurels, you know, in distribution we've had some great new business wins, that are currently in the contracting phase. And I look forward to talking about those to you in due course. We're continuing to leverage our digital prowess to improve connectivity with our intermediary partners, making it easier simpler and more efficient to deal with Aviva.

For example, in the UK protection, we've introduced an online advisor portal enabling self-serve, and reducing inbound call volumes. We've also launched My Pension into the workplace business, we're the leaders in the UK to further capitalize on that position. From a pricing and underwriting perspective, we're extending our data science expertise across the entire Group, delivering quantitative and behavioral insights that are improving risk selection, driving increased retention and ultimately improving lifetime value. There are many, many more examples, but there'll be lots of time to look at those in more detail in November, when we take a closer look at our businesses and talk a bit about capital.

A key focus for Aviva, particularly in times like these -- is the strength of our balance sheet and our track record it goes back years as prudent financial managers. We made huge progress in recent years, and I want this to continue by maintaining our financial strength and addressing areas of debate. So I've heard many of you like debt leverage. At 30th

June, our Solvency cover ratio remains well above our working range at 194% and perhaps more importantly, a surplus capital was held up incredibly well and that's a GBP11.8 billion.

And at Centre liquidity just currently at GBP2.3 billion, certainly a high number in terms of my memory. These are strong foundations that give us resiliency in the short-term and the capacity to fund our deleveraging plans in the coming years. On the topic of debt, our credit rating was recently upgraded to AA minus from Standard & Poor's, it was last month. We are now rated in the AA range by the three major rating agencies, which is a mark of just how far we've come. We position the balance sheet to be strong and resilient across the economic cycle, and Jason will provide you with some additional disclosures on this topic.

Turning to dividend. We've increased the interim dividend to GBP0.095 per share, there is an increase of 3% and this is in line with our progressive dividend policy. Now, I expect to have some questions about how you should interpret today's dividend when thinking about future expectations. I'm not providing any quantitative guidance outside of reaffirming our progressive dividend policy. But what I wouldn't say is that the key point to take away from today is that the dividend is driven by underlying performance of profitability and capital generation. We have a dividend that is sustainable and well covered by OCG and we have a strong capital and cash position here at Aviva.

And the short run, I would expect to see many of the actions start to work towards strengthening our OCG; such as being growing [ph] at the fundamentals; enhanced commercial rigor and of course, the cost reductions.

With that let me invite Jason Windsor to the podium to present our financial results. Jason?

Jason Windsor {BIO 17967688 <GO>}

Thanks Maurice. Good morning, everyone. Maurice has summarize the results and progress on our early strategic thinking. And how we run the Group better. I'll take you through the half-year numbers in more detail and give you some new updates from capital generation and asset quality.

Here all the headlines in one place. Operating profit increased by 1% to GBP1.45 billion, operating capital generation was GBP0.8 billion. The Solvency II surplus was GBP11.8 billion and sense of liquidity GBP2.3 billion. Our solvency cover ratio fell 10 points to 194%, largely as a result of increased SCR following interest rate falls in France and the UK.

Dividend per share was up 3% to GBP0.095. I'll pick two points in operating profit to give a flavor of the overall performance trends. First, in life and asset management, these businesses are generally seeing lower operating profit. This as we highlighted in June reflected lower longevity releases and the challenging market environment. Second is the improvement in general insurance benefiting from the recovery in Canada, good weather and this is despite moving digital to GI from corporate costs and other.

Turning to IFRS NAV, this increased by GBP0.08 per share to GBP4.32. With the chart on the left hand side illustrates the increase largely reflects operating earnings per share of GBP0.27 pence, our final 2018 dividend of GBP0.21, IFRS 16 relating to the treatment of operating leases and of course the recent Ogden announcement. We have had positive investment variances in the first half and this is more than offset amortization of AVIF and other intangibles.

As a result, basic EPS was GBP0.282 in the first half, up 3.5 times, compared with the prior period. It's worth touching on investment variances as we've had questions for many of you on this. Variances largely arise because of the choice we make on capital management. We manage our capital on an economic basis to protect the Solvency II balance sheet. This is the capital, which drives our ability to meet regulatory requirements and pay dividends. This approach can result in some volatility in IFRS profit which we classify as non-operating.

I would also highlight amortization costs. This is an area where I'm reviewing our presentation, particularly for internally generated intangibles. This is to ensure our reported operating profit is most aligned with the businesses' performance. Our solvency surplus was resilient in the first half at GBP11.8 billion. Own funds grew by GBP0.8 billion after paying the final dividend also GBP0.8 billion. Not least in the reduction in bond yields, our balance sheet and SCR expanded. As a result, our Solvency II cover ratio fell 10 percentage points.

The current yield environment does pose challenges for how we managed capital and product mix. This is especially the case in our French and Italian businesses, where volatility has required active management. I'm focused on capital generation, and as you can see on this slide, I provided additional disclosure on OCG in the first half, breaking out the own funds and SCR components and adding information on new and existing business we should help you better track and understand capital generation. In terms of OCG in the first half, underlying generation was flat at GBP0.7 billion, as was the investment in new business of GBP0.1 billion. The decrease in total OCG of GBP0.1 billion was mainly for moving UK digital from non-insurance into UK GI.

Looking at our cash. The picture here remain quite strong. Remittances were touch on the GBP1.6 billion this half versus GBP1.5 billion in the prior half. There wasn't special remittance in the first half of this year that we did benefit from accelerated phasing from a number of businesses. The timing of cash flows from the business units does vary, due to a range of factors; including internal capital demands; on board meeting timetables. This is why we look at total remittances over a longer period in the six or even 12 months typically three years.

Our sense of liquidity now stands at GBP2.3 billion, given we are prioritizing cash deployment into debt reduction, it is possible our sense of liquidity will remain strong for the foreseeable future. While we wait for debt maturities to come around. In the meantime, it gives us additional flexibility to deal with challenges that might arise in the macro environment.

On the topic of macro challenges, it's worth spending a moment to revisit our investment portfolio and balance sheet strength. We know there is considerable uncertainty in the political environment, but the key point is, we've built this balance sheet and the asset portfolio to withstand all weathers, it's high quality and we've not our weakened our lending standards to chase growth. We have GBP93 billion, a direct shareholder backed assets, we invest those assets to deliver secure long-term returns measured by economic capital and real world spreads.

The key points to draw out are: our corporate bond exposures, a diversified and high quality with less than 1% ratio below investment grade. Our average LTV in commercial mortgages is 56%. You can see more details in the commercial mortgage portfolio in the slide, including the breakdown between sectors, office retail and others. Equity release mortgage LTV is 26%, our new business LTV is 19%; and our effective HPI assumption is 0.7% per annum.

We have a longstanding strategic hedging program to manage the equity and spread risk. As a result, our capital position remains relatively insensitive to movements in equity markets. The 25% full would cause a full point move in our cover ratio. For corporate spreads 100 basis point increase would only hit our cover ratio by 6 points. Our exposure to interest rates is mostly limited to France, but we've stepped up our active management. Via significant buffers in IFRS and Solvency II for adverse price outcomes and the second equity release consultation. All in all, we have a strong balance sheet with highly controlled exposure to credit and market risks.

Now turning to leverage, another topic that has featured prominently in our investor discussions. We've committed to taking debt down by at least GBP1.5 billion by 2022. Set out here are two of the metrics that we use to monitor our leverage; Solvency II basis and S&P has representative of the rating agency approach. The most important to me is the Solvency II basis, as this is the economic balance sheet and is the main focus by regulators and inform us, as to how much debt capacity and dividend capacity that we have. Our leverage ratio on this basis, including all hybrid, senior debt and commercial paper was stable at 33%.

On a pro forma basis, adjusting for GBP1.5 billion of debt reduction plans, the leverage ratio would fall to 29% and would reduce interest expense by GBP90 million per annum. On the new S&P leverage calculation, we have 35% comfortably below the S&P neutral threshold. And as Maurice mentioned, we were pleased S&P upgraded our financial strength risen to AA minus last month. We made considerable efforts over a number of years to improve financial performance and the resilience of the balance sheet. And to be right, the AA range by each of the major three rating agencies confirms the progress we've made.

Let's change track and shift focus on the Group financials to the business performance. Starting with UK Life. IFRS operating profit was down 13% to GBP722 million. As we highlighted in June, our analysis of our longevity reserve position will be completed later this year. So we didn't have the benefit of a longevity release in the first half unlike last year. As a result the contribution from other declined by GBP70 million. Excluding this line and the legacy portfolio, operating profit was down 1%. Looking at the trends in our major product lines, annuity and equity release volume of 16% lower at GBP2.2 billion. We wrote GBP1.2 billion of BPAs, a good performance will be at lower than the prior year of GBP1.5 billion.

By the end of July, we were flat year-on-year in terms of volumes written BPAs. Our BPA pipeline remains strong and once we will continue to be selective, new business volumes in the second half the good and beyond that. In Group Protection, new business volume grew by 38%, it's more than offset the 9% reduction in individual new business in what remained a competitive market. The challenging new business environment and individual protection flowed through to our IFRS results with lower new business contribution leading to a 4% reduction in operating profit. And the long-term savings net flows were stable at positive GBP2.4 billion. With continued success in the workplace pension market. Net flows were also positive in the retail platform and looking across the industry, our performance has held up relatively well. We now have platform assets of GBP26 billion. Taken together in a challenging environment, the UK Life business has had a reasonable performance, but our ambitions for this business are much higher.

In Europe, the results are steady. Let me start with the Life business. The 2% decline in operating profit from our European life businesses was primarily driven by lower profits in France and Poland. In France, our largest market in Europe, our results reflect a challenging investment conditions, higher expenses and lower profitability in protection. These declines were partly offset by continued strength in our Italian business, which grew life operating profit by 32%; and Ireland where we benefited from the acquisition of Friends First.

The increase in OCG was largely due to management actions. Our trading activity remains solid across the European businesses. Life new business volumes increased 9% with continued strength of hybrid product sales in Italy and strong demand for participating products in France. You can see the impact of product mix and low interest rates in our VNB margin, which fell from 4.5% to 3.2%. We will need to keep looking at our product mix and volumes in the second half given where yields currently are.

General insurance in Europe showed relatively modest progress overall. With growth in France, offset by lower profit in Ireland. Net written premium was broadly stable, unlike other markets, we're seeing higher volumes in commercial lines. The combined ratio in GI remained strong at 92.9% with benign weather offset by elevated large losses and a gradual softening of the GI market environment. UK GI had a solid first half, the combined ratio, was up 1.4% with the benefit from favorable weather, offset by lower levels of prior year development, and an increase in costs owing to the move of digital, as I mentioned before.

Net written some premiums are up 2% with 7% growth in commercial lines offsetting a 1% decline in personal lines. We try to manage volume in personal lines and what has been a soft pricing cycle and that has helped preserve profitability. In commercial, we maintained and measured growth in top line and attractive profitability. Our SME and our Corporate & Specialty businesses continue to make very good progress. One of the major initiatives in UK GI has been the alignment of UK digital direct trading under the UK GI business. The businesses weren't sufficiently joined up and combining them will help to improve our competitiveness in the direct-to-consumer and price comparison channels.

Canada is delivering a healthy recovery in its results, with the combined ratio inclusion by over 7 percentage points to 97.5%. The benefits of pricing and claims management initiatives have begun to emerge, with the rate increases implemented in March still to and through to results. We remain confident in the sub-96% combined ratio target for 2020. The pricing response necessary to restore profit margins has had an impact on lower new -- only business and this is reflected in lower net written premium in retail lines. This was expected and was a trade-off we were willing to make to restore profitability. With widespread increases in pricing across the market, retail volumes should normalize over time.

Turning now to Aviva Investors. It's been a challenging 12-months also for asset managers, and Aviva Investors is not been immune, with revenues and operating profit down in the first half. Our continued focus on fundamentals has helped to deliver improved investment performance in the first half. More than 75% of our funds are beating their benchmark at the end of June, and we've seen AIMS performance bounce back with a target return and target income funds, up 6% and 9% respectively. That is a good leading indicator for the third-party business and we've seen some large mandates won in fixed income landed in July. So the trends are encouraging, even though the results may remain challenging in the near-term.

Asia has continued to perform well in the first half, we've grown operating profit with Singapore in China leading the way. In Singapore, our largest market in the region. Growth in operating profit was helped by an improved performance from our Health Insurance business. We continue to build our Financial Adviser distribution, which is now at over 1,650 advisers and this helped to deliver 24% growth in business volumes and a 14% growth in VNB.

So to conclude my focus is on improving operating capital generation, delivering on our cost saving target and reducing debt leverage, while the external environment remains challenging with very low interest rates and ongoing political uncertainty. Our balance sheet is strong and resilient and we remain focused on serving customers and making disciplined trading decisions across all of our businesses. We are also working to capitalize on the tailwinds from a lower cost base from a leaner and clearer organization structure. We should help us capture the long-term growth drivers in each of our markets.

So I'll close there. And thank you, we'll move to Q&A.

Questions And Answers

Q - Jon Hocking {BIO 2163183 <GO>}

Thank you. Good morning, Jon Hocking from Morgan Stanley. Three questions please; firstly on UK life in terms of the underlying OCG. If you look at the chart, the underlying OCG since we flat year-on-year for the underlying operating profit seems to be down relative with legacy, could you talk a little bit about what the outlook is for the OCG given how important is, as a portion of the Group.

Secondly, Maurice you said that you are -- I think dramatically resizing the change budgets downwards. Does that mean you're also reducing the amount of change or you're going to do the change in a different way, it's the second question.

And then finally on the leverage illustrations you've given both on the Solvency II basis and also on an S&P basis. Is that purely the numerator effect there, or are you assuming something for book value growth over the period? Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Great. Thanks, Jon. Well, I'll take the second question and Jason and can get ready for the first and the third question. I think when I looked at the change budget, it was running approximately about GBP600 [ph] million per annum. You know, Jon and I go back historically that number is to be far closer to 350, 400, it's not that I'm anti-making investments, if I can make an investment and reduce my IT run costs for example by 30% then that make that an investment. But you do get a capacity in terms of the number of projects and the ability to actually manage. So that's the first consideration.

The second consideration, as I want far, far greater commercial rigor. I've never seen a bad business case, you know, someone brings me a business case that's them signing in stone, I feel like about the cost they need and the benefits they are going to derive and quite frankly, both the cost of crept up on original business cases and the benefits in Aviva Life, if I'm re-sizing the change budget to make a much more appropriate level for years, where we can deliver on the proper investments and that's part of one of my thematics on commercial rigor for the organization.

Jason, you want to?

A - Jason Windsor {BIO 17967688 <GO>}

Sure, on the UK capital generation in the -- for the last three years, UK has been phenomenally successful at generating capital in a largely from significant one-off actions and the light, which you are aware of. We are very focused on underlying capital generation, and as you mentioned, it's a business in transition from some of the older products, some of the newer products. So it is very much on our minds and this is all of our planning and thinking is to make sure that we can grow that number. So, we measure quite carefully. How much capital we spend on new business. And then we've -- obviously taking actions, run the margins and cost reduction, which will generate further growth in OCG over the period.

On leverage, I mean the numbers on the chart were just a simple (inaudible) GBP1.5 billion of the numerator and denominator and give you the pro forma number, is not a forecast as part of the plan. Clearly, if we do grow book value that would be a lower number.

Q - Greig Paterson

Greig Paterson, KBW. Three questions; one, is in terms of the persistently large losses in GI, does it not concern you? That's -- in terms of underwriting standards having slip deal in terms of conditions or some issue there? I wonder, if you want to talk about that.

Second point, I just want a update where we are with AIMS.

And the third thing is the Singaporean court case, where the PRU is suing you about basically the bulk of your agents having come from the originally, I was wondering, you know, what are your some thoughts on that and the potential liability there?

A - Maurice Tulloch {BIO 17683736 <GO>}

Yes, Greg, let me start. I'll start with the third question. So the PRU is not suing, they are suing Peter Tan, Aviva is not a party, so that one's that was pretty simple to answer. On our General Insurance business, I'm actually quite pleased, I mean, we've seen our reported core come down to GBP95.9, I think that's on a group-wide basis that includes GBP0.8 for the one-time movement of the UKD costs over otherwise it would be GBP95.1. It also looks quite good on a normalized basis, we're going to get large losses and we're going to get whether we didn't have whether, it was other benign. The large losses are not -- showing on outside of the range that we would expect on that. So there is no real concerns there.

I think on a -- let me start by making a comment and then quite frankly, I might ask Euan, where's Euan, to make a point, so we can just skip the mic over to Euan. Clearly investment performance and flows or a function of performance and AIMS is at good performance. I think, I would say, and I am sure Euan will back me on this, but Q4 last year, and particularly December was not a good period for AIMS and hence we have seen some of the outflows. But if you look at the performance in AIMS this year and Jason alluded to it in his commentary has been very strong and leading performer in sort of multi-asset fund performance. So I mean you and me obviously probably have additional insight.

A - Jason Windsor {BIO 17967688 <GO>}

Yeah, I think obviously, it's a high margin product and quite rightly people do pay attention to it. And over the last 12-months or so, we've seen about 3 billion leave the AIMS portfolio. The flow is going to raise now and I think, for me, one of the really important things as we have been quite investing in the investment capability and we are seeing the benefit of that. So big project for us was turning around the best performance. Part of that was building out the equity team that obviously cost us some money, but as well as the number in terms of number of funds beating benchmark year-to-date, our long-term track record is restored so we've got over three and five years is 75% of our funds exceeding benchmark.

So I think that both AIMS and there are other propositions and trade equities and everything else are in good shape to sell into the future. So I think the problem with fund management is when you under perform, you get punished and rightly sold. But when you perform generally things are just and you start getting the flows, but there is a lead indicator.

Oliver Steel, Deutsche Bank. And so you've announced that you're looking at strategic options in Asia. I'm wondering, if that means you've ruled out strategic options anywhere else, perhaps you can just sort of talk about -- perhaps what you ruled out. And if you do sell any parts of Asia. Would you look to pay down debt earlier? Jason, you made some comment about sort of keeping cash high waiting for the maturities of the debt. Would you actually consider buying those or back in earlier?

And then the third question, probably on the central theme is you were able to pay down GBP1.5 billion of debt over the next few years, in any case such of future sale proceeds and out of free cash generation. So if you raise money earlier through any disposals. What would you then be thinking about using the spare cash flow?

Oliver, good morning. Let me take all three of those questions. So I think first of all, we've decided to examine strategic options for our Asian operations. That's what I've announced today. However, let's not get ahead of ourselves. I mean there is lots of potential outcomes on doing a strategic review, we said we're reviewing the businesses, and I will review them with a focus on enhancing shareholder value.

Now clearly, I have a framework as I look through Aviva's businesses and opportunities, where I want to invest and certainly, I'm not going to share what that framework is nor I'm going to comment necessarily on the value of the businesses. But what I would say is, they are strategically and financially attractive, and I am looking for ways to enhance value, and I will update you further and everyone further when I have more to say.

Q - Oliver Steel {BIO 6068696 <GO>}

Can you just quickly comment on the debt maturity profile? Would you wait for that maturity profile?

A - Jason Windsor {BIO 17967688 <GO>}

I mean, we've laid out our plan that we -- I think was even before the June, but we reiterated that the GBP1.5 billion by 2022. We've only said 2022, because that's when debt maturities allow us to do in the natural way. We've had lots of discussions about accelerating, I mean something that we haven't ruled out. We might look at that as we sit here today, we're very happy with the liquidity position. We do want to reduce leverage steadily over time and as -- debt reduction is a priority for our use of cash flow.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Hi, this is Ashik Musaddi from JP Morgan. Just a couple of questions. Both kind of related to the interest rate scenarios where we are at the moment. First of all, how do you expect to offset the headwind from that especially in GI and in European business, so for example, France and Italy? Because it should be impacting your European life business as well, just the way into sales have gone down to almost like negative now, so that's one.

Secondly, I mean given what interest rates have done. Do you still feel comfortable about taking our special remittances from the subs, I mean and credit market is still very, very good. So what's the point of taking out special remittances at the moment from businesses in case you are considering taking out from European and that businesses or say, some other business where there is some excess capital. So what's your update on that? Clearly, I mean things have changed where we were in March and where we are at the moment. So, has anything changed in your view?

A - Maurice Tulloch {BIO 17683736 <GO>}

Yeah, great.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Thanks for those questions. I mean, Jason?

A - Jason Windsor {BIO 17967688 <GO>}

So, I mean interest rates does pose a financial and a strategic question for us. And we are very conscious of the financial side of the equation. We've got excellent capital management in Ireland teams that really helps us, you know, we present you the capital position today following interest rate falls and had interest rate falls in July quite sharp ones particularly in France. As you probably aware off, and we've built the balance sheet to withstand that the best we can. But we've had to take further action as well given the -- I think we've got about 1% move in the 10-year swap rate.

The longer-term question around savings products is one that we've been talking about frankly since 2012, and we've been seeking to change the product mix in Italy and France toward in Italy more hybrid products and France more unit-linked and protection products, and that strategy will continue. So we trying to have a much more balanced business that doesn't have overall, but if rates stay where they are, we will need to continue to react.

Q - Ashik Musaddi {BIO 15847584 <GO>}

(inaudible)

A - Jason Windsor {BIO 17967688 <GO>}

Yeah, just have any direct impact on dividends plus, I don't know clearly, there is an impact on the capital and across the piece, but I understood -- I think it was -- it will starts to impact somewhat the capital that's available for distribution, there is no immediate impact.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Thank you.

Q - James Shuck {BIO 3680082 <GO>}

Thank you, it's James Shuck from Citi. Three questions from my side. Firstly, I just wanted to think about the strategic review on Asia, obviously is not disposal as such as this assessing your various options. The first question around that would be on the things to consider when it comes to existing joint-venture agreements, partnerships, if it comes to disposals and change of ownership type causes, please?

Secondly then thinking about any potential proceeds, which again it's just a review, so it's not a disposal. But when I look forward that your reduction in debt the GBP1.5 billion to go further on debt, even if you wanted to which it sounds like you don't need to. You'd have to tender for debt, which would be expensive. That then leaves the opportunity maybe to do share buybacks at some stage, but then that's going to increase your leverage again? How do you actually think about when you're changing the shape of the Group, we might change your shape of the Group, what you might actually do with those proceeds? And how you actually might deploy them?

Final question just around the dividend, so it's obviously the first time you've given the progressive policy 3%. Is there anything we should read into that about the underlying earnings power of the Group? Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Great, thanks, James. Let me take number one. I'll also take that your third question, Jason may want to add a bit more commentary. And I'll let Jason, take the second one. So let me go back to the strategic review and that to be overly repetitive, but I don't want to get ahead of myself here, we're going to examine that business and look at all options with a review to creating value. I didn't say, if I go back to previous comments, I said and I do want to get into kind of a culture where when I make a statement I follow through on it. And I hope we get to that kind of cadence, but I said, I would leave no stone unturned. And clearly I had some pretty good ideas, when I took the job as to, you know, the other things I would look at. And obviously I work with my team in certainly the Board, and that will continue. But I also think that we are leading towards November and come November, will give greater clarity on to, you know, Aviva, and where I want to take it, but we've commenced a review of Asia today and we'll look at all options.

On the third point, what should you take away from dividend in terms of underlying results in the future sort of thinking on dividend. So we're going to move to a progressive dividend. We're not going to give a specific formula, but clearly I look at three things, I look at the remittances, you know, and not just the current, but the forecast for remittances. And I look at the capital generation and also look at both the current results and future results and in making that there is nothing more to read them, those are the factors that we looked at. And obviously, the dividend's ultimately a decision taken by the Board and with the conversation and conclusion that we have that earlier this week.

Do you want to talk about...

A - Jason Windsor {BIO 17967688 <GO>}

Yeah, I go a lot further to add, if we did have extra liquidity, it's somewhat hypothetical, again, we're very comfortable with the position today, but I'm being more comfortable we have more liquidity and a stronger balance sheet. So there'd be no burning needed to return it and certainly share the buybacks and on the agenda. So we would look again at debt reduction being a priority.

Q - James Shuck {BIO 3680082 <GO>}

The second question in terms of joint ventures and various agreements with bank assurance though?

A - Jason Windsor {BIO 17967688 <GO>}

Yeah, as it relates to the strategic review, [ph] all options are on the table. We have wholly owned businesses there, we have ones that are, you know, existing joint ventures so we're not going to exclude anything in a review.

Q - Andrew Crean {BIO 16513202 <GO>}

Good morning, it's Andrew Crean with Autonomous. I have three questions, if I can. Firstly, could you update us on what's happening with FPI and getting the Avipop proceeds back to home?

Secondly, new business profits in Europe fell quite materially and you're warning about lower sales, I think in France and Italy and because of their interest rate. Should we expect a lower level of volumes, not just for the second half or going forward, if interest rates remain here?

And thirdly in terms of cost savings and restructuring, I assume restructuring costs will now be part of the operating remade in which case roughly when will the cost savings in 2021 actually overtake the restructuring costs being taken in the operating profit?

A - Maurice Tulloch {BIO 17683736 <GO>}

Okay. Thanks, Andrew. Good morning. Let me tackle the first one, I'll let Jason comment on the second and third questions. So with respect to Anesco, those conversations continue with the Hong Kong regulator, those conversations actually were as recent as a couple of weeks ago. So they are progressing with respect to the Avipop proceeds they're held in the Italian business and the underlying solvency in our Italian business is all in our green zone. So we're comfortable on that. So do you want to talk a bit about the outlook for Europe and --

A - Jason Windsor {BIO 17967688 <GO>}

Yeah. Sure. I mean the first half is actually quite instructive, you've seen actually surge in interest for guaranteed products as you might imagine. And we've been seeking to tamper that with offering attractive other alternatives across the board with the level of guarantees whilst as appealing and there's only so far, if we can continue to credit these rates. So the -- as I said earlier, there's a balance between having a unit-linked business or hybrid business in Italy. We continue to see good growth and there's still very strong demand for products. So it's up to the businesses actually to continue to re-engineer that product mix and sell attractive margin products, and to do with the customer.

A - Maurice Tulloch {BIO 17683736 <GO>}

It was the --

A - Jason Windsor {BIO 17967688 <GO>}

Yes, I think on the costs. Well, I think I said this on June 6th, we are taking the restructuring costs through P&L; we haven't choose any in that the last couple of years now. So that will dampen the progress that we've said the full benefit -- the cost saves will be in the 2022 run rate. In the meantime, we are making progress. So if you look at the, as Maurice said in his remarks, cost reduction already this year. I think you can see the second half last year is the sort of high watermark, so we are already down materially versus that, so if you sort of double in it, the first half costs for the full-year that will start to give you a sense of the progress. But the fall in '20 and '21 will be slower, because of the restructuring costs.

A - Maurice Tulloch {BIO 17683736 <GO>}

Yeah. We're also in the planning season right now. So in terms of CapEx, which is a pretty significant portion you would expect our plans that we do and they were all up from all the business units to start to tackle the CapEx amount. We're making strong progress on the lean group center and we have a team in place and plans afoot for every business unit, every function in the center. So I would expect that to start accelerating.

Q - Johnny Vo {BIO 5509843 <GO>}

Hi. It's Johnny Vo from Goldman Sachs. Just three questions, if I may. Just in terms of the liquidity. I know you probably want to keep a buffer in your center holding company. So how much of a buffer would you want to keep in there? And then what is excess? And then what would be the pro forma leverage, if you deploy that excess to pay off the debt? It's the first question.

The second question is, I've noticed that the BPA volumes were down at the half. I just want to see your competitiveness relative to your peers, Legal and General quoted that their MA spread net of the fundamental spread was about 121 bps at the half. So I know it's very high because of the asset mix in yours as much more defensive. So if you could tell me what your MA spread is?

And the third question is just in regards to the remittances from the BUs, could you tell me the approximate split -- percentage split coming from what geographies in terms of the remaining to sort of the GBP1.5 billion-odd. Thanks.

A - Maurice Tulloch {BIO 17683736 <GO>}

Hey. Good morning. Good morning Johnny. I'm quite comfortable having a nice liquidity buffer, but I'll let Jason to provide you with more commentary. And then perhaps Angela for the BPA question and then you should tackle remittances as well so.

A - Jason Windsor {BIO 17967688 <GO>}

Okay. Well, I mean it's -- it relates to more remittances these -- if you look through the pack, you'll see we've broken out by country, you can see Europe is where the biggest phasing has taken place it's in the big European markets. So that's reasonably evidenced. The -- on liquidity, I mean, there is no reason from a risk appetite perspective, we couldn't actually pay-off the long-term debt today but as I said I'm much more comfortable having liquidity buffers as we go into, what is going to be an uncertain second half, we have to be realistic. So we are being very measured and there's lots of things that we can do to manage liquidity we'd actually bring it all up to the Group, but we are liquid both in the subsidiaries and in the Group and we'll continue to be prudently positioned as we go through the next six to 12-months.

A - Maurice Tulloch {BIO 17683736 <GO>}

Angela?

A - Angela Darlington {BIO 19117558 <GO>}

Hi, thanks. I think the reported MA spread we have in our results is 96 basis points, that's slightly lower than it might be over the full-year, we had little bit of drag in June on an -- on invested assets. In terms of BPA, generally, I think we're very comfortable with where we are, we have -- as of July, we're back to flat year-on-year and living within our appetite and managing our balanced portfolio, making sure that BPA is an important, but not necessarily a massively growing part of our portfolio. So I think we're very comfortable with where we are, we compete in certain parts of the markets very well.

Q - Gordon Aitken {BIO 3846728 <GO>}

Thanks, Gordon Aitken from RBC. Three questions please. First on longevity and the smoothing factor with a competitor of yours yesterday indicating they would smooth future mortality gains in particular, the one from the 2018 tables and they'd be sticking with a smoothing factor 7.5 rather then the default factor of 7.0. Just wondering, do you intend to do the same as them?

Second question on the house price inflation assumption, so the 0.7% is that Solvency II, I assume it is or to IFRS assumption.

And the third question, on the second Equity Release Mortgage consultation, you seem to imply from your comments that you were prepared for a negative there. What are your expectations, because, of course we've already had considerable detailed guidance from the PRA?

A - Jason Windsor {BIO 17967688 <GO>}

Okay, thanks Gordon. I think on longevity, I have had the pleasure of lots of discussions about moving factors, one profess to understand them all, but it's something that we are taking into account as we look at '17 and the analysis we did on '17 and the analysis we're doing on '18. I'm not going to give you precisely how we're doing it today, but we are -- we're doing the work -- we take the CMI as one input, there's lots of other mapping and other data that we take particularly from occupational pension schemes, into looking at setting up our reserves in the ground.

We entered the year, I think as we said at the full-year results and again in June in a very strong position. And then when we look at the longevity reserves overall, and we look at the trends that are in CMI '18 that's all very supportive, clearly, as I think, as you mentioned previously, we've seen slightly lighter mortality this year we'll need to factor that in.

On the HPI assumption that's both that's effectively the ENID calculation that goes into both the IFRS and the -- on the Solvency II tests. So we got the effective value test for Solvency II and then we got the IFRS balance sheet. So that's net of all the adjustments that we made for dilapidations and cost of capital and the like.

And then we're not seeing anything new on the ARM consultation, and that consultation, I think is now closed and the PRA's considering it and we've been an active participant in that and we'll look forward to the responses.

Q - Dominic Alexander O'Mahony

Thank you. Dom O'Mahony, Exane BNP Paribas. Three questions if that's all right. Firstly, just coming back to the cash remittances. Could you just help us understand the phasing in a little bit more detail. Is that a front-loading, if something might have happened in H2 or is that a delayed effect from H2 '18?

Secondly, in terms of the new business piece clearly some of the metrics are down, whether it's sales of flows. Is there anything about I think about the VNB number is there anything about that, that you might think about are sort of distorted whether for instance, the movement in rates had a distorting effect on that or did anything else that might that lead that to bounce back?

And then thirdly, I wonder if you could just remind us how the UB Banca arrangement works, you're listening press reports suggesting they're looking to sell their insurance business. As I understand you have a JV with them. What could -- what are the terms of that, what sort of option price might there be on your share of that if it were to be bought out. Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Great. Thanks, Dom. Jason, why don't you take the cash remittances and timing. VNB, I don't know, if -- it specific to a region or country or is it overall? Just overall fine we can start, and maybe we can call into other people and I'll take the question on the Italian bank relations.

A - Jason Windsor {BIO 17967688 <GO>}

The phasing was much more within '19. So it was mainly in Europe, and you can see those numbers as I mentioned, I think, I could to the precise number about GBP500 million in the first half. Europe won't be doing GBP1 billion for the year.

A - Maurice Tulloch {BIO 17683736 <GO>}

Okay. Did you want to talk about VNB?

A - Jason Windsor {BIO 17967688 <GO>}

The VNB margin again as I said, it's primarily a European issue, UK margins down a little bit. We are reasonably faithful we don't play with risk margins or anything like that, we give you the number as it comes through and we give -- I think quite useful map from VNB to Solvency II capital generation and I've sort of expanded that a little bit. So you can see a couple of more extra line items to sort of walk you through new business in the back book. So we'll talk about that in a bit more detail offline perhaps. I think within Europe it's very much about product mix, I mean, volumes have been up nicely, product mix cleared the VNB on the traditional savings is lower than on protection and unit linked. As I said a moment ago yet we continue to manage that mix.

A - Maurice Tulloch {BIO 17683736 <GO>}

But our Italian business is performing strongly we saw profit up, you know, 23% at the half-year and that was with us being, you know, cautious on some of the economic uncertainty, a few years ago we diversified that distribution we now get over a third of our sales from Pinnacle, as it relates to both UBI Banca and L&G, we've got strong relationship with both providers, good flows and we're in active conversations with both around contract renewals.

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Dhruv Gahlaut, HSBC. Two questions on GI. Firstly intact pointed point to reserve strengthening around the motor book coming from two provinces. Have you guys seen similar trends, and then could you talk a bit about that?

Secondly, could you also touch on the UK personal line is in, what are the trends you're seeing both around pricing, as well as claims inflation on motor and home book? Thanks.

A - Maurice Tulloch {BIO 17683736 <GO>}

Okay. Thanks, Dhruv. I will start with a couple of comments, and I'll probably ask Colm Holmes, who is responsible for General Insurance Aviva that arguably give more color, then I'll be able to give. So we're pleased certainly with our Canadian turnaround. I mean it's far from complete as a former CEO of that business, I have clear expectations on where it should run and we have a new CEO in place was actually here today and Jason Windsor, but pleased at GBP97.5 currently there were certainly were two provinces that were most challenging and I think on the form of a competitor that you mentioned that the references to Ontario and Alberta, we had taken action in both in Ontario it was specifically about getting rate. As I mentioned on -- I think March 7th, we had 18 points a rate on our RBC book and 8 on the Aviva book that was further rate from what we had taken in the previous quarter.

Alberta is a little bit different, because Alberta it was a - it's even more regulated and the action we had taken was to entirely suppress new business and hence the contraction, which actually flowed through our results, we were down two in personal lines and up seven in commercial lines was a shift mix and that's a mix that's by design across our GI franchise. Here in the UK, obviously rates have been pretty flat to slightly down, we're now starting to see average premiums kind of go up about a point. I think those will accelerate on the back of the Ogden decision. But Colm, probably have a bit more insight that you can share with you Dhruv.

A - Colm Holmes {BIO 18456463 <GO>}

Yeah, I mean, I wouldn't only much out on Canada as Maurice said, Alberta is a very different market does rate caps in place. So I think what intact are seeing is exactly what we were seeing in a debt reduction in premium is driven by the fact that we're very significantly depressed new business in that market, and Ontario rates are coming into the market and their inflation is not hugely different to ours, quite frankly, Canada is also seeing inflation, escape of water is continuing to be an issue there, and particularly far whereas in the UK, we know what inflation in motor and is running at about 5% net around 3%, and similarly in home we're seeing inflation a coupled with Ogden, we do expect rates to continue to harden into the future. So the rest of this year and into 2020, we would expect to see it continuum of hardening in rates particularly in property, in motor, it's still a competitive market and as Maurice said, I mean what we've been looking at is remaining disciplined and what we've seen a significant growth near our commercial business where we delivered a core GBP94.3 for the half year, which is very pleasing and it's predominantly in liability, and property and not the motor classes.

Q - Ming Zhu {BIO 17001429 <GO>}

Ming Zhu, Panmure Gordon. Just two questions please. First on your UK life book, would you be able to give some color in terms of the OCG and stuff between how much new business do you need in terms of volume and margin to offset, sort of, your back book, sort of, going off. And in order to maintain or grow the OCG and just going forward?

And second question is on the Aviva Investors, it has been quite disappointing in terms of overall profit contribution to the Group's earnings, compared to some of the composite. Is that plans putting in place? Do you have an ideal sort of target or profit contribution to the Group going forward? Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Yeah, thanks Ming. I'll let Jason take the first question and I'll take the second.

A - Jason Windsor {BIO 17967688 <GO>}

It's hard to give you precise answer, because it's subject to lots of things about mix and types of products and the speed of the run-off, but we recycle capital pretty well, we've got many capital like businesses only annuities really has a longer payback and that's sort of in the five, six year time frame. So the capital that we're reinvesting is coming back to us relatively quickly when we're growing in places like platform and work place pensions, which brings through very much more capital generation over time. So I think the outlook as I said earlier is to grow OCG, but we will, it's not going to shoot up as we look to invest business, invest in new business and continue to manage the back book. We'll be managing margin, product mix and costs.

A - Maurice Tulloch {BIO 17683736 <GO>}

I mean, first thing I would say about of Aviva investors, it's core to the strategy at Aviva. I'd like the future prospects certainly here in the UK and savings and retirement and having a strong asset manager. It's certainly critical. Now to your point, you're right, I think you and I would share disappointment that were down GBP14 million at the half year and now about half of that was expected. We obviously inherited lower average AUM, we started the year. We probably had investment performance in the previous year, which was kind of inconsistent with -- certainly a huge swathes the last two decades where Aviva investors has been a consistent performer. The good news is that lead indicators turnaround, as I said and Jason said, we had two different numbers, I think I said 79%, you said over 75%. So we probably both said 79%, we just said it differently, but 79% of our funds are beating benchmark and that's a great indicator. We've seen that translate already into some mandate wins, we had a couple of billion in new mandates just in the month of July and certainly when you look at our signature fund the M series of funds, their performance in the half-year up 6% and 8%, I think, you're in a pretty good indicator.

But we also have a great sort of real asset business and we're seeing, you know, external flows from that, I mean our overall third-party funds were at the end of June were down 0.9%. So listen I expect that the investors to turnaround and it's core to Aviva.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Thank you. It's Blair Stewart from BAML. First question on the UK GI, if you adjust for the reserve releases and the weather I think it's about three point change year-on-year and the underlying adjusted combined ratio, maybe half of that is because you alluded additional expenses into digital, but what's going on with the other as there are actually an underlying deterioration in the combined or is it just normal volatility with large losses or something else in the business mix? Just on that.

And secondly just on Asia, a few points of detail, why was the Singapore profit down. Could you give some color on the -- and what's in the -- out of GBP22 million, is that mainly China. And FPI you're saying that you are expecting to complete in the second half of '19? How much certainty do you have around that given what's going on so far. Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Great. Thanks, Blair. I'll take the first and third, and let Jason deal with the Singaporean profit and the other. You're right to say the normalized at 99.3 very UK GI does include the one-off loading of UK GI costs, that's about GBP1.6. So I'd really be GBP97.7 versus GBP96.1 and obviously the big sort of adjustment factors are weather and a little bit on some large losses, but we're pleased and we're obviously we're at the, certainly, in the personal lines business, we are kind of at the bottom of the cycle. And obviously, rate adequacy will now strengthened, we saw the market start to move and Ogden, whilst there wasn't associated charge of 45 million will certainly to see some pricing pressures, so that we can get rates up to the net inflation which is always a good indicator, than a future profitability.

On FPI, yeah, I expect it to complete in the second quarter, it's been a long journey and we had a fairly substantive list of things we are working through with the two regulators that's now down through a very, very short list and certainly myself and my director of M&A; and my CFO are focused on getting those answers, such that we can complete that transaction.

A - Jason Windsor {BIO 17967688 <GO>}

Yes, in Singapore. Last year, I mean, as I said, we've remediated it through different performance of the health insurance business, we had some significant repricing and actions that we needed to take through that. Within the life business overall sales were up the profit down slightly. It's a business mix change between savings and protection, some of the protection was slightly higher margin with a slight different profit signature, that we've tilted it more towards saving, which has got a longer-term, better VNB a longer-term value profile. Yes, there's a few other. I think that's right. Yeah, it is mainly.

Q - Fahad Changazi {BIO 15216120 <GO>}

Hello, good morning. Fahad Changazi from Mediobanca. Just a quick questions. Are you seeing any tangible change in the competitive environment in individual protection and workplace pensions and home insurance, because Lloyds Bank did a tenant presentation with their results and they're looking to target growth here in workplace individual protection and be the number one player in home insurance. So are you seeing any changes or any impact from them? Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Yes, I'll -- let me start off with a high level comment I may ask Angela and Colm to add some more color. So probably the most competitive segment, we've had anywhere in the Group has been individual protection. We've seen a number of new entrance into that market and certainly our margins have held up reasonably well, I think what's more important as a leader in workplace and you've seen our Group Protection business is up 38%, so that's strong. Home insurance, I like the fact that we're multi-distribution players, so we have partnership agreements many which have long 10-years remaining with a number of the key banks, that's obviously a vehicle, we saw really good growth in our digital and direct home insurance business and we also have our broker for us. So our routes to market coupled with our product offerings and our claim service give me lots of confidence in what is a very attractive segment of home insurance. So Angela or call me anything you'd like to add.

A - Angela Darlington {BIO 19117558 <GO>}

I guess in as Maurice said in protection there has been a hugely competitive market already this year and we're working really hard to make sure that we're competitive on price that we're really focused on pricing, the right places at the right time. We have very good products and propositions and good broker references, but we have to be there a price in those markets. So that's really our focus and we've really seen start to seeing the benefits are picking up in the -- it's sort of later in H1 this year.

On workplace, we are number one, it's a hugely difficult technical market to enter. I think we get a lot of coverage from ABI for the technical knowledge that we have in those teams. So I think we continue to be confident of all and number one position in there. We're still seeing growth in funds from existing plans and new homes coming through. So we've always have to stay on the front foot on that, but I think we're in a very strong position.

A - Maurice Tulloch {BIO 17683736 <GO>}

The thing I would add on workplace, we're number one, the key to playing in that isn't necessarily of products and offerings that your ability to do the administrative platforms and we have a competitive advantage in that space.

A - Colm Holmes {BIO 18456463 <GO>}

It's Colm Holmes, your question to Holmes. Yes, but I mean inflation on higher than we were expecting, we're now rating about 3 or 4 points above what the ABI is predicting in terms of rates. So we expect that to come back, we've also changed or mix of business, so our broker channel is down about 6%, but what we are seeing growth is in our direct channel, and so we expect from the end of the year, you will see an improvement in the corner home book and then that will flow again into 2020 as the rate would apply actually start (inaudible)

A - Maurice Tulloch {BIO 17683736 <GO>}

Well, thanks everyone. Appreciate you're coming here this morning, and I just reiterate a couple of things reiterate you know a couple of themes it's early day's yet for me at Aviva. I'm pleased with the performance, I'm pleased with the fact that as an organization we're ready and resilient for what lies ahead, and I'm looking forward to setting a new course for this great company that's why I took the job. My ambitions are endless and I look forward to seeing all of you hopefully in November to share a bit more of that. So thanks very much and enjoy your day.