S2 2011 Earnings Call

Company Participants

- Andrew Moss, CEO
- David Barral, CEO, Aviva UK Life
- Igal Mayer, CEO, Aviva Europe
- Patrick Regan, CFO
- Richard Hoskins, CEO, Aviva North America

Other Participants

- Abid Hussain, Analyst
- Andrew Crean, Analyst
- Andy Hughes, Analyst
- Barrie Cornes, Analyst
- Blair Stewart, Analyst
- Greig Paterson, Analyst
- James Pearce, Analyst
- Marcus Barnard, Analyst
- Nick Holmes, Analyst
- Raghu Hariharan, Analyst
- Toby Langley, Analyst

Presentation

Andrew Moss {BIO 3628034 <GO>}

Right. Good morning everybody. Thanks very much for being with us this morning. I know it's an extremely busy day for people on your side of the fence so we will try and get through this reasonably quickly, allow plenty of time for questions and answers of course as well.

It's an interesting world out there at the moment. The last few days particularly in the markets of course have been interesting. We just did our newswire call, which unsurprisingly majored on eurozone exposure I think so we'll make sure that we give you a very clear view of that today obviously. But we think we've got a lot of other very interesting messages that we'd like to give you as well, so let's get on with that.

What I'm going to do is take you through some numbers, headlines, talk a little bit about strategic progress and then hand over to Pat to give you a little bit more detail on the first-half numbers.

But let's just start by looking at some of those headline numbers. And the heading here, 'further success in all key areas', I think is a genuinely accurate summary of where we've travelled to in the last six months. IFRS operating profit up 5% at the headline level, 13% if you strip out the effect of the special distribution last year. So good underlying growth. Net operating capital generation up to GBP0.8b. I'll talk to you in a moment about our target there and were we see that coming out for the year. On the back of that strong capital generation and profitability, a 5% increase in the interim dividend.

And the business I think growing pretty much whichever way you look at it. Funds under management in the six months up 4%, so 8% annualized, if you like. The driver of future profitability clearly. And I think just something to note, a couple of years ago with Delta Lloyd funds under management in the Group were around GBP350b. Today without Delta Lloyd they are GBP350b. And that clearly is a salient point when we think about earnings going forward.

Economic capital surplus, very important point again I think in uncertain times. We haven't updated the market for some time on that. I think the first number we gave you were the full year '09 numbers. So you can see the full year '10 and half year '11 numbers there. A really substantial increase to GBP6.9b. That's cover of about 1.7 times on the economic capital surplus. So good progress on that, which gives us great financial flexibility.

And the market-consistent embedded value, net asset value up to GBP5.75. That's pro-forma-ed for the disposal of the RAC, but clearly headed substantially upwards again.

So pleased with all of those numbers, but I think a lot of progress on some of the non-financial things which companies like ours face as well. I think Aviva has strengthened its position in a number of areas over the last couple of years.

Customer and reputation. In our big businesses, our net promoter scores, the way our customers think about us and are willing to recommend us are headed upwards. And that's very important and it's been driving some of the gains in business that we've seen. Price and service in our key market, here in the UK, driving volumes up. So something like 670,000 new motor customers in the course of the last 18 months. That's not a coincidence; that's about changes we've made in the market.

We've been pleased by some of the reaction too to Aviva's performance, as I say, in non-financial spheres because, for example, we were pleased to see us voted the most reputable financial services company in the UK in the Reputation Index Survey in April. That's banks and insurers. And this is a brand that's only two years old. So we're proud of that and we think it makes a difference to our customers.

People. There's been quite a lot going on on the people front. Most important I think clearly is the announcement that with Colin's retirement, John McFarlane will be joining us as Chairman of the Company. He comes on the Board in September and takes over as Chairman in the middle of next year. We're delighted with that and, as an executive team, we look forward to working with John into the future.

Trevor Matthews joining us in the autumn. I think his desire to come and join us to run what I think is, without a doubt, the most successful insurance franchise in the UK, I'm very, very pleased about that. And we have aggressive aspirations for further growth in the UK market. And we are I think arguably today the leading insurer in the UK market, but over the course of the next couple of years, in what is the third largest insurance market in the world, I think we will be in a position of undisputed leadership.

Philippe Maso joining us as the CEO of our French business. Well known to some of you in the UK in terms of his previous roles with AXA here in the UK.

So attracting good people into the business, but also bringing good people up through the business. So David Barral, who's over here, now running our UK Life business, he'll be working with Trevor. Great to see actually opportunities for people who've done a great job for the Company over a period of time coming through and getting their chance to put their stamp on our business.

We should talk about regulation and Solvency II in particular. What's the backdrop to that? I think the economic capital surplus that we're talking to you about today, the GBP6.9b. Our view is, and look, it's impossible to be categoric about this, but our view is that pretty much anything that comes down the track in relation to Solvency II we're ready for. And we have built our economic capital position, of course with that in mind. Regulators remain a little nervous I think in this pre-Solvency II world. We work very hard on our regulatory relationships and I think that's been paying off for us too in qualitative terms in the course of the last six or so months.

Risk management, clearly very important. We've seen very volatile markets again, particularly in the Eurozone, particularly related to sovereign debt in the course of the last few months. We are committed to our businesses in Europe. Interesting to see we've got a 21% increase in profit in our European businesses in the first six months of this year, speaking I think to the resilience of our European business. So all of those things, I think we are right on top of that. Those exposures are within our risk appetite and Pat will tell you exactly what they are later.

Just talking about the Life business, profits headed upwards. Again these are numbers excluding Delta Lloyd so we have to learn to look at us now excluding Delta Lloyd.

So good upward trajectory in Life operating profit. Life new business being written well above our target for new business profitability, with a 14% IRR, and we've made some choices about what business that we write in the first half of 2011. So you can see the sales coming down. That's about choices, primarily in the Italy in the first half, where we've moved away from less profitable with-profits business. But although sales are coming down, we need to be clear that the business is still growing. Life in-force reserves headed upwards, GBP271 billion at the end of the half year, a driver of future profit, as Pat will elaborate on later.

And in General Insurance, the underwriting profit in the business continuing to head upwards, driven by current year profitability. Measures that we've taken over the course of the last two or three years to pull out cost, pull out distribution cost, change our underwriting practices really paying off in terms of the underwriting profitability today, whilst of course the investment returns have been under some pressure with interest rates being where they are.

Combined operating ratio beating target at 96% and perhaps most importantly growing into a stronger market. So sales, net written premium up to GBP4.7 billion in the first half of 2011. I've talked about the expense ratio. That's right across the Group now at 11%. Around 10% in the UK business, a real driver of profitability and our ability to price competitively.

Just looking at the UK, I've talked about our aspirations in the UK, but both the Life and General Insurance business going very, very well. You can see in terms of IFRS operating profits, taking out the effects of the special distribution, up strongly in the first half of 2011. And again that's not a coincidence; it's the result of business that we've chosen to write, partly with an eye towards RDR.

So when you look at that second graph, middle top there, you can see that overall sales up 5%, but with a real slant towards those businesses less affected by RDR. So that's Group Personal Pensions and then those two businesses, Annuities and Protection, that are not affected at all by RDR. So in Annuities we have a market share now in individual annuities of well over 23%. Undisputed market leader in the UK. Protection, a market share now close to 16% and I believe, particularly with the Santander deal now having coming on-stream, started very successfully, that will move us into number-one position in UK Protection in the course of the next 12 months.

New business internal rates of return, that's 16% in the UK market. That makes the UK a very attractive market in which now to deploy capital. And we are in the best position to do that in terms of competitive position, in terms of having capital to put to work.

In General Insurance, profits going up, but volumes going up 14% in the UK market. So as I say, building and growing the business into a rising market I believe at the right time. And with the efficiency measures that we've taken, the combined operating ratio moving downwards.

Europe. I stressed it earlier, a 21% increase in profits in what clearly has been a challenging economic environment. But the resilience of our business driving profits up 11% in the Life market and up very strongly in General Insurance, helped to some degree by better weather in the first half of 2011 relative to 2010.

The sales story, as I said, we have made choices about the profitability of new business. We're quite content to see the volumes drop to some degree, but meanwhile we see the internal rates of return on new business going up to 14%. That knocks through into the operating capital generation numbers that Pat will talk to you about later.

So you can see in General Insurance the combined operating ratio down 5percentage points. So a real improvement for us there, and an area where Igal is bringing his expertise to bear to drive profitability in the General Insurance business forward.

Other regions. North America, the US Life business up 27% on top of nearly doubling profits -- or doubling profits actually last year. So good further growth in the profitability of that US franchise. And Canada, a 96% combined operating ratio, although investment returns falling in that market. Underwriting results good.

And Asia Pacific, our intention is to grow the value of our franchise there. To do that you need to grow volumes and you need to grow returns on new business, both of those things coming through in the first half. So an encouraging performance there.

Lastly, Aviva Investors, a business we continue to invest in. So profitability broadly flat in the first half. Remember please that performance fees are accounted for in the second half, so broadly the profit profile there is often one-third/two-thirds, first half/second half. And what's really encouraging is on the back of strong investment performance we move from a position a couple of years ago of negative external sales to positive. So we're winning new mandates from third parties in our investment management business.

Targets. As you know, we've set some short-term financial targets for the business. And I'm pleased to say that we are beating those in the first half of 2011 and the outlook also is encouraging in that respect. So 14% IRRs on Life new business, the 96% combined ratio.

Let me take a little time to talk to you about the operating capital generation target. We set it at GBP1.5b. What we're saying to you today is that we think the outcome in the full year will be between GBP1.5 billion and GBP1.8b. Our overriding priority is not to maximize this number at any cost. We have to balance the growth in our business and the value of the in-force that we're putting on the book to ensure future profitability of Aviva versus this number. So we're content to manage it between that GBP1.5 billion and GBP1.8 billion target. And we will continue to target a range as we go forward, rather than simply seeking to maximize it.

The gross capital generation in the Company is about GBP3b. If you don't want us to write any new business, that's what it would be. But we believe that we need a more balanced approach than that.

Cost and efficiency savings, right on track to hit our targets by the end of 2012. And I'll talk to you about some of the structural cost issues in the Company in just a moment.

So what are we saying today? We believe that, if you like, the new Aviva that you can see emerging post Delta Lloyd, post RAC, is a fitter, stronger organization positioned for growth. So let me just talk to you for a few minutes around that.

So let's just track back to 2008, thinking about profitability, the size of the in-force book, the efficiency of the Company, the risk profile of the Company and ultimately of course the profitability of the Company. So Life IRRs then at 11%, now at 14%. Combined operating ratios down to 96% driven by current year profitability. The value of the in-force book going up to GBP6.6b, the source of future profitability in our Life business.

Efficiency, these two metrics probably underline more than any other the scale of the change in the Company over the last few years. A cost base then of GBP5.7b, annualized looking forward GBP3.9 billion without Delta Lloyd and the RAC. And headcount down from 55,000-odd, down to 36,000 people as we go forward. So the operating leverage of the Company greatly increased. And I'll talk about how that flows through into potential future profitability in just a moment.

But risk too is an incredibly important part of this equation. Disposing of Delta Lloyd, which has a completely different risk profile from the rest of Aviva, very, very important in this respect. The economic capital surplus up to close to GBP7b, as I said, giving us financial flexibility as we go forward.

And one of the big liabilities that hung over the Company up to six or so months ago has been the long-term liability associated with the pension fund. That has been eliminated. The UK pension fund stands slightly in surplus today. We've reduced a lot of the volatility as well in terms of that number. So there's still some risk associated with it, but I think a structural change has taken place, which means that essentially we can say that we have largely dealt with that issue.

And what about profitability? Actually in 2008 it was GBP2.3b. It actually fell in 2009 to GBP2b. Today in the half year we're reporting GBP1.34b. And of course there's a question mark; I can't tell you exactly what the profit's going to be in the second half of the year, but we do believe that we can drive profitability in the new Company actually to avoid dilution. And that is certainly our aspiration post the disposals of Delta Lloyd and the RAC.

Now let me move on and just talk to you a little bit about our portfolio and delivery against that because in value terms we are very well on in that process subsequent to some of the strategic statements we made towards the end of last year. I think you have to go back to 2009 actually, the sale of Australia was an important strategic move for us, part of our portfolio reallocation. And the proceeds of that actually largely went into the reattribution of the inherited estate, a very profitable investment for us.

Then the initial IPO of Delta Lloyd came and of course that's been followed in April of this year by a further 15% sell-down, which has meant the deconsolidation of Delta Lloyd as we go forward. In terms of proceeds for Delta Lloyd, broadly I think you can think about it in the way that we do, around GBP600 million went into the pension fund here in the UK. I think, again, a very good use of funds for shareholders, helping to eliminate that long-term liability. We now have the sale of the RAC, another GBP1b. We were pleased with the price of that, 17 times earnings. I think good and well-timed in terms of market conditions.

So we have much greater financial flexibility. The capital position is stronger. The cash position at the center of the Group is stronger. And that liquidity and capital strength in uncertain times is of great value to us. We'll continue to focus on some other smaller changes to the portfolio. But we absolutely believe that the value to shareholders is optimized by careful planning and good execution around these issues. And we think both in terms of Delta Lloyd and the RAC we have a good track record in that respect.

And before I hand over to Pat, just to look at the detail of the numbers, I just want to talk a little bit about the momentum for growth, again in the new Group as it now looks going forward. The first graph there, top left, looks at the IFRS operating profit and the profile of that, again without Delta Lloyd, without the RAC. You can see substantial growth between the full year 2010 and the full year 2009. And there on the graph is also plotted the half year for 2011. So our objective clearly will be to drive earnings up to exceed the full year '10 numbers and to keep on a growth trajectory as we go forward. Why are we confident about that? And I think the answer lies in the three graphs on the remainder of the slide.

Let's start with General Insurance, top right. You can see volumes going up and profitability improving as we grow into a harder market, but actually driven by the cost changes that we've made in our business. Remember in the UK we've taken GBP400 million of cost out of that business, a GBP1.4 billion cost base going to a GBP1 billion cost base in the course of the last three years. That makes us more competitive. That allows us to price products in a way where we can drag volumes through to the position where we have, for example, nearly 2 million motor customers today, a number that's grown by 40%-odd in the course of the last 18 months.

So the outlook there, I believe, is good. And whilst premium rating is still not helping us, frankly, on the commercial property side to the degree that we'd like, we think all of the trends are in the right direction.

Now the bottom half of the graph I think echoes some analysis which one or two of you in the audience have been doing on the industry in the course of the last few months. Looking at cost/income ratios, cost/income ratios clearly are a well-known metric in the banking industry and important, but I think there is some resonance for that ratio on the Life side of our business as well. And on the bottom left you can see the way our cost/income ratio has been tracking down. And that is because we've been taking cost out of our business. And that allows us to price new product better, but it sees more profitability coming out of the existing book as well.

The last graph is a comparison, as I say, drawn from some third party analysis. And it looks at 2009/2010 cost ratios across our major competitors. And I suppose there are two key messages that you can see. First of all, in absolute terms, our efficiency is good relative to the rest of the industry. And secondly, that we continue to drive the cost/income ratio downwards. And that is about cost. If you look at the analysis, our -- as Pat will talk to you about in just a moment, our administration costs as a percentage of funds under management have driven down I think to very competitive levels. We will continue to do that and that will continue to drive profitability as we go forward.

I'm going to stop there and hand over to Pat to take you through some numbers and pick up, I think, some of the same themes.

Patrick Regan {BIO 15131018 <GO>}

Great. Thank you, Andrew and good morning everybody. Nice to see everybody here today. As usual I'm going to run through a little bit more detail on the operating results and try and unpack the Delta Lloyd element of that so you can see the impact of the deconsolidation. Equally important obviously in today's times that we evidence our strong cash flow generation and our strong balance sheet so I'll talk a little bit about that as well.

Starting then with our operating results, at a headline level the 5% increase to GBP1.337b. Excluding Delta Lloyd, 6% increase to just over GBP1.1b. As Andrew mentioned, obviously last year we had the last of the special distributions. So on an underlying basis, ex-DL, some 14% or so growth.

On the left-hand side you can see the growth in operating profit again very much driven by the Life business. Again, two trends. We've got an increasing value in-force, an increasing block of reserves on the Life business. I'll come back to that a little bit as we go through. And on the GI side, two trends, a continuing decrease in the combined ratio offset a little bit by a lower longer-term investment return. Again, I'll come back to that in a moment.

Below the regional profit level of GBP1.082b, looking at the fund management, as Andrew said, broadly flat year on year. Of course you'll remember that's very much second-half loaded when the performance fees come in. 75% or so of our funds achieving or beating benchmark again so that bodes well for the performance fees.

Other non-insurance costs slightly higher, reflecting the non-repeat of a small pension credit from last year. Corporate costs slightly higher, reflecting slightly higher risk and regulatory costs. Although worth noting both of those lines, other non-insurance and corporate costs, lower than the run rate for the full year 2010. Group debt cost broadly flat and pension cost down, reflecting the lower opening deficit position of the pension schemes.

On Delta Lloyd, so the numbers look eerily similar. Last year's, of course, GBP224 million is the full consolidated 100% in the operating result. This year, four months at a full 100%, two months coming in at 40%, 42% of -- into the operating result line.

So a little bit more then on the what's going on on the Life business first and then the GI business. I'll talk to the profit drivers in a second. Just talking to the numbers at the top left-hand side to start with, what's going on business unit by business unit.

In the UK, as you can see, some 17% increase in the Life profits, ex special distribution. Why? So in-force reserves are up. On the annuity book we had an increase in our APE of about 16%, if you measure it that way, an increase on our in-force reserves for annuities of about 15%, so comparing this time this year to this time last year and again that's driving those annuity profits forward. Similar increase, double-digit increase, in our in-force unit-linked, partly due to higher inflows, also due to the impact, positive impact of bringing the RBS book on board. So higher in-force and lower expenses as well. I'll talk to that more in a little minute. Higher in-force and lower expenses.

In Europe, an 11% increase in the Life profits, again particularly driven by the higher in-force in Europe. They're generally young, slightly younger businesses. We have high retention levels. So notwithstanding the lower level of headline sales, there's still an increasing in-force business, driving the increased Life profitability.

As Andrew mentioned, some 26%, 27% in North America. Again, a similar story. Slightly lower headline sales but still higher in-force block of business driving higher profitability, together with slightly lower DAC amortization.

Looking at that a slightly different way from the profit drivers, income up adjusting for the special distribution, expenses down. New business income, broadly flat at GBP471m. In percentage terms, percentage of APE up from 24% to 26%, again reflecting our value over volume on new business, particular increase in Europe from 20% to 24%.

On the underwriting margin again, a good story on there. Continuing increase in underwriting margin, larger in-force block of business driving larger underwriting margins, particularly in our European business.

Investment return I'm going to come back to on the next slide.

In terms of the costs, acquisition costs down 4%, very much in line with the decrease of an APE measure of our new business, down some 4%. On the admin cost side, so, as Andrew highlighted, our in-force reserves up about GBP30 billion from this time last year. So average for the first six months of last year were up about GBP30 billion of our in-force reserves. The cost of managing those reserves is down. So on basis points terms, cost 42 basis points this time last year, down to 38 basis points this time this year. Primarily driven by the UK business. Again, those similar stats, 34 basis points now down to 27 basis points, managing that in-force business in the UK.

Just on investment returns, again, across the board you can see increases on our in-force business. On unit-linked, double-digit increases in both Europe and in the UK, partly driven by the positive impact of the RBS deal. The slight tick down in average basis points just reflecting the new regulation in Poland, capping pension charging for that business. But we're now at a steady state of AMCs with a higher level of reserves going forward.

Participating business, two trends. Continued growth in Europe, up again over 10% of in-force participating in Europe. Slightly lower in-force in the UK, and obviously, as we've mentioned, last year we had our GBP84 million special distribution. This year's GBP266m, not including that special distribution.

Spread margin, again, that's our annuity business in the UK and the US. As I mentioned earlier, some 15% increase in in-force in the UK. And again, similar slightly lower increase in in-force in the US, about 8% or 9% there. So driving that overall increase in average reserves to nearly GBP69b. In terms of the basis points, couple of things there. In the US we had an embedded derivative gain in the spread margin last year. And in the UK we've got a slightly lower equity release margin. Again, now pretty much a steady state average basis points at 101 with a growing in-force going forward.

On the expected return on shareholder assets, similar story, growth on there, primarily driven by the benefit of the reattributed estate, some GBP70 million in the first six months.

Turning then to General Insurance. As Andrew mentioned, a doubling of the underwriting result, so reflecting that decrease in combined ratio from 97% to 96%, offset by the lower longer-term investment return. I'll come back to that in a moment.

Business unit by business unit, 14% increase in premiums in the UK, 20% on personal lines, 6% on commercial lines. And personal lines very much driven by that motor book. 210,000 new policies in personal motor in the first six months. 20%-plus rating increases still achieved on personal motor, a much decreased combined ratio on personal motor, down to some 94% in the first six months. Still good growth in commercial lines again, particularly driven by rating we're achieving on the commercial motor book in the UK.

In Europe, as Andrew mentioned, some 5% decrease in the combined. About 3% of that is weather net of lower reserve releases and about 2% of that reflects underlying claims performance, particularly in our French business. In Canada, two things, slightly higher weather-related claims by about 2%, and a 2% lower expense ratio offsetting that as we deliver those expense saves we outlined at the end of last year.

Overall in terms of reserve moves, again, a continuing trend. Again another 2% lower reliance on reserve releases this year versus last year, driving that overall underlying improvement in the combined ratio.

On the LTIR, two trends there. Obviously you'll remember our premium levels used to be higher. We've gone through a cleansing of that book to drive increased profitability on the underwriting side. Two years ago we had about GBP2 billion higher reserve level, excluding Delta Lloyd. That came down really to the end of 2010. The interesting feature is it's now started ticking up again.

The growth in each of those portfolios, particularly in the UK, is flowing through to a higher reserve level now, and obviously over time, therefore, a higher level of assets backing that business. So whilst yields are a little bit lower, what you'll have coming through offsetting that is a gradually increasing asset portfolio backing that, allowing the underwriting result increasingly to flow through to the bottom line.

Briefly on Delta Lloyd. Obviously they've got their own presentation today. GBP224 million up to GBP272 million on a fully 100% basis, very much driven by their Life result, very much driven by their own execution of their simplification program and their expense reduction efforts there. General Insurance result lower. Some level of reserve strengthening and a higher level of fire claims in the first six months of this year versus last year.

Just looking then below operating profit line. So in all, headline including Delta Lloyd at GBP1,337m, as we talked about, and GBP1.1 billion ex-DL. We've put -- we've tried to summarize here the Delta Lloyd impact below the line, which is most of the variances and then the Aviva ex-Delta Lloyd impact.

If I start with the Aviva ex-Delta Lloyd impact on that left-hand side. Integration costs reflecting the completion of the Quantum Leap program, cost savings achieving in the UK and some Solvency II-related costs. The GBP275 million of investment variances really reflect primarily increased spreads on Italian government bonds and to a lesser extent Irish. Government bonds obviously unrealized investment variances there. Then the usual bits and pieces of goodwill amortization. All coming down to a GBP638 million profit before tax for Aviva Group ex Delta Lloyd.

On the Delta Lloyd side, very much as signposted both in terms of the First Quarter and the circular we did at the time with the Delta Lloyd sell down. So the GBP880 million of investment variances reflecting the reduction of the Delta Lloyd yield curve, the curve they used to value their liabilities of about 80 basis points reduction of that. The opposite of the positive impact of that this time last year. GBP32 million then being the overall loss on sale, a total of GBP900 million of impact on those two items. The same total again that we highlighted at the time of the circular.

Big pictures terms, loss on disposal, GBP400 million of proceeds, market value of our remaining stake about GBP1.1b, that's GBP1.15b. Deduct the book value of our shareholding before that, GBP2.1b, so GBP1.5 billion less GBP2.1b, and then the recycling of foreign currency reserves of GBP600 million coming down to your broadly net neutral impact. Overall then operating EPS of some GBP0.29 up from GBP0.27.4 last year.

Looking at that in terms of net asset values, obviously GBP0.18 on IFRS basis a positive profit and investment variances ex-DL. You've then got those DL net of tax, net of minorities investment variances flowing through at GBP0.13. The Delta Lloyd sell down, again just to be clear on that. The GBP0.22 obviously from a net asset value perspective excludes those recycling of foreign currency reserves. If you exclude that GBP600m, GBP600 million impact on net assets or a GBP0.22 impact.

From an MCEV perspective, we sold for close to MCEV book value, so a much lower impact on those MCEV book values. So the profit investment variance is really flowing through there and even before the impact of RAC an increase in our MCEV embedded value up to GBP5.54 and an increase in our EEV embedded value up to GBP6.15 and GBP6.36. What's driving that MCEV again is the increase in our value and force. Compared to this time last year our MCEV VIF is up by just over GBP1b, our EEV VIF is up by over GBP2b, driving those increases MCEV and EEV.

Then pro forma for sale of RAC, as you'll remember, we made about a GBP600 million gain on sale of RAC or about a GBP21 million -- GBP0.21 positive impact on all of these metrics. So IFRS at GBP4.46, MCEV up now to GBP5.75 and even allowing for the deconsolidation of DL, EEV up to GBP6.36.

Moving on then to capital generation, last year we posted GBP900 million for the first six months. You'll remember of course that included GBP200 million positive impact, positive one-time impact on those lower capital resource requirement in GI. So if you like, GBP700 million of underlying. What's happened this year, that GBP700 million has gone to GBP800m. In-force generation basically flat. Notwithstanding the lower or non-special distribution, Life generation again coming in a bit over GBP1b, very much in line with that GBP2 billion a year we've talked to you about before. Non-Life generation slightly up some GBP50 million or GBP60m, again reflecting the higher level of profits in our Non-Life businesses.

The story I guess is the amount of capital consumed in our Life new business, in total down GBP200 million for the first six months of this year versus the first six months of last year. So GBP500 million now. Last year GBP700m. The year before that GBP900m. So substantial decrease in capital consumed in Life business, again at the same time we're growing that value in-force.

Payback over the same period, we're now a six year payback ex-DL. I think actually a couple of years ago we had an 11 year payback on an equivalent basis.

IRRs as Andrew said across --- up in all of our businesses, up 12% to 14% in Europe. In Europe we consumed about GBP100 million lower capital. In the US we consumed about again GBP100 million lower capital, all driving that overall reduction in capital efficiency down to now some 4%.

Just looking a little bit at the balance sheet then. What are some of the headline impacts of the sell down of Delta Lloyd? Total assets obviously down by some GBP35b, down to GBP113b. Even more profound impact on the mortgage book. We're now almost half the size of the mortgage book and the remaining amount, most of which relates to the UK commercial mortgage book.

Again just for completeness, that book continues to perform extremely well. Very resilient loan to values, some 93% loan to value. Continued strong rental interest cover of 1.3 times. And the total amount of interest and capital in arrears is a mere GBP15 million compared to the GBP750 million provision that remains in place or a total of GBP1.3 billion provisions back in the whole annuity book.

Again, with the deconsolidation of Delta Lloyd the equity holding's down from what was GBP5 billion on the shareholder balance sheet now down to a mere GBP1 billion at the half year.

Again for completeness, let's go through performance on the corporate bonds. The UK almost a zero default record in the first six months. Very strong record. We talked quite a bit about that in January. That compares to our reserving assumption of just over 60 basis points. A similar story in the US. Again, an incredibly strong record there of a mere five basis points for the half year. The market for that, as we talked to you about before, is way higher and obviously that's much lower than our pricing and reserving assumptions.

Worth spending a moment then on our exposure to southern European sovereign debt. Numbers we've talked to you about before in the chart, so direct shareholder exposure for Greece, Spain, Portugal and Ireland down again from GBP700 million to GBP500 million at the half year. And both of those numbers frankly remain well within our risk appetite. We've added to the disclosure so we've got the participating amount in each of those countries as well, so what we share with policy holders, and again you can see they're pretty modest amounts in total.

In Italy, like every other life insurance company in Italy, we have a structured savings product, tax-efficient savings product, and largely we invest that money in Italian government bonds as most of our competitors do. And in total we hold some GBP900 million direct shareholder exposure and in the participating funds net of minorities at just over GBP6b, again, if anything lower proportions than our big European peer groups. In total we're very comfortable with that, very much within our risk appetite, and again each of those business models have served us well in the future and I'm sure will serve us well going forward.

Adding all that together then in terms of economic capital surplus, when we talked to you before in January we outlined our economic capital surplus GBP4.8 billion or about 140% coverage. What have we done since then? We've grown our MCEV available capital. We've continued to reduce our required capital, all the product things we've talked about. Lower new business, lower guarantee levels, different product features, de-risking of certain assets, de-risking of the pension scheme, all of that has reduced are required. Obviously we've sold down Delta Lloyd. That has a positive impact. And the sell down, the pro forma sell down of RAC. All of that increasing by over GBP2 billion economic capital surplus to GBP6.9 billion or close to now 170% coverage ratio.

Few other stats. Our IGD remains very resilient at GBP4 billion surplus. Obviously we've maintained right throughout the crisis our AA-minus rating from S&P. Pension scheme's now in a small surplus and in addition we continue our de-risking process. We've more than halved again the amount of equities within the Aviva staff pension scheme.

Just lastly from me, and really picking up some themes from Andrew, what has been driving our profit increase on the Life and GI side? On the Life side it's the stuff at the top. We've got GBP30 billion higher in-force reserves now than we had 18 months ago. We earn on that in total revenue terms about 180 basis points. So you can do the math yourself, GBP30 billion higher reserves drives more than GBP500 million higher amounts of income going forward. We've also worked hard on the cost of managing those in-force blocks of reserves. It's now about 8 basis points lower and again on GBP300 billion of reserves that makes about GBP250 million increase to profitability.

GI side, a lower combined ratio obviously drops to the underwriting result. As we've talked a lot about the quality of that, the current year ratio of that, much improved over that time as well. And as I said earlier, we've now turned the point where the assets backing the GI business are going to be on the growth again so the LTIR will have a growing asset base offsetting that slightly lower coupon.

Thank you for that. With that I'm going to hand back to Andrew.

Andrew Moss {BIO 3628034 <GO>}

Thank you, Pat. A brief summary then. We believe that the first half speaks well to operating performance in the business. I'm pleased to see the ongoing improvement, but we remain confident as well of ongoing improvement from there. Capital position demonstrably stronger. That's a good thing in today's world, but I think it also puts us in a strong position to deploy capital into our growth businesses as we go forward. The strategic delivery we've seen against a portfolio objective that we've set for ourselves. That does allow us to flow through into that capital position, into our liquidity position, allows us to finance that growth and to deploy capital organically in our business.

But all of the structural change that we've made is not just an end in itself. It is genuinely to put us in a competitive position in our key markets. So the reduction in the administration costs, for example in the Life business, allow us to price new business now more competitively I believe than anybody else operating here in the UK market. The reductions in costs in our General Insurance business, an expense ratio of 10%, give us, against our broadly based competitors in the UK general insurance market, again a competitive advantage which drives through to pricing, offering good value as well as good service to our customers. And we expect our volumes to continue to increase into a strengthening market.

So that's where we stand. We'd like to move to Q&A. I'm going to ask Pat to come back on stage. I'm going to ask Igal to join me as well and we will go from there and answer any questions that you may have.

Questions And Answers

A - Andrew Moss {BIO 3628034 <GO>}

Greig, I think you were first hand up.

Q - Greig Paterson

Good morning. Yes. Always. Greig Paterson, KBW. Three questions. One is you guys are still paying commission in the pre-RDR world and obviously you're gaining from the buy-now-our-commission-loss theme. I wonder if you can just give us an idea of percentage of your APE or whatever, PV, give us a premium that is coming from that, so that we can take it out next year. That's question one.

The second one is, Emlyn [ph] has talked about a deteriorating '09 accident year in motor and house, I was wondering if you could just give us some feel for your experience in that line and that accident year.

And if you could just, it might be in the pack, but if you could just give us an idea of what the default provision is, whether it's changed in the half year, and what it is as a percentage in terms of basis points and reserves, whether that's decreased.

A - Andrew Moss {BIO 3628034 <GO>}

Do you want to take the last one first?

A - Patrick Regan {BIO 15131018 <GO>}

Sure. No change to the default provisions overall so very much in line with what we talked about before. It obviously varies very much portfolio by portfolio. As I said, we're mid 60s on the UK corporate bonds. We're mid 70s on the commercial mortgages. So yes, very much in line with what we talked about before.

A - Andrew Moss {BIO 3628034 <GO>}

Okay, let's go back to the first question. I'll ask David Barral to come in in a bit more detail on it. The reality is that that picture has changed already to quite a large degree as we've adapted for the RDR world. But maybe I can ask David just to comment in some more detail.

A - David Barral {BIO 17035123 <GO>}

Yes. Will do. Hi Greig. I think we are -- the vast majority of the business we write now is either on fee based or is on a lower initial and recurring income anyway. In fact the recurring income commission is written for GPP is fairly close to what we think the post RDR charges will be. The fact is most employers won't want to write out a physical check for the business so the model that a lot of the corporate IFAs are already moving to is pretty close to what we'll do in a post RDR world.

But to put it in context, the total commission bill is now 40% less than what it was three years ago. So that gives you some idea of the movement in terms of the improvement and the change in the model.

A - Andrew Moss {BIO 3628034 <GO>}

Thanks David. On the GI side, do you want to comment first Pat?

A - Patrick Regan {BIO 15131018 <GO>}

Yes. So we're very happy with the development of all of our accident years including the recent years '09 and '10. Nothing particular to highlight. We have seen inflation in bodily injury, but that's something we've factored into our initial estimates of ultimate. And we spend quite a bit of time looking at these trends, don't we, and going through and comparing how we're doing with competitors, and we're very happy with those developments.

A - Andrew Moss {BIO 3628034 <GO>}

Thanks Greig. Andy.

Q - Andy Hughes {BIO 15036395 <GO>}

Thanks very much. Andy Hughes, Exane BNP Paribas. Three questions if I may. The first two on the US. Obviously a numbers question, you don't disclose the level of unrealized gains in the US which are included in your IGD surplus, so can you give us a rough idea of what that is?

And the second question is I guess also on the US. In terms of when you do your operating numbers, you're assuming only a target spread in the US. I'm just wondering what you're actually earning compared to that operating spread because previous presentations have indicated that you're earning quite a wide spread between what you're paying the policy holder and what you're earning on the assets. So it would be quite good to know the difference between your current operating assumptions and your actual realized earnings from the US business.

And the third question is I guess one on the disposal proceeds. Obviously your share on economic capital has increased as well as you've received disposal proceeds and this doesn't seem to be part of the de-leveraging process that you've announced already because you've only got GBP200 million of debt or so maturing next year. So I guess the question is what happens to the proceeds that you have and the excess capital on the balance sheet now? Thank you very much.

A - Andrew Moss {BIO 3628034 <GO>}

Okay. Thank you. Do you want to take the US questions first? Then I'll take the last one?

A - Patrick Regan {BIO 15131018 <GO>}

Sure, yes. I think we're about GBP1.4b, David, of unrealized gains in the US. In terms of gross numbers, obviously I'm excluding lots of stuff, we yield about 6%, Richard, on our portfolio in the US and we pay about 2% on average to customers. Obviously that excludes a whole bunch of stuff, cost of options, expenses, commissions and stuff, but they're the gross numbers if that helps.

A - Andrew Moss {BIO 3628034 <GO>}

You're coming back on that.

Q - Andy Hughes {BIO 15036395 <GO>}

Any idea what it would be on a net basis then including the cost of options and expenses and stuff?

A - Patrick Regan {BIO 15131018 <GO>}

The net spread is something in the region of 200, Richard? About a little under 200 basis points.

A - Richard Hoskins {BIO 19402720 <GO>}

It's about 250, 300. (Technical difficulty).

Q - Andy Hughes {BIO 15036395 <GO>}

And what's the target spread that's included in the -- when you do your numbers in terms of operating cash flow and profit? (Technical difficulty).

A - Patrick Regan {BIO 15131018 <GO>}

I guess there's lots of variables in that. Part of -- I guess the biggest one is is what our actual defaults are versus the assumptions and as you saw a little bit we're massively inside our reserving function, so maybe 50 basis points inside of that at the moment. So that would flow to future profits as that continues.

Q - Andy Hughes {BIO 15036395 <GO>}

Okay. Thank you.

A - Andrew Moss {BIO 3628034 <GO>}

On the last one, Andy, I think you've got to just step back a bit and say look, what's the environment? I think it's an environment in which capital strength of financial service companies will serve us well and I don't see that changing for the next year or two at least. You're quite right that we've built the financial strength of the Company and I think successfully over the course of the last two or three years. That shows through in the economic capital, the IGD is strong, the liquidity at the center of the Group is strong as well. # And that gives us flexibility. And I think what we've been demonstrating in the course of the last six to 12 months is we can put that capital to work organically very profitably for the Company. So that is our main priority.

Raghu.

Q - Raghu Hariharan {BIO 15133573 <GO>}

Thank you. Morning. Raghu Hariharan from Citi. Just had three questions please. The first one was on the pension deficit. I see in the IGD that there is a pension funding of GBP200m, which I'm surprised by because the deficit I thought was eliminated by the end of last year.

The second question is -- or two questions related to UK GI. I was wondering if you could highlight what the RAC contribution was to your combined ratio in the UK because I guess we'll have to work through that once that business has gone off your books.

And the third thing was just following up on Greig's question. I see there's a GBP12 million reserve strengthening in the UK and I was wondering which line is that coming from. Thanks.

A - Andrew Moss {BIO 3628034 <GO>}

Sure. The RAC contribution in the UK is a couple of percent on the combined ratio. So we've set our targets, the 97% target, with that in mind as we go forward.

The reserve strengthening, I guess commercial motors probably.

A - Patrick Regan {BIO 15131018 <GO>}

Yes. It's just a tiny amount. Yes, commercial motors, where a little bit in commercial motors. You can see our combined or commercial motors a little bit higher and, as I think we say in the pack, we're achieving some pretty good rate increases through that part of the business now.

A - Andrew Moss {BIO 3628034 <GO>}

Sorry Raghu. What was the first question?

Q - Raghu Hariharan {BIO 15133573 <GO>}

Pensions.

A - Andrew Moss {BIO 3628034 <GO>}

Yes, of course. I mean the rules dictate that we have to account in the IGD for I think it's five years of pensions --

A - Patrick Regan {BIO 15131018 <GO>}

Yes, so we do have ongoing contributions into the pension scheme. It's an accounting surplus but obviously we've got a long term funding agreement that still has us putting in an amount of money each year into the UK scheme and obviously a smaller amount into other Irish and Canadian schemes.

Q - Raghu Hariharan {BIO 15133573 <GO>}

GBP200 million would be the number?

A - Patrick Regan {BIO 15131018 <GO>}

It's a little bit of rounding in there, Raghu, so it's probably a little bit lower than that on a full year basis.

A - Andrew Moss {BIO 3628034 <GO>}

Andrew.

Q - Andrew Crean {BIO 16513202 <GO>}

Hello. It's Andrew Crean at Autonomous. Three questions. What's happened to the balance sheet in July other than the RAC?

And could you say around about policy holder participation, are there circumstances when if sovereign bonds move into non-investment grade where you're not allowed to -- policy holders are not allowed to participate in losses? That's one question.

I wasn't quite clear when you were talking about the cash generation range of between GBP1.5 billion and GBP1.8 billion whether that range extended as a forecast for 2012. You said you were going to give ranges, whether that's what you were indicating.

And finally could you just update us on how you think things are going in Spain with the merry-go-round of cajas?

A - Andrew Moss {BIO 3628034 <GO>}

Yes, I'm going to start with the operating capital generation. Yes. We very intentionally are just shifting our guidance away from, as I say, just maximizing that number for the sake of it to getting it into a range which we think gets the balance right between the amount of capital generation coming through to finance central costs, to finance debt repayments to finance dividends, and to put profitable growth on the books of the company. So does it extend to 2012? We're not giving any number for 2012, but I think you can expect us to target that sort of range to get that balance right. And that's the way we'll be talking about it going forward.

I think in Spain, our strategic objective I hope is clear. We've mentioned it a number of times, which was to keep our distribution footprint through what we describe as the merry-go-round going on. Our team in Spain is very focused on that, Igal.

A - Igal Mayer {BIO 15440055 <GO>}

Yes, very focused ,Andrew. Look, what's a top priority for the cajas themselves? It's going through this recapitalization process, which is very much in high gear right now, will get resolved for each of them in the Fourth Quarter and into the First Quarter. That's their top priority. Obviously they don't have a lot of cash or any excess cash.

So what do I expect? I expect most of those deals to be settled on an non-cash basis and that they're basically re-cutting the deals between distributors and manufacturers. We continue to have very positive discussions with all our partners and as you've seen in the papers we take legal action where appropriate to protect our contractual rate. So my view is it'll be done in an amicable way through renegotiations of the deals.

A - Andrew Moss {BIO 3628034 <GO>}

It's a classic example, Andrew, and we have a great team of people on the ground there who have been managing these relationships for the last 10 years and really keyed in to the local business environment. And that's served us incredibly well through what will be a period of change I think.

Balance sheet?

A - Patrick Regan {BIO 15131018 <GO>}

Balance sheet, yes. So probably -- the number we pointed out there was the unrealized movement on Italian government bonds. We took it to the start of this week. There's probably about another GBP150m, Andrew, I would say in the investment variances line, both for IFRS and MCEV, that kind of order of magnitude. And probably there's a little bit I guess in equity movements, but not a big number.

The last one was on participating funds. I guess we look at all sorts of scenarios in terms of movements, further movement in government spreads in any of those countries. I guess in the round, we think that even 300 basis points or 500 basis points further spread widening, which is more than double what it is today, is still relatively manageable, relatively modest amounts of capital in any of those countries, including Italy.

A - Andrew Moss {BIO 3628034 <GO>}

Nick.

Q - Nick Holmes {BIO 3387435 <GO>}

Nick Holmes, Nomura. A couple of questions on European Life please. The first one is do you think that the banks' increasing appetite for deposits is going to slow down your growth?

And second question is you're targeting unit linked and we know that in Europe unit linked is very volatile. How can you kind of dimension your targets in the context of these volatile markets?

A - Andrew Moss {BIO 3628034 <GO>}

Okay. Thanks Nick. Good questions. W4e've seen -- I'll ask Igal to come in for sure, but we've seen over the last three years banks behaving in different ways at different times with liquidity being more important to them at times. And I think that was at its worst frankly in the period through late 2007 and early 2008, and definitely we saw a little bit of a fall in volumes at that point. Because of various rules that are being imposed clearly there's a bit of pressure in that regard. But I don't think we see fundamental change.

A - Igal Mayer {BIO 15440055 <GO>}

Yes, I do think it's almost either country by country or bank by bank. Our intelligence would suggest you're absolutely right in France, but we're not experiencing with our bancassurance relationship. We've had very strong sales in the first half from Credit du Nord. So I think it is going to be bank by bank, but I would agree with you, over the next 18 to 24 months many of the banks are going to need to beef up their liquidity. We see it as that range of time.

On the unit link, I think it is all about the product mix. We are obviously emphasizing unit link, but remember Nick we're also emphasizing protection and we're seeing good growth in both lines really just to get some balance against what was arguably an overweight in the with profit funds.

A - Andrew Moss {BIO 3628034 <GO>}

Blair.

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks very much. Blair Stewart from ABN Amro. Two or three questions. Firstly on your Life reserve growth, I think the last time I looked, last time you gave net flows information was about 1% of opening assets. I just wondered what's the driver of that, of those Life reserves growth. Is it asset markets and particularly bond yields going down? That's the first question.

Then on your expense ratio, could you just give us an update as to what expense actions are still outstanding both Life and P&C?

Then thirdly to Andrew's question. There's a bit of confusion in the market about under what circumstances the usual policy holder/shareholder split would stop working in some countries, and particularly with Italy, the participating exposure you gave. Could you give us a bit more clarity on that?

A - Patrick Regan {BIO 15131018 <GO>}

Sure.

A - Andrew Moss {BIO 3628034 <GO>}

Let me just do the expense one first and then I'll ask Pat to comment on the others. We've reiterated our comments around the GBP400 million target today. Things are going well in the UK. I think it's fair to say that there's a little bit more to come in Europe. Igal, you're going to do an Investor Day October 26?

A - Igal Mayer {BIO 15440055 <GO>}

October 26, yes.

A - Andrew Moss {BIO 3628034 <GO>}

Which will take us into a lot more detail in terms of European markets and there are one or two initiatives there which will drive that number through.

One thing to note on that, when we made the initial target, it included Delta Lloyd in that GBP400m. Our thoughts today is that ex-Delta Lloyd we can stick with the GBP400 million target. So in a sense that's additive to a degree. But I think you have to understand it market by market in a little bit more detail.

Value of the in-force?

A - Patrick Regan {BIO 15131018 <GO>}

In terms of the flows, there is a table in the pack you can look at that repeats the disclosures from year end on net flows. What we see in there is in the UK we continue to add to our non-profit flows. We had positive flows there really very much driven by that annuity business. We have negative flows on the with-profits, which is same as last year and probably same as you should expect for the remainder of this year and next year, the maturing endowment policies and maturing bonds over the next couple of years. In

Europe again we've got positive flows, partly driven by -- there is a market movement element to it as well, but we still are adding to our stock of profits in participating and unit linked.

A - Andrew Moss {BIO 3628034 <GO>}

On the participating it's necessarily quite a complicated story and different in different places, Blair. The first contextual thing you have to say is the capital position of the Group is strong, stronger than it's been for a long, long time.

Secondly we have looked at all sorts of contingency plans around this area looking at stresses. Pat talking about 300 to 500 basis points and we've looked at more than that as well in the context of managing the overall business relative to the capital position. So we feel comfortable, absolutely comfortable within risk appetite where we are. And frankly with some of those things you have to make some assumptions and we can't see sitting here today exactly what some of the outturns might be. But pretty much whichever way we look at it, we feel pretty comfortable about the potential outcomes.

James.

Q - James Pearce {BIO 16758460 <GO>}

Morning. James Pearce from UBS. I see that your capital strain solvency requirements in the UK new business have gone down over the year, which is the opposite direction of travel from what one of your competitors was saying, particularly on annuities. Can you give us some color there please?

Second, internal debt has gone down a lot judging by the corporate center line on the capital structure. Can we expect to see that fall further?

And thirdly, how are you investing your premium income in Italy and Spain please?

A - Andrew Moss {BIO 3628034 <GO>}

Okay. Pat, do you want to take those?

A - Patrick Regan {BIO 15131018 <GO>}

Yes. I think you're talking about the 100% capital requirement. Is that the question, on the first question on the Life capital comment?

Q - James Pearce {BIO 16758460 <GO>}

The strain.

A - Patrick Regan {BIO 15131018 <GO>}

The strain, yes. We had a look at that and thought that was a better representation of our actual capital requirements to be honest. Nothing more or less than that.

A - Andrew Moss {BIO 3628034 <GO>}

Italy, deploying premium income.

A - Patrick Regan {BIO 15131018 <GO>}

Deploying premium income. We've got -- primarily we've invested as everybody else has in government bonds typically. We're slightly broadening that, but the main investments in that portfolio remain, generally speaking, long-dated government bonds. In Spain we've got a higher proportion of protection business so there's less asset-heavy in that business just naturally.

A - Andrew Moss {BIO 3628034 <GO>}

Was there a middle question in those, Jame?

Q - James Pearce {BIO 16758460 <GO>}

Internal debt.

A - Patrick Regan {BIO 15131018 <GO>}

The overall movement in that balance hasn't really changed in the period. We -- in the table there it's shown net of our central cash and the central cash has grown. That's really the movement you're seeing there.

A - Andrew Moss {BIO 3628034 <GO>}

Yes, gentleman there.

Q - Toby Langley {BIO 15924432 <GO>}

Hi. It's Toby Langley from Barclays Capital.

A - Andrew Moss {BIO 3628034 <GO>}

Hi Toby.

Q - Toby Langley {BIO 15924432 <GO>}

I've got a follow up question on the RAC. Can you actually break out what the operating profits were for the RAC business in the first half before and after pension costs?

A - Andrew Moss {BIO 3628034 <GO>}

Yes, so at a premium level you're talking a little over GBP150 million I think in the first half. In terms of profit it's a bit over GBP35m.

Q - Toby Langley {BIO 15924432 <GO>}

And a follow up question on sovereign debt. Can you remind us what you see as the triggers for impairments on any of these bonds should they be required because we've seen a number of companies this morning report some impairments on their holdings? What is it we should be looking out for? What do you look out for when you're looking to make an assessment on that?

A - Patrick Regan {BIO 15131018 <GO>}

Yes, specifically on Greece our holdings on that are less than miniscule. So there's nothing to talk about in terms of Greek impairment, which is I think things that people are addressing today. And all of our sovereign debt is held at market value so whatever the price changes of that are reflected in the current balance sheet.

A - Andrew Moss {BIO 3628034 <GO>}

Marcus.

Q - Marcus Barnard {BIO 2103471 <GO>}

Yes. Marcus, Oriel Securities. Is there anything more to say on the disposal program and the refocusing? Is that finished now with RAC or is there more to do?

A - Andrew Moss {BIO 3628034 <GO>}

No. We are looking at one or two other things. But in value terms though, if you look at Australia, Delta Lloyd and the RAC you're talking about GBP3b. The other things that we have in mind, Central and Eastern Europe for example, are really tiny compared to that. So in value terms our priority has been to look at the big things and get them done in a well ordered way, and I think we've done that.

Barrie.

Q - Barrie Cornes {BIO 2389115 <GO>}

Thank you. Hello. Barrie Cornes from Panmure Gordon, really following on from that question by Marcus. Could you give us a split in terms of the amount invested in Asia Pacific region between Asia and the rest? I think you've given an overall figure previously but not broken it out.

And also I think you've also given an indication of a multiple that you thought it might be worth a while ago and just wondered if those multiples still apply, and what it would be for Asia as opposed to Asia Pac.

A - Andrew Moss {BIO 3628034 <GO>}

Let me just understand your distinction between Asia and Asia Pac. Obviously what we've said from a strategy perspective is the two countries of real focus for there are India and China. I think the way we're thinking about -- perhaps I can answer the question a bit more generally. In terms of value it's going up. There's no doubt about it, volumes are going up, margins are going up, profitability is coming through. So any -- literally with every month that passes I think the value of that business demonstrably increases.

The way we're thinking about it I think is in line with the comment I just made, sometimes taking your time a little bit is the way to optimize value. Even within that we have a business in Singapore which actually could probably meet our targets in terms of profitability and franchise value in actually quite short order. So there is a possibility of that business coming up into our premier league if you like. So we're just looking at that. There are a number of options available to us, but meanwhile while the value is going up, Barrie, I feel very comfortable in just taking our time around that.

Q - Abid Hussain {BIO 20229932 <GO>}

Hi. Good morning. Abid Hussain from Jeffries. Just a question on your economic capital position. I can see that it's improved to 170% of required capital. Just wondering can you give us a sense of the sensitivity to changes in the risk-free rate, a 10% fall in equity markets? Thanks.

A - Patrick Regan {BIO 15131018 <GO>}

I think the best place to look at that, we publish at the back of our deck there the MCEV sensitivities, so I think that's a pretty good proxy for those numbers.

Q - Abid Hussain {BIO 20229932 <GO>}

Thanks.

A - Andrew Moss {BIO 3628034 <GO>}

How are we doing? Okay, I think that looks like a natural place to pause. I know you've got lots of other people to go and see and other things to do this morning. So thank you very much for joining us. Any other questions that you've got, obviously I, Pat, the IR team are always here to help. So thanks for coming and we'll talk to you in due course. Thanks.

A - Patrick Regan {BIO 15131018 <GO>}

Thank you.