



## **Simon Machell, chief executive, Asia Pacific**

### **Interim results - 30 July 2008**

**Q: If I could begin by asking you Simon, how did the operations perform in the first half of the year?**

A: I'm very pleased with what we did in the first half of the year. We grew our sales by 20% in sterling terms, which actually against the backdrop of the market conditions that we had, I think it is a very creditable achievement. We're increasingly becoming a more important part of Aviva Group worldwide, so actually the progress for me has been very good. If I look particularly at India and China, the potentially big growth markets for us, progress we made there was exceptionally good. We also had contributions for the first time from Malaysia and from Taiwan in significant numbers, and again that helped our overall growth.

**Q: And what for you were the highlights?**

A: For me the real highlight was the performance of the business in China. If you look in China we grew by around 150% in the first half of the year. We're now in 32 cities in eight provinces across the country and we actually have grown to be the second largest foreign insurer. But also if I look at India as well, we have a partnership there with Dabur Group and we've grown by over 60% in India as well. So for me those two countries were particularly important, but actually if I look across the region, contributions from the new places that we operated in, Malaysia and Taiwan, were also important and we established a market entry in South Korea and will expect to see some business coming through from that in the second half of the year.

**Q: So what specifically has been driving growth in the Asia Pacific Region?**

A: I think if I look at the growth of the economies in which we are operating, estimates over the next five years, say between 5% and 10% growth. Also looking at the demographics across the region as well that gives us a great

opportunity, we are operating in some markets which have a fantastic growth potential because of simply the size of the population.

So 1.4 billion people in China, over a billion people in India, who will have a demand for buying our products over time. So for me it's the combination of the economic growth and the demographics that mean the markets in which we operate will grow rapidly.

**Q: And what have the greatest challenges been in the last six months?**

A: I think the economic conditions and the market volatility has been a challenge for us. Particularly it's meant that people are more cautious about investing in equity related products and we've seen that in terms of our investment sales falling off compared to where they were last year in more buoyant economic times. I think though the counter of that is people are looking for more products with guarantees and for more certainty.

I think the other thing was really the earthquake in Sichuan in China. We are actually quite a big insurer in that region, so we had a number of people who actually had to make claims with us. I think the real time at which an insurance company comes into its own is in a very sad set of circumstances like that. And I'm very pleased with what our team did in terms of helping people in those very sad times.

**Q: And what do you see is the greatest challenge looking forwards?**

A: I think the market conditions, particularly in the second half of the year will still be challenging. I believe that there will still be a degree of economic volatility about, but I think it's important to say that we have a range of products that will meet customers' needs over that period of time, so I believe that we can rise to that challenge and continue to prosper.

**Q: Looking ahead. What is your strategy for future growth?**

A: A number of things. I think first of all we've got a number of market opportunities that mean we can move forward, so for example we're looking at establishing a pensions company in China. We've also got two more licences we're applying for to get into other provinces within China. Again if I look, some of the markets where we just entered, we're relatively new in those markets so growth will come to us simply by the fact that we are penetrating more of the customer base of the banks that we are working with. So Malaysia and Taiwan we've only entered those markets in the last year or so, so the opportunity to do more with our bank partners in those places also is very promising.

Again if I look at South Korea a market we entered in March of this year, we're working with Woori Bank, the second biggest bank in Korea. They have about 1,800 branches throughout South Korea, so an opportunity for us to work with them and sell to their customers.

I think the final thing is looking around our ability to share our products and services across the region. We actually have set up a shared service operation where we can do some things once and deploy them on a number of different occasions. So for example in Hong Kong we are able to set up our operations there using all the back office from Singapore effectively. So simply we have about 50 people in Hong Kong who are able to do the front end sales, but all the product development and servicing is done from Singapore. So it means we can be more nimble in terms of how take that out to a new country. And again we are looking currently about how that would apply in a number of other countries as we move forward.

**Q: What is it do you think which makes Aviva stand out from its regional competition?**

A: We established our regional office out here last year, and I think that's given us a very good base to work across the whole region. So we are able to bring the expertise and knowledge from around the rest of the Aviva Group out to Asia Pacific. If I look at Bancassurance for example, we pioneered that really in Italy and Spain and we were able to take a number of the things that we did out there and bring them to Asia Pacific.

We are also able to show our Bancassurance partners in Asia what we're doing actually in real life and take them back and show them things in the U.K., in Spain, in Italy. So for example when we got the deal with Woori Bank in Korea which was our market entry into that particular market, we were able to show references in terms of what we'd done in other countries, rather than just saying it's a story. So for me that's very important in terms of our credibility, that we've actually managed to do and achieve things rather than simply just talk about it.

**Q: But the international competition here, the local competition here is expanding and also doing quite well. So why do you think you will be successful?**

A: I think we've established a very strong base now across the region. We're operating in nine countries so I think that gives us something from which we can expand. We've also got fantastic partners across a number of countries. If you look on the Bancassurance base, we've got First Bank in Taiwan, we've got Woori Bank in South Korea, we've got CIMB in Malaysia, all actually the second largest bank in each of those countries. We've got DBS in Singapore which actually is the biggest bank in Singapore. So therefore we actually believe we've got great distribution through partners who understand the local economies and how those economies work.

If you then go to India and China, we're working with two very respected local companies. COFCO in China, Dabur in India, so again we believe that gives us a real entree into the local market.

I think we have a fantastic group of people helping us to run the business who are passionate and enthusiastic about what they are doing. I think that makes a real difference.

**Q: Are you optimistic for the future?**

A: I'm very optimistic. I mean we set ourselves a target of growing by 20% year on year from 2007 to 2010 and at this point in time I remain confident of being able to do that. So yes, very optimistic.

[End]