

Business review continued:

Asia Pacific

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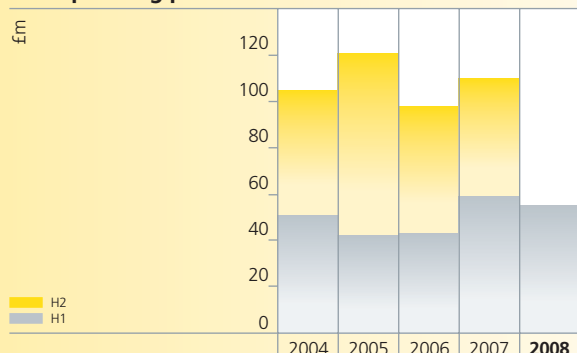
Business review

Long-term savings

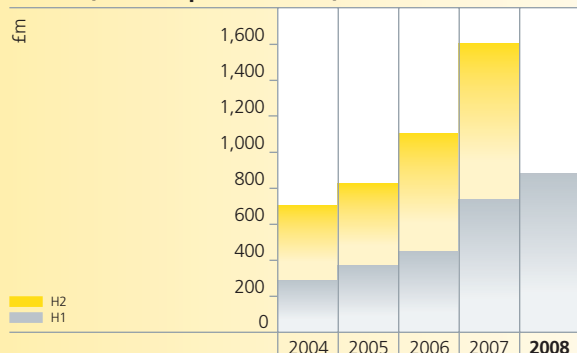
	IFRS operating profit £m	EEV operating profit £m	PVNBP £m	New business contribution £m	New business margin %
Asia	(7)	23	580	22	3.8
Australia	21	24	204	12	5.9
Asia Pacific	14	47	784	34	4.3

	IFRS operating profit £m	EEV operating profit £m	PVNBP £m	New business contribution £m	New business margin %
Asia	3	24	414	20	4.8
Australia	21	23	240	12	5.0
Asia Pacific	24	47	654	32	4.9

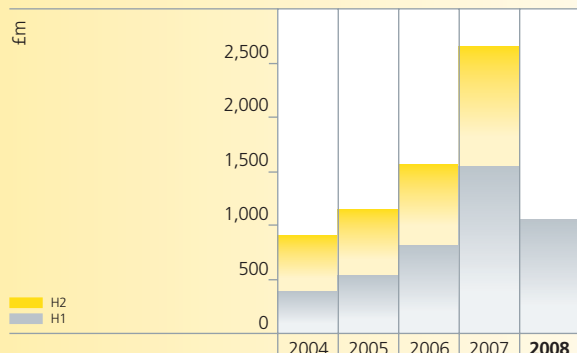
EEV operating profit



PVNBP (Life and pension sales)



Investment sales



Fund management

	Investment Sales 2007 £m	IFRS operating profit 2007 £m	EEV operating profit 2007 £m
Asia Pacific	1,378	9	9

General insurance and health

	IFRS profit before tax £m	IFRS operating profit £m	Combined operating ratio* %	Net written premium £m	Underwriting result £m
2008	(1)	(1)	114	14	(1)
2007	-	3	89	14	2

* General insurance business only.

Aviva Asia Pacific currently operates in nine countries across the region; our ambition is for Asia Pacific to be a key player in "one Aviva" and we continue to assess opportunities in other markets. Over the last year we have established new strategic bancassurance relationships in South Korea, Taiwan and Malaysia and in the period under review we have again experienced exceptional growth in our developing businesses in China and India. The region is underpinned by our operation in Australia which, in true demonstration of the "one Aviva, twice the value" vision, provides experience and support to our other developing businesses.

Long-term savings

Total long-term savings sales for Asia Pacific were £1,835 million (2007: £2,032 million). Within this, life and pension sales for the first half of the year grew by 20% to £784 million (2007: £654 million). This performance reflects both the growth seen in China and India as well as the impact of the new businesses in Taiwan and Malaysia, together with favourable movements in exchange rates.

In China, sales through the joint venture life business Aviva-COFCO increased by 163%, reflecting ongoing distribution expansion. We have increased our presence in the country to eight provinces, with a total of 32 city branches (2007: seven provinces, 17 city branches). Our share of total sales from Aviva's joint venture with the Dabur Group in India increased 67%, reflecting the on-going expansion of the direct sales force and development of bancassurance partnerships.

In Australia, sales were down 15%. However, 2007 included the benefit of a one-off transfer of group pensions business of £64 million as well as the £21 million impact of a favourable change to superannuation legislation. Excluding the one-offs and the impact of exchange rate movements, underlying sales grew by 16% against the prior year, driven by higher sales of protection and retail products.

Life and pension sales in Singapore increased by 8%, mainly due to the favourable effect of exchange rate movements. On a local currency basis, sales were 1% down on the prior year following the withdrawal of the Big e product, which contributed £70 million of PVNBP in the 2007 results, partly offset by the impact of new product initiatives. In Hong Kong, our products are mainly investment related and aggressive competition together with the volatile market contributed to a 15% decrease in sales.

Investment sales in the period under review fell by 24% to £1,051 million (2007: £1,378 million), affected by the current volatile market conditions. Further to this, investment sales in Singapore were adversely impacted by a change to local pension laws which restricts external contributions from the government pension fund. Prior year investment sales were boosted by a one-off impact of £227 million due to the favourable changes in Australian superannuation legislation.

Looking forward, the second half of the year will remain challenging if the investment markets continue to be volatile. However, given our plans to continue to expand our distribution network and develop our relationships with our business partners, we remain confident in achieving our medium-term sales target to grow long-term savings new business sales by an average of at least 20% a year to 2010.

EEV life operating profit for the region was in line with the prior year at £47 million (2007: £47 million). New business contribution of £34 million (2007: £32 million) was slightly ahead of the prior year reflecting the growth in premium income, while the margin fell to 4.3% (2007: 4.9%) due to a higher proportion of business being generated by our businesses in India and China and the start up nature of operations in Malaysia and Taiwan. After the effect of required capital, the margin was 2.7% (2007: 3.5%).

On an IFRS basis life operating profit was £14 million (2007 restated: £24 million). This reduction predominantly reflects an increase in expenses arising from distribution expansion in China and India and start-up costs in relation to the new businesses in Malaysia, Taiwan and Korea.

General insurance and health

Our general insurance and health operations comprise our market leading health business in Singapore, our general insurance businesses in Sri Lanka, which is ranked as the fifth largest in the country and, in Malaysia, our joint venture with the CIMB group.

Net written premium from these businesses was in line with the prior year at £14 million (2007: £14 million) and these operations together reported a loss of £1 million in the period (2007: profit of £3 million) due to higher claims from health business in Singapore, fire related claims in Malaysia and flood related claims in Sri Lanka. The combined operating ratio in the general insurance business was 114% (2007: 89%).

"China: Honouring our promises, demonstrating our value"



In the wake of the Sichuan earthquake, Aviva-COFCO moved quickly to provide immediate support for affected customers. Eric Chang, president of Aviva-COFCO, told staff at a temporary "service station" in Mianyang city, Sichuan: "It is time for us to honour our promises and to demonstrate the value of insurance."

A 24-hour customer call centre was set up to handle claims and enquiries. Claims processes were expedited to cover customers with immediate needs. Medical supplies were delivered and payment claims were signed over to families who had lost relatives.

In addition, the Aviva-COFCO CARE fund has been set up to provide support to earthquake victims, to care for Sichuan policyholders and their families, and for those Aviva-COFCO staff, sales force, business partners and their families affected by the earthquake.

For more information visit www.avivacofco.com.cn