Highlights

In the first half of 2009, we delivered a continuing strong performance across all our businesses and reinforced our already robust capital position, despite economic conditions that remained challenging.

As a result of the decision we took last year to focus on capital conservation and cash generation by concentrating on expanding sales in our most profitable product lines, we have been able to manage our investment in new business and improve our margins across the Group in the first six months of the year.

Compared with the same period in 2008, our Group European Embedded Value (EEV) New Business Profit increased 25 per cent to £691 million, and our Group International Financial Reporting Standards (IFRS) statutory operating profit increased six per cent to £688 million. Our Group EEV Operating Profit decreased eight per cent to £1,246 million.

Key performance indicators

Annual Premium Equivalent new business premiums

↓ 8%

Half year 2009	**£1,321m**
Half year 2008	£1,442m

European Embedded Value basis new business profit

↑ 25%

Half year 2009	**£691m**
Half year 2008	£555m

External funds under management

↑ 16%

Half year 2009	**£72bn**
Full year 2008	£62bn

Present value of new business premiums

↓ 9%

Half year 2009	**£9,657m**
Half year 2008	£10,636m

European Embedded Value basis operating profit based on longer-term investment returns

↓ 8%

Half year 2009	**£1,246m**
Half year 2008	£1,350m

International Financial Reporting Standards basis operating profit based on longer-term investment returns

↑ 6%

Half year 2009	**£688m**
Half year 2008	£647m

Holding company cash flow as at half year 2009

£22m inflow

2008 comparatives are at Actual Exchange Rates (AER). In order to facilitate comparisons for the Group's current business amounts shown for 2009 and 2008, new business and profit related KPIs exclude those of the Taiwan agency business for which the sale process was completed in June 2009. In addition, the Holding Company Cash Flow KPI for 2009 excludes payments relating to the sale of the Taiwan agency business.

Our prudent but proactive approach enabled us to strengthen further our Group capital position. At 30 June 2009, we had an estimated Insurance Groups Directive (IGD) capital surplus of £2.5 billion, before any allowance for the interim dividend. In July 2009 we completed a bond issue which will increase our IGD capital surplus by a further £0.5 billion to an estimated £3.0 billion.

While we expect the business environment to remain difficult through the rest of 2009, our combination of prudent capital management, selective geographic spread, trusted brands and consistent focus on profitable retirement-related opportunities will ensure we are very well placed to continue to outperform over the economic and financial cycle.