

Unaudited Supplementary Information

1. IFRS basis results - Analysis of long-term insurance pre-tax IFRS operating profit by driver

This schedule classifies the Group's pre-tax operating earnings from long-term insurance operations into the underlying drivers of those profits, using the following categories:

- (i) Investment spread - this represents the difference between investment income (or premium income in the case of the UK annuities new business) and amounts credited to policyholder accounts.
- (ii) Asset management fees - this represents profits driven by investment performance, being asset management fees that vary with the size of the underlying policyholder funds net of investment management expenses and profits derived from spread.
- (iii) Net expense margin - represents expenses charged to the profit and loss account (excluding those borne by the with-profits fund and those products where earnings are purely protection driven) including amounts relating to movements in deferred acquisition costs, net of any fees or premium loadings related to expenses. Jackson DAC amortisation (net of hedging effects), which is intended to be part of the expense margin, has been separately highlighted in the table below.
- (iv) Insurance margin - profits derived from the insurance risks of mortality, morbidity and persistency including fees earned on variable annuity guarantees.
- (v) With-profits business - shareholders' transfer from the with-profits fund in the period.
- (vi) Other represents a mixture of other income and expenses that are not directly allocated to the underlying drivers, including non-recurring items and Asian development expenses.

Analysis of pre-tax IFRS operating profit by driver by long-term business unit (note b)

Half year 2009 £m

	Asia	US	UK	Total
Investment spread	35	314	165	514
Asset management fees	34	142	27	203
Net expense margin	(68)	(105)	(36)	(209)
DAC amortisation (Jackson only)		(160)		(160)
Net insurance margin	137	97	(17)	217
With-profits business	11	-	147	158
Non-recurrent release of reserves for Malaysia	63	-	-	63
Life operations				
Other (note a)	(5)	(71)	17	(59)
Total	207	217	303	727

Unaudited Supplementary Information

1. IFRS basis results - Analysis of long-term insurance pre-tax IFRS operating profit by driver (continued)

Analysis of pre-tax IFRS operating profit by driver by long-term business unit (note b)

Half year 2008 £m

	Asia	US	UK	Total
Investment spread	36	261	125	422

Asset management fees	31	148	42	221
Net expense margin	(95)	(93)	(61)	(249)
DAC amortisation (Jackson only)		(165)		(165)
Net insurance margin	91	35	1	127
With-profits business	12	-	198	210
Other (note a)	(3)	46	(33)	10
Total	72	232	272	576

Note

- (a) Asia other includes development expenses of £5 million (half year 2008: £3 million; full year 2008: £26 million).
- (b) Sale of Taiwan agency business
In order to facilitate comparisons of operating profit based on longer-term investment returns that reflect the Group's retained operations, the results attributable to the Taiwan agency business for which the sale process was completed in June 2009 are included separately within the analysis of profit. Only the operating profit based on longer-term investments of the retained bancassurance business in Taiwan is included in the analysis above.

2. Analysis of IFRS operating profit between new and in-force business in Asia

The result for Asian insurance operations comprises amounts in respect of new business and business in-force as follows:

	Half year 2009 £m	Half year 2008 £m	Full year 2008 £m
New business strain	(47)	(71)	(97)
Business in force	259	146	354
Total Asian insurance operations	212	75	257
Development expenses	(5)	(3)	(26)
Total Asian long-term business operating profit	207	72	231

The IFRS new business strain corresponds to approximately 8 per cent of new business APE premiums for half year 2009 (half year 2008: approximately 11 per cent of new business APE; full year 2008: approximately 8 per cent of new business APE).

The strain represents the aggregate of the pre-tax regulatory basis strain to net worth and IFRS adjustments for deferral of acquisition costs and deferred income where appropriate.

-

Unaudited Supplementary Information

3. EEV basis results - New business profit and margins

	New Business Margin (APE)		
	Half Year 2009 %	Half year 2008 %	Full year 2008 %
Asian operations			
Hong Kong	76	66	79
Korea	36	33	34
Taiwan (i)	15	15	22
India	19	16	19
China	45	51	52
Indonesia	61	51	58
Other	62	60	72
Weighted average for all Asian operations	50	45	52

- (i) The tables above include new business for the Taiwan bank distribution operation. New business of the Taiwan agency business, which was sold in June 2009 are excluded from the tables. Comparative figures have been adjusted accordingly.