News Release

Aviva plc

Half Year Report 2015

6 August 2015

Aviva plc
2015 Interim Results Announcement

Mark Wilson, Group Chief Executive Officer, said:

"After three years of turnaround we are now moving to a different phase of delivery. We have improved the balance sheet, simplified the Group and we are now transforming our business. The progress is evident in these results.

"The Friends Life integration is ahead of schedule and we have delivered £63 million of run-rate synergies after three months. This is encouraging but nowhere near complete. Amidst the integration, our UK Life business continued to grow, with value of new business up 31% excluding Friends Life.

"In general insurance, premiums[1] and operating profits were higher. The combined ratio was 93.1%, the best in eight years, and underwriting profits increased 45%.

"The 15% increase in the dividend is a further step towards achieving our target payout ratio and underlines our confidence in our cash flow and the business."

HY15 numbers include Friends Life from 10 April 2015, the acquisition completion date. HY14 is Aviva standalone.

Profit	• Operating profit[2] £1,170 million *(HY14: £1,071 million)* • Underlying growth and Friends Life contribution more than offset adverse forex and disposals • IFRS profit after tax £545 million *(HY14: £863 million)* including £271 million of acquisition related integration and amortisation costs
Cash	• Cash remittances[3] £495 million *(HY14: £623 million)*, as a result of moving the UK Life dividend to a bi-annual payment, in line with Group dividend payments • Holding company liquidity[4] £1.6 billion *(February 2015: £1.1 billion)* • 2015 interim dividend up 15% to 6.75p *(HY14: 5.85p)*
Value of new business	• Value of new business (VNB) up 25%[1] to £534 million *(HY14: £444 million)* • UK Life VNB up 43% to £253 million *(HY14: £177 million)*, +31% excluding Friends UK
Expenses	• Group operating expenses £1,498 million *(HY14: £1,399 million)* • Operating expenses 3% lower excluding Friends Life at £1,357 million *(HY14: £1,399 million)*
General insurance	• 93.1% combined operating ratio *(HY14: 95.5%)*, the best reported in eight years • New UK distribution agreement with TSB
Balance sheet	• IFRS net asset value up 12% to 380p per share *(FY14: 340p)* • Economic capital surplus[5] of £10.8 billion *(FY14: £8.0 billion)*, a coverage ratio of 176% *(FY14: 178%)* • Submitted Solvency II internal model in June and expect approval in December. Currently operating within our expected Solvency II target range • S&P leverage ratio of 27%[6] *(FY14: 28%)*. Comfortably within target range
Friends Life integration	• £63 million of run-rate synergies achieved within first three months • £22.3 billion of AUM transferred to Aviva Investors. Agreement for additional £24 billion • Property rationalisation strategy announced. UK footprint to be reduced by 33% by FY16

1 On a constant currency basis.
2 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
3 Cash remittances now include interest remitted on internal loans and the 2014 figures have been adjusted accordingly.
4 Holding company liquidity consists of cash, liquid assets and c£200 million of syndicated loans held in Aviva and Friends Life holding companies. This excludes amounts set aside to meet debt redemptions in Q3 2015.
5 The economic capital surplus represents an estimated position. The economic capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.
6 HY15 S&P leverage ratio is on a pro-forma basis, taking account of planned redemptions, calls and other reductions of debt in Q3 2015.

Key financial metrics

Operating profit before tax: IFRS basis

	6 months 2015 £m	Restated[1] 6 months 2014 £m	Sterling % change
Life business	**1,021**	973	5%
General insurance and health	**422**	403	5%
Fund management	**33**	48	(31)%
Other*	**(306)**	(353)	13%
Total	**1,170**	1,071	9%
Operating earnings per share**	**22.1p**	24.2p	(9)%

* Includes other operations, corporate centre costs and group debt and other interest costs.
** Net of tax, non-controlling interests, preference dividends, coupon payments in respect of direct capital instruments (DCI) and fixed rate tier 1 notes (net of tax).

Expenses

	6 months 2015 £m	6 months 2014 £m	Sterling % change
Operating expenses	**1,498**	1,399	7%
Integration & Solvency II costs	**172**	42	—
Expense base	**1,670**	1,441	16%
Operating expense ratio[1]	**52.8%**	51.7%	1.1pp

Value of new business

	6 months 2015 £m	6 months 2014 £m	Sterling % change[2]	Constant currency % change[2]
United Kingdom & Ireland	**260**	183	42%	42%
France	**98**	110	(11)%	(1)%
Poland[3]	**30**	34	(11)%	(1)%
Italy[3]	**39**	26	49%	66%
Spain[3]	**13**	14	(12)%	(2)%
Turkey	**12**	14	(14)%	(6)%
Asia[3]	**76**	61	24%	18%
Aviva Investors	**6**	2	—	—
Value of new business[3]	**534**	444	20%	25%

General insurance combined operating ratio

	6 months 2015	6 months 2014	Change
United Kingdom & Ireland	**93.2%**	94.4%	(1.2)pp
Europe	**94.3%**	96.4%	(2.1)pp
Canada	**91.9%**	96.8%	(4.9)pp
General insurance combined operating ratio	**93.1%**	95.5%	(2.4)pp

IFRS profit after tax

	6 months 2015 £m	6 months 2014 £m	Sterling % change
IFRS profit after tax	**545**	863	(37)%

Interim dividend

	6 months 2015	6 months 2014	Sterling % change
Interim dividend per share	**6.75p**	5.85p	15%

Capital position

	30 June 2015 £bn	31 December 2014 £bn	Sterling % change
Estimated economic capital surplus[4]	**10.8**	8.0	35%
Estimated IGD solvency surplus[4]	**5.2**	3.2	63%
IFRS net asset value per share	**380p**	340p	12%
MCEV net asset value per share[5]	**508p**	527p	(4)%

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG and Asia excludes South Korea.
4 The economic capital and IGD surpluses represent an estimated position. The economic capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.
5 In preparing the MCEV information, the directors have done so in accordance with the European Insurance CFO Forum MCEV Principles.

Overview

Aviva is moving into a different phase of delivery. In the first half of 2015, operating profit is up 9%[1], value of new business (VNB) is 25%[2] higher and our combined operating ratio is 2.4 percentage points better at 93.1%. Our economic capital surplus[3] is £10.8 billion and coverage ratio has remained broadly constant at 176%. Holding company liquidity[4] is £1.6 billion excluding amounts set aside to meet over £900 million of debt redemption in Q3 2015.

The Friends Life integration is progressing ahead of schedule with delivery of £63 million run-rate synergies within the first three months. We are confident in our ability to deliver the £225 million synergy target. Amidst the integration, UK Life VNB growth has improved significantly in the period.

2015 is an important year for the European insurance industry as we prepare for formal implementation of Solvency II on 1 January 2016. As we have previously announced, we expect to report our 2015 Solvency II capital ratio with our preliminary results in March 2016. We are currently operating within our expected Solvency II target range.

Our focus is turning to reallocating capital to higher returning or faster growing business cells. Our true customer composite and digital strategies need to be delivered quickly and we still have opportunities to improve efficiency. The 15% increase in our 2015 interim dividend is a step towards a payout ratio commensurate with our cash generating ability and our 2x dividend cover target.

Friends Life integration

- *£63 million run-rate synergies*

We completed the acquisition of Friends Life on 10 April 2015 and began implementation of our detailed integration plans at pace. At the half year stage we have secured run-rate synergies of £63 million. We have announced our property strategy with a 33% planned reduction in our combined Friends Life and Aviva UK footprint by the end of 2016.

We have transferred £22.3 billion of funds managed directly by Friends Life Investments to Aviva and have served notice to transfer £24 billion of funds managed by AXA Investment Managers. We remain confident in our ability to deliver the £225 million of synergies previously communicated as well as eliminating historic Friends Life project costs. These results show no signs of distraction as a result of the integration, with UK Life VNB excluding Friends UK up 31%.

Strategically we are now more balanced, with scale across protection, retirement and savings. With c.16 million UK customers[5] in an increasingly disintermediated market, we have the opportunity to improve retention and increase the number of products held per customer.

Cash flow[6]

- *Cash remittances £495 million*
- *Moving UK Life remittance to bi-annual basis*

Growing cash remains the most important focus for the Group. Cash remittances from business units to Group were £495 million *(HY14: £623 million)*, as a result of a change in the timing of remittances. In the past, the UK Life remittance has been paid once a year but following the acquisition of Friends Life, we have moved to a bi-annual remittance in line with the Group's dividend commitment to shareholders. Consequently, the UK and Ireland remittance of £287 million is £63 million lower than that remitted in HY14. Prior to completion of the Friends Life acquisition, a remittance of £150 million was paid from Friends Life's UK business to its holding company. In Europe, cash remittances were £50 million lower at £186 million, impacted by a weaker Euro and the non-recurrence of a one-off dividend from Spain of £16 million.

Excess centre cash flow is cash remitted by business units less central operating expenses and debt financing costs, which we will report at the end of the year once all remittances have been received. 2014 was the first year since the start of the credit crisis in which excess centre cash flow exceeded the annual dividend cost. It is a priority that the Group grows its dividend while maintaining positive excess centre cash flow and an appropriate level of holding company liquidity.

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2 On a constant currency basis.
3 The economic capital surplus represents an estimated position. The economic capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.
4 Holding company liquidity consists of cash, liquid assets and c£200 million of syndicated loans held in Aviva and Friends Life holding companies. This excludes amounts set aside to meet debt redemptions in Q3 2015.
5 Based on customer numbers as at 31 December 2013 and prior to the deduction of overlapping customers.
6 Cash remittances have been restated to include interest remitted on internal loans.

Operating Profit[1]

- *Operating profit £1,170 million*

Operating profit increased 9% to £1,170 million *(HY14: £1,071 million)*. Headwinds including adverse foreign exchange movements, the impact of disposals and the non-recurrence of a Polish reserve release in 2014 were more than offset by the contribution from Friends Life of £174 million as well as £86 million of underlying profit growth.

Life insurance profit increased 5% to £1,021 million *(HY14: £973 million)* driven principally by the contribution from Friends Life. Given the size of our UK Life balance sheet and natural prudence in assumptions, management actions often make a contribution to operating profit. In HY15, such actions, including benefits delivered by greater expense efficiency, were £50 million *(HY14: £100 million)*.

In general insurance and health, operating profit increased by 5% to £422 million *(HY14: £403 million)*. The underwriting result improved to £222 million *(HY14: £160 million)* as a result of more benign weather, favourable prior year development and improved product and pricing. The general insurance operating profit was impacted by £41 million lower investment return, mainly from the planned reduction in the intercompany loan, which nets off at the Group level.

The contribution to profits from our fund management business, Aviva Investors, remains inadequate at £32 million *(HY14: £41 million)*. Expenses have increased as we have invested in our distribution capabilities and strengthened the management team. Our asset management business will take time to contribute material growth in Group operating profit, although positive signs, particularly related to the flagship AIMS range of funds, are emerging.

Life insurance: Value of new business[7]

- *Value of new business up 25%[2]*
- *More balanced book of business*

In the first half of 2015, VNB increased 25%[2] to £534 million *(HY14: £444 million)*, driven by strong performance in UK Life (+31% excluding Friends UK), Italy (+66%[2]) and Asia (+18%[2]). Protection made up 40% of Group VNB *(HY14: 38%)*, with our reliance on annuities reduced to 17% of VNB *(HY14: 19%)*. Protection has an attractive return on capital and growth prospects.

Including Friends Life, VNB in the UK increased 43% to £253 million *(HY14: £177 million)*, which is approximately half of total Group VNB. Protection VNB increased 47% to £66 million *(HY14: £45 million)*, surpassing the contribution from individual annuities. Friends UK has added to our pensions offering with capability and scale in the large scheme corporate pensions segment, while our platform continues to attract new business. Total pension and platform VNB was 97% higher at £59 million *(HY14: £30 million)*. Individual annuity VNB was 12% lower at £46 million *(HY14: £52 million)* as a result of customers' increased pension flexibility at a time of low interest rates. However, this has been offset by an increase in bulk purchase annuities, further evidence of the benefits of Aviva's diversification.

Our growth businesses of Poland, Turkey, China and South East Asia grew 11%[2] and contributed 22% towards Group VNB *(HY14: 24%)*. While the Friends Life acquisition has somewhat diluted the contribution of growth markets to VNB, we will accelerate capital reallocation to these attractive markets.

After two strong years, French VNB was 1%[2] lower. While protection VNB was up 25%[2] to £33 million, with-profit savings VNB was impacted by lower risk free rates and higher volatility in the period, increasing the cost of guarantees. Unit-linked savings VNB was 4%[2] higher at £51 million. While growth has not matched that of previous years', the French business mix continues to improve towards more protection and unit-linked savings.

Italy and Ireland grew 66%[2] and 17%[2] respectively. In Italy, the overall margin improved due to improved business mix and reduced guarantees on with-profit savings business, while in Ireland, higher sales and improved margins in pensions and savings products increased VNB. Spain VNB was 2%[2] lower, impacted by lower volumes and margin reduction from falling risk free rates.

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2 On a constant currency basis.
7 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG and Asia excludes South Korea.

General insurance

- *COR of 93.1%*
- *Best UK COR in 8 years*
- *Benign weather and favourable reserve development aided underwriting result*

The Group combined operating ratio (COR) improved 2.4 percentage points to 93.1% *(HY14: 95.5%)*. Benign weather and 2.1 percentage points of favourable prior year development improved the COR, while the commission and expense ratio improved from 31.0% to 30.3%. Importantly, net written premiums increased 1%[2] to £3,678 million, while underwriting profit, our core measure of growth in general insurance, increased 45% to £223 million *(HY14: £154 million)*. This improvement was partially offset by a reduction in investment return, with general insurance operating profit up 7% to £421 million *(HY14: £393 million)*.

The UK COR of 93.2% is the best reported result in eight years, helped by relatively benign weather. We continue to maintain expense discipline with our expense and commission ratio reducing from 33.2% to 31.2%. UK net written premiums were 1% higher, where both rate and policy count increased in attractive segments. We have also secured an exclusive distribution agreement with TSB to offer a wide range of personal insurance products.

Our second largest general insurance business, Canada, grew net written premiums 1%[2] and operating profit 58% to £131 million *(HY14: £83 million)*. Improved weather and higher prior year reserve releases were somewhat offset by an increase in frequency in personal motor and higher large losses in personal property. We have taken actions in pricing and analytics to improve profitability in certain lines. Canada's return on capital[8] was 19.7% in HY15 *(FY14: 14.2%)* and COR was 91.9% *(HY14: 96.8%)*, underscoring the attractive characteristics of this business.

In Europe, general insurance operating profit grew 8% to £55 million *(HY14: £51 million)* despite the negative impact of a weaker Euro. The COR improved to 94.3% *(HY14: 96.4%)*, mostly as a result of the disposal of our Turkish general insurance business in December 2014.

Asset management

- *AIMS range of funds continues to gain momentum*

Asset management is core to our True Customer Composite strategy. We launched our flagship multi-asset product, AIMS Target Return Fund, in July last year. In its first year it has returned 8%, which is above target and ahead of peers. On 1 December 2014, an AIMS Target Income fund was launched. At the end of June, the AIMS series of funds had £1.7 billion under management. Profit from asset management has declined 31% to £33 million due to the impact of the disposal of River Road and higher expenses. Overall, external net fund flows were -£0.3 billion *(HY14: -£1.7 billion)*.

Our UK IFA fund platform continues to grow, with funds under management of £6.8 billion at 30 June 2015 *(FY14: £5.3 billion)* and net inflows of £1.5 billion in HY15. Demand for platforms has increased following new pensions flexibility rules and IFAs are drawn to our brand and service proposition. In June, we also launched our direct-to-consumer platform.

Expenses

Operating expenses were £1,498 million *(HY14: £1,399 million)*, with most of the increase due to the inclusion of Friends Life operating expenses of £141 million. Most businesses have maintained expenses while growing profit, although both Asia and Aviva Investors have needed to make investment in order to achieve their growth ambitions. With an operating expense ratio[1] of 52.8% *(HY14: 51.7%)*, more work is required in the second half of 2015 to reduce expenses.

Integration and restructuring expenses were £172 million *(HY14: £42 million)*, with Solvency II costs of £46 million *(HY14: £39 million)* and Friends Life transaction and integration spend of £109 million.

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2 On a constant currency basis.
8 Following the acquisition of Friends Life, management has changed the calculation of return on equity which is now calculated as net operating return on an IFRS basis expressed as a percentage of weighted average ordinary shareholders' equity (rather than opening ordinary shareholders' equity). Comparatives have been restated accordingly and the calculation at half year is based on an annualised net operating return.

Balance sheet

- *Economic capital surplus[3] £10.8 billion*

The initial stage of Aviva's turnaround involved improving the capital position of the Group. The HY15 economic capital surplus[3] of £10.8 billion *(FY14: £8.0 billion)* is triple the £3.6 billion surplus reported at the beginning of 2012. Our coverage ratio of 176% has remained broadly constant over the first six months of the year.

Our S&P leverage ratio is 27%[9], comfortably within our target range. Today, we are announcing our intention to call both a £200 million tranche of senior debt with a coupon of 9.5% and a €500 million Tier 2 bond. This is in addition to the £268 million Friends Life bond called in July and some commercial paper reduction. Although our leverage remains within our risk appetite, we will continue to be opportunistic in managing our debt financing costs. The intercompany loan has reduced to £2.7 billion by the end of July 2015 and we remain on track to reduce this to below £2.2 billion by year end. HY15 holding company liquidity[4] is £1.6 billion *(February 2015: £1.1 billion)*, which excludes amounts set aside to meet debt redemptions in Q3 2015.

Digital

Digital is crucial to our future success. It is increasingly how our customers want to deal with us and we intend to lead the market in this area. Our digital garage in Hoxton – a dedicated space to explore, develop and test new insurance ideas – is operational and we have an agreement to open another garage in Singapore. We have a number of customer propositions in Beta testing and initial results are promising. Chris Wei has assumed overall leadership of Aviva Digital in addition to his leadership of our Asian business. We have a strategic advantage in this area, namely being a composite insurer.

Outlook

The progress we are making as a Group is evident in these results. Our core markets such as the UK are delivering and this is allowing us to reshape the Group for the future.

We have made extensive preparations for Solvency II and early adoption of economic capital has prepared us well for the new regime.

The Friends Life integration is ahead of schedule at an early stage and there remain far more benefits to extract. Our assumptions have so far been validated and we expect material capital synergies to arise in 2016 and 2017.

There is still more to be done for our enlarged customer base, in order to simplify their journey, ensure value for money and peace of mind. I will not be satisfied until our average product holding per customer has grown from the current level of 1.7 to above 3.

Our first half performance, balance sheet and strategy provide a good signpost of the path ahead.

Mark Wilson
Group Chief Executive Officer

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9 HY15 S&P leverage ratio is on a pro-forma basis, taking account of planned redemptions, calls and other reductions of debt in Q3 2015.

Overview

The turnaround of Aviva's financial position has moved from an exercise of wholesale change to that of continuous refinement. As we approach formal implementation of Solvency II at the beginning of 2016, our economic capital surplus[1] is £10.8 billion, our S&P leverage ratio is 27%[2], consistent with a double A rating, and holding company liquidity is £1.6 billion[3].

Operationally, our business units have performed well with value of new business up 25%[4], a combined operating ratio of 93.1% and a significant improvement in net fund flows at Aviva Investors.

The acquisition of Friends Life closed on 10 April 2015. We issued 1,086 million shares for a consideration of £5,975 million. Initial findings confirm our expectations formed during the due-diligence process. The combination immediately improves central liquidity and external leverage, provides immediate and prospective capital benefits and gives us an opportunity to enhance efficiency and revenue. The inclusion of Friends Life has initially added an extra £0.3 billion of diversification benefit to our economic capital surplus but we expect the bulk of the capital synergies to arise in 2016 and 2017.

Operating EPS[5] has declined 9% to 22.1p *(HY14: 24.2p)*, mostly because the deal synergies have yet to be earned on the higher share count. This should improve upon realisation of further Friends Life synergies which, along with our target to move the dividend payout ratio to 2x operating EPS, has positive ramifications for our dividend paying capacity.

With an improved financial position, our focus is firmly on developing our capabilities around the True Customer Composite and Digital First strategies and shifting towards investing in growth.

Business Unit Performance

Our UK and Ireland Life business grew life operating profit[5] 18%, value of new business (VNB) 42% and paid a £287 million interim cash remittance[6] to Group *(HY14: £350 million)*. Excluding the impact of Friends UK, life operating profit[5] declined 7% to £449 million *(HY14: £483 million)* primarily due to a £50 million reduction in management actions in the period. Friends UK has bolstered protection VNB, up 47%, while pensions and platform VNB increased 97%. Higher bulk purchase annuity activity more than offset a decline in individual annuity VNB. We successfully launched our direct-to-consumer platform in June and continue to grow our IFA platform. Despite disruption from regulatory change and the Friends Life integration project, the UK business has performed well and is in a position to capitalise on its scale, brand and diversified product range and distribution.

Our UK general insurance business improved its combined operating ratio (COR) to 93.2% *(HY14: 94.3%)*. Benign weather and a lower expense and commission ratio contributed to the improved result. Net written premiums are 1% higher, reversing three years of premium decline. On an earned basis, premiums declined 2% due to lower written premium in the prior period. In spite of this, underwriting profit has been broadly maintained at £115 million. The longer-term investment return reduced to 2.6% of average assets *(HY14: 3.0%)*, principally due to a smaller intercompany loan, the impact of which is neutral to the Group as a whole.

Operating profit[5] from our European businesses was £419 million *(HY14: £500 million)*, hampered by a weaker Euro, the impact of disposals in Spain and Italy and the non-recurrence of a £39 million benefit in Poland in 2014 related to pension legislation changes. France continues to perform well, with profit up 9%[4,5], although VNB was down 1%[4], due to lower risk free rates increasing the cost of guarantees. Italy's improved performance was evident in VNB[7] up 66%[4] to £39 million *(HY14: £26 million)*, while Spain's turnaround remains a work in progress. Here, VNB excluding disposals declined 2%[4,7] to £13 million. The European COR was 94.3% *(HY14: 96.4%)*, with most of the improvement due to the disposal of Turkey GI, which had a 146.5% COR in HY14.

Our Canadian general insurance business grew its underwriting result to £82 million *(HY14: £30 million)*. Improved weather and higher prior year reserve releases were somewhat offset by an increase in personal motor claims frequency and higher large losses in personal property. Net written premiums were 1%[4] higher at £1,013 million.

Asian operating profit increased to £67 million *(HY14: £26 million)*, with FPI contributing £38 million for the period. Value of new business, the most important metric for the region, was 18%[4,7] higher, driven by a 26%[4] increase in Singapore. Work is underway to determine an appropriate strategy for FPI, which contributed £2 million to Asian VNB.

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2 HY15 S&P leverage ratio is on a pro-forma basis, taking account of planned redemptions, calls and other reductions of debt in Q3 2015.
3 Holding company liquidity consists of cash, liquid assets and c£200 million of syndicated loans held in Aviva and Friends Life holding companies. This excludes amounts set aside to meet debt redemptions in Q3 2015.
4 On a constant currency basis.
5 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
6 Cash remittances have been restated to include interest remitted on internal loans.
7 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG and Asia excludes South Korea.

Business Unit performance continued

The turnaround at Aviva Investors is gaining momentum. External net fund flows have improved to -£0.3 billion *(HY14: -£1.7 billion)* with £0.3 billion of external sales of our flagship AIMS funds. Expenses have increased at Aviva Investors as we continue to invest in product development and distribution. This, along with the impact of the disposal of our River Road business in 2014, resulted in a 22% decline in fund management operating profit to £32 million *(HY14: £41 million)*.

Capital and liquidity

Economic capital surplus[1] increased to £10.8 billion, representing a coverage ratio of 176%. Friends Life contributed £3.4 billion towards surplus, while adverse foreign currency movements and model changes have held back further growth. We submitted our Solvency II internal model to our lead regulator, the PRA, in June 2015 with approval expected in December this year. While our reported economic capital surplus and its composition may differ under Solvency II, we have been focused on this transition for some time and are currently operating within our expected Solvency II target range.

It is important to maintain a capital position that is resilient to adverse market conditions. At present, none of the modelled stresses of 50bps wider credit spreads, 25bps reduction in risk free rates, 20% reduction in equities or 10% reduction in commercial property values take our economic capital coverage ratio below 170%.

Holding company liquidity[3] is £1.6 billion *(February 2015: £1.1 billion)*, which excludes amounts set aside to meet debt redemptions in Q3 2015.

Leverage

Our S&P leverage ratio is 27%[2] *(FY14: 28%)* and within our target range. In June, Aviva plc issued €900 million and £400 million of Tier 2 subordinated debt, with coupons of 3.375% and 5.125% respectively. We redeemed £268 million of Friends Life STICS with a coupon of 6.292% on 1 July 2015 and have announced our intention to redeem a £200 million senior bond with a 9.5% coupon and call a €500 million Tier 2 subordinated bond with a 5.7% coupon. We also expect to use the proceeds from the June issuances to reduce commercial paper outstanding in Q3 2015.

We continue to make progress on attaining a sustainable level for our intercompany loan between AIL, the general insurance operating company, and Aviva Group Holdings (AGH). At the end of July, the intercompany loan was £2.7 billion *(February 2015: £2.8 billion)* and we remain on track to achieve a £2.2 billion loan balance by the end of 2015.

Net Asset Value

Over the period, the net asset value increased as a result of operating earnings and the Friends Life acquisition. On an IFRS basis, this has been partially offset by dividends, adverse foreign exchange movements, movements related to the pension schemes, integration and restructuring costs and higher amortisation of acquired value of in-force business following the acquisition of Friends Life.

Net asset value[8]	IFRS	MCEV
Opening NAV per share at 31 December 2014	**340p**	**527p**
Operating profit	19p	20p
Friends Life acquisition[9]	55p	5p
Dividends & appropriations	(9)p	(9)p
Investment variances and AFS equity movements	1p	(3)p
Pension scheme remeasurements	(7)p	(7)p
Integration and restructuring costs, AVIF amortisation and other	(9)p	(9)p
Foreign exchange movements	(10)p	(16)p
Closing NAV per share at 30 June 2015	**380p**	**508p**

Thomas D. Stoddard
Group Chief Financial Officer

1 The economic capital surplus represents an estimated position. The economic capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.
2 HY15 S&P leverage ratio is on a pro-forma basis, taking account of planned redemptions, calls and other reductions of debt in Q3 2015.
3 Holding company liquidity consists of cash, liquid assets and c£200 million of syndicated loans held in Aviva and Friends Life holding companies. This excludes amounts set aside to meet debt redemptions in Q3 2015.
8 Net of tax and controlling interests.
9 As the opening MCEV NAV is greater than the opening IFRS NAV, the dilution effect is more significant under MCEV. As a result the acquisition leads to a 5p increase in pence per share under MCEV compared to 55p under IFRS.

Notes to editors

All comparators are for the 6 months to 30 June 2014 unless otherwise stated.

Income and expenses of foreign entities are translated at average exchange rates while their assets and liabilities are translated at the closing rates on 30 June 2015. The average rates employed in this announcement are 1 euro = £0.74 *(6 months to 30 June 2014: 1 euro = £0.82)* and CAD$1 = £0.53 *(6 months to 30 June 2014: CAD$1 = £0.55)*.

Growth rates in the press release have been provided in sterling terms unless stated otherwise. The following supplement presents this information on both a sterling and constant currency basis.

Cautionary statements:

This should be read in conjunction with the documents filed by Aviva plc (the "Company" or "Aviva") with the United States Securities and Exchange Commission ("SEC"). This announcement contains, and we may make other verbal or written "forward-looking statements" with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words "believes", "intends", "expects", "projects", "plans", "will," "seeks", "aims", "may", "could", "outlook", "likely", "target", "goal", "guidance", "trends", "future", "estimates", "potential" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing difficult conditions in the global financial markets and the economy generally; the impact of simplifying our operating structure and activities; the impact of various local political, regulatory and economic conditions; market developments and government actions regarding the sovereign debt crisis in Europe; the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value of our portfolio and impact our asset and liability matching; the impact of changes in short or long term inflation; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives or an acceleration of repayment of intercompany indebtedness; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events on our business activities and results of operations; our reliance on information and technology and third-party service providers for our operations and systems; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; the effect of the European Union's "Solvency II" rules on our regulatory capital requirements; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs ("DAC") and acquired value of in-force business ("AVIF"); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events; risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of fluctuations in share price as a result of general market conditions or otherwise; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in government regulations or tax laws in jurisdictions where we conduct business, including decreased demand for annuities in the UK due to proposed changes in UK law; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact, integration risk and other uncertainties, such as non-realisation of expected benefits or diversion of management attention and other resources, relating to announced acquisitions and pending disposals and relating to future acquisitions, combinations or disposals within relevant industries, including specifically the acquisition of Friends Life; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US or elsewhere, including the implementation of key legislation and regulation. For a more detailed description of these risks, uncertainties and other factors, please see Item 3d, "Risk Factors", and Item 5, "Operating and Financial Review and Prospects" in Aviva's most recent Annual Report on Form 20-F as filed with the SEC on 16 March 2015 and also the risk factors contained in the Euro Note Programme prospectus published on 1 May 2015. Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this presentation are current only as of the date on which such statements are made.

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		Real time media conference call: 11:00 hrs BST

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Contents

Group: key metrics

Operating profit before tax: IFRS basis

	6 months 2015 £m	Restated[1] 6 months 2014 £m	Sterling % change
Life business	**1,021**	973	5%
General insurance and health	**422**	403	5%
Fund management	**33**	48	(31)%
Other*	**(306)**	(353)	13%
Total	**1,170**	1,071	9%
Operating earnings per share**	**22.1p**	24.2p	(9)%

* Includes other operations, corporate centre costs and group debt and other interest costs.
** Net of tax, non-controlling interests, preference dividends, coupon payments in respect of direct capital instruments (DCI) and fixed rate tier 1 notes (net of tax).

Expenses

	6 months 2015 £m	6 months 2014 £m	Sterling % change
Operating expenses	**1,498**	1,399	7%
Integration & restructuring costs	**172**	42	—
Expense base	**1,670**	1,441	16%
Operating expense ratio[1]	**52.8%**	51.7%	1.1pp

Value of new business

	6 months 2015 £m	6 months 2014 £m	Sterling % change[2]	Constant currency % change[2]
United Kingdom & Ireland	**260**	183	42%	42%
France	**98**	110	(11)%	(1)%
Poland[3]	**30**	34	(11)%	(1)%
Italy[3]	**39**	26	49%	66%
Spain[3]	**13**	14	(12)%	(2)%
Turkey	**12**	14	(14)%	(6)%
Asia[3]	**76**	61	24%	18%
Aviva Investors	**6**	2	—	—
Value of new business[3]	**534**	444	20%	25%

General insurance combined operating ratio

	6 months 2015	6 months 2014	Change
United Kingdom & Ireland	**93.2%**	94.4%	(1.2)pp
Europe	**94.3%**	96.4%	(2.1)pp
Canada	**91.9%**	96.8%	(4.9)pp
General insurance combined operating ratio	**93.1%**	95.5%	(2.4)pp

IFRS profit after tax

	6 months 2015 £m	6 months 2014 £m	Sterling % change
IFRS profit after tax	**545**	863	(37)%

Interim dividend

	6 months 2015	6 months 2014	Sterling % change
Interim dividend per share	**6.75p**	5.85p	15%

Capital position

	30 June 2015 £bn	31 December 2014 £bn	Sterling % change
Estimated economic capital surplus[4]	**10.8**	8.0	35%
Estimated IGD solvency surplus[4]	**5.2**	3.2	63%
IFRS net asset value per share	**380p**	340p	12%
MCEV net asset value per share[5]	**508p**	527p	(4)%

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG and Asia excludes South Korea.
4 The economic capital and IGD surpluses represent an estimated position. The economic capital requirement is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.
5 In preparing the MCEV information, the directors have done so in accordance with the European Insurance CFO Forum MCEV Principles.

1.i – Cash remitted to Group

The flow of sustainable cash remittances from the Group's businesses is a key financial priority. The cash remittances for HY15 were £495 million *(HY14: £623 million)* including dividends and interest remitted on internal loans.

	6 months 2015 £m	Restated[1] 6 months 2014 £m	Restated[1] Full year 2014 £m
United Kingdom & Ireland Life	**287**	350	437
United Kingdom & Ireland General Insurance & Health[2]	**—**	—	294
France	**98**	101	264
Poland	**81**	99	106
Italy	**—**	—	32
Spain	**3**	33	68
Other Europe	**4**	3	3
Europe	**186**	236	473
Canada	**2**	—	138
Asia	**—**	21	23
Other[3]	**20**	16	66
Total	**495**	623	1,431

1 Cash remittances have been restated to include interest remitted on internal loans.
2 FY14 cash remittances include £273 million received from UKGI in February 2015 in respect of 2014 activity.
3 Other includes Aviva Investors and Group Reinsurance.

The decrease in cash remitted to Group is primarily driven by timing, as we have moved to a bi-annual UK Life remittance, in line with the Group dividend payment schedule. Europe cash remittances were adversely impacted by foreign exchange movements and HY14 included a one-off dividend of £16 million driven by a remittance of surplus capital in Spain. In addition, a legal entity restructuring in Poland has deferred the timing of remittance for part of the dividend until 2016. Asia remittances to Group have moved to the second half of 2015.

We will report excess centre cash flow annually following receipt of all cash remittances. Excess centre cash flow represents cash remitted by business units to the Group centre less central operating expenses and debt financing costs. It is an important measure of the cash that is available to pay dividends, reduce debt, pay exceptional charges or invest back into our business units. It does not include non-operating cash movements such as disposal proceeds or capital injections.

1.ii – Operating capital generation

The active management of the generation and utilisation of capital is a primary Group focus, balancing new business investment and shareholder distribution to deliver our "Cash flow plus growth" investment thesis.

	6 months 2015 £m	6 months 2014 £m	Full year 2014 £m
Operating capital generation[1]			
Life in-force business[2]	**922**	885	1,715
General insurance, fund management and other operations	**286**	272	544
Operating capital generated before investment in new business	**1,208**	1,157	2,259
Capital invested in new business	**(218)**	(247)	(319)
Operating capital generated – Group as reported	**990**	910	1,940

1 Operating capital generation comprises the following components:
– Operating free surplus emergence, including release of required capital, for the life in-force business (net of tax and non-controlling interests);
– Operating profits for the general insurance and other non-life businesses net of tax and non-controlling interests from non-covered business only, where non-covered business is that which is outside the scope of Life MCEV methodology; and
– Capital invested in new business. For life business this is the impact of initial and required capital on free surplus. For general insurance business this reflects the movement in required capital, which has been assumed to equal the regulatory minimum multiplied by the local management target level. Where appropriate, movements in capital requirements exclude the impact of foreign exchange and other movements deemed to be non-operating in nature.
The amount of operating capital remitted to Group depends on a number of factors including non-operating items and local regulatory requirements.
2 During 2014, internal reinsurance arrangements were undertaken by the UK Annuity business to reinsure an additional 10% to Aviva International Insurance Limited (which occurred in the first half of 2014) and an additional 12.5% to Aviva UK Life & Pensions (which occurred in the second half of 2014). At FY14 these arrangements had an adverse impact on Group MCEV free surplus of £204 million *(HY14: £105 million)*. On an economic capital basis these transactions improve the UK Life position and as a result the adverse impact on MCEV free surplus has therefore been excluded from OCG to reflect the economic substance of the management action.

1.ii – Operating capital generation continued

The analysis of OCG by market and product and service is set out below.

	Life & Other Covered Business OCG				Non-life OCG					
6 months 2015 £m	**Free surplus emergence**	**New business strain**	**Other/ management actions**	**Life OCG**	**General insurance and health[1]**	**Fund management[1]**	**Non-insurance[1]**	**Non Life Usage[2]**	**Non-life OCG**	**Total OCG**
United Kingdom & Ireland Life	355	(52)	158	**461**	—	—	1	—	**1**	**462**
United Kingdom & Ireland General Insurance & Health	—	—	—	**—**	194	—	(2)	20	**212**	**212**
Europe	296	(146)	27	**177**	37	—	(6)	(3)	**28**	**205**
Canada	—	—	—	**—**	97	—	—	7	**104**	**104**
Asia	50	(42)	23	**31**	—	—	(9)	(3)	**(12)**	**19**
Fund Management	9	(3)	4	**10**	—	(3)	—	1	**(2)**	**8**
Other	—	—	—	**—**	(2)	—	(21)	3	**(20)**	**(20)**
Total Group operating capital generation	**710**	**(243)**	**212**	**679**	**326**	**(3)**	**(37)**	**25**	**311**	**990**

	Life & Other Covered Business OCG				Non-life OCG					
6 months 2014 £m	Free surplus emergence	New business strain	Other/ management actions[3]	Life OCG	General insurance and health[1]	Fund management[1]	Non-insurance[1]	Non Life Usage[2]	Non-life OCG	Total OCG
United Kingdom & Ireland Life	237	(52)	232	417	—	—	(3)	—	(3)	414
United Kingdom & Ireland General Insurance & Health	—	—	—	—	208	—	(2)	22	228	228
Europe	380	(153)	7	234	35	—	(4)	(7)	24	258
Canada	—	—	—	—	60	—	1	(21)	40	40
Asia	49	(32)	(22)	(5)	1	1	(10)	—	(8)	(13)
Fund Management	2	—	—	2	—	7	—	(8)	(1)	1
Other	—	—	—	—	(2)	—	(20)	4	(18)	(18)
Total Group operating capital generation	668	(237)	217	648	302	8	(38)	(10)	262	910

	Life & Other Covered Business OCG				Non-life OCG					
Full year 2014 £m	Free surplus emergence	New business strain	Other/ management actions[3]	Life OCG	General insurance and health[1]	Fund management[1]	Non-insurance[1]	Non Life Usage[2]	Non-life OCG	Total OCG
United Kingdom & Ireland Life	462	(15)	441	888	—	—	(1)	1	—	888
United Kingdom & Ireland General Insurance & Health	—	—	—	—	384	—	—	41	425	425
Europe	693	(272)	32	453	67	—	(11)	(10)	46	499
Canada	—	—	—	—	140	—	—	(4)	136	136
Asia	98	(58)	(15)	25	1	1	(8)	4	(2)	23
Fund Management	14	(5)	(10)	(1)	—	9	—	(7)	2	1
Other	—	—	—	—	9	—	(47)	6	(32)	(32)
Total Group operating capital generation	1,267	(350)	448	1,365	601	10	(67)	31	575	1,940

1 Operating profit net of tax and non-controlling interests from uncovered businesses only, where non-covered business is that which is outside the scope of life MCEV methodology.
2 This reflects the movement in required capital, which has been assumed to equal the regulatory minimum multiplied by the local management target level. Where appropriate, movements in capital requirements exclude the impact of foreign exchange and other movements deemed to be non-operating in nature.
3 During 2014, internal reinsurance arrangements were undertaken by the UK Annuity business to reinsure an additional 10% to Aviva International Insurance Limited (which occurred in the first half of 2014) and an additional 12.5% to Aviva UK Life & Pensions (which occurred in the second half of 2014). At FY14 these arrangements had an adverse impact on Group MCEV free surplus of £204 million *(HY14: £105 million)*. On an economic capital basis these transactions improve the UK Life position and as a result the adverse impact on MCEV free surplus has therefore been excluded from OCG to reflect the economic substance of the management action.

Operating capital generation (OCG) is £990 million, £80 million higher than in the prior year *(HY14: £910 million)*, with OCG from our life businesses generating £679 million *(HY14: £648 million)*.

Free surplus emergence in the Life OCG was £710 million. This includes a free surplus emergence contribution from Friends Life of £155 million, partially offset by a reduction in Europe of £84 million, reflecting adverse foreign exchange movements, the disposal of Eurovita and Caixa Galacia in 2014 together with a one-off benefit in the prior year from regulatory pension changes in Poland. The expected free surplus emergence in future years is shown in note 1.iii.

New business strain of £243 million was slightly higher than prior year *(HY14: £237 million)*. New business strain in Friends Life was £48 million, which offset improved new business strain in the rest of the UK and Ireland business reflecting strong performance from equity release during the first half of 2015. In Europe new business strain was lower reflecting positive foreign exchange movements, disposal of Eurovita and Caixa Galacia in 2014 and sales of less capital intensive products in Italy and Spain.

Other/management actions were £212 million *(HY14: £217 million)*. This reflects a benefit of c£200 million arising from the portfolio transfer of our Irish Life business, Aviva Life and Pensions Ireland Limited, to Aviva Life and Pensions UK Limited on 1 January 2015, which resulted in reduced regulatory capital requirements and reserve releases from alignment with the UK reserving basis. Asia benefitted from a change to the regulatory reserving basis for retail health business in Singapore to align with IFRS and Solvency II, partly offset by cessation of a quota share reinsurance arrangement. HY14 other/management actions included management actions in our UK Life business which benefitted OCG by £184 million.

Capital generation in our General Insurance and Health businesses was £326 million *(HY14: £302 million)*. In the UK and Ireland capital generation decreased to £194 million *(HY14: £208 million)* reflecting a lower return on the intercompany loan balance, principally as a result of strategic actions to reduce the level of debt between Aviva Insurance Limited and Group. In Canada, capital generation of £97 million *(HY14: £60 million)* benefitted from higher prior year reserve releases and non recurrence of the severe winter weather experienced in the first quarter of 2014.

Non life usage of £25 million *(HY14: adverse £10 million)* was primarily driven by Canada reflecting favourable changes to local capital requirements and lower claims reserves.

1.iii – Free surplus emergence

Maturity profile of undiscounted free surplus emergence equivalent embedded value cash flows

Total in-force business

Release of future profits and required capital	30 June 2015 £m	31 December 2014 £m
Year 1	**1,753**	1,137
Year 2	**1,604**	1,059
Year 3	**1,535**	1,071
Year 4	**1,638**	1,204
Year 5	**1,632**	1,169
Year 6	**1,597**	1,157
Year 7	**1,515**	1,088
Year 8	**1,469**	1,060
Year 9	**1,386**	981
Year 10	**1,327**	922
Years 11-15	**5,831**	4,232
Years 16-20	**4,553**	3,547
Years 20+	**9,169**	7,583
Total net of controlling interests[1]	**35,009**	26,210

1 2015 includes £8,574 million of free surplus emergence related to the recently acquired Friends Life business.

The table above shows the expected future emergence of profits from the existing business implicit in the equivalent embedded value calculation for life covered in-force business. The cash flows have been split for the first ten years followed by five year tranches depending on the date when the profit is expected to emerge. These profits, which arise from the release of margins in the regulatory reserves as the business runs-off over time, are expected to emerge through operating capital generation (OCG) in future years. The cash flows are real world cash flows, i.e. they are based on the non-economic assumptions used in the MCEV and normalised investment returns. Normalised investment returns are equal to the MCEV risk free rates in addition to a risk premium to allow for the actual return expected to be achieved in the market.

For existing business, the cash flows will generally reduce over time due to lapses, maturities and other benefit payments. Each year new business will increase these profits, following the initial strain at point of sale. This table only includes the business currently in-force.

The total Group OCG for the Life business is £679 million (see note 1.ii). Excluding the recently acquired Friends Life business, the expected free surplus emergence in the OCG of £555 million is broadly equal to half of the year 1 cash flow from 31 December 2014 of £1,137 million. The HY15 total free surplus emergence (including the Friends Life business) of £710 million includes the expected transfers from the value of in-force (VIF) and required capital to free surplus of £699 million (MCEV – Note F5) and also the free surplus component of the expected return on net worth which equals £11 million.

The total real world cash flows, excluding the recently acquired Friends Life business, have increased by £225 million over the first six months of 2015, largely reflecting the positive new business additions net of the run off of existing business, favourable investment returns in the UK and Europe offset by adverse foreign exchange movements in Europe.

The 2015 cash flows above include an increase of £8,574 million as a result of the acquisition of the Friends Life business on 10 April 2015.

The free surplus emergence in the table above only includes business written in the RIEESA when conditions for its release to shareholders are expected to have been met, which is currently in year 4.

2 – Operating Profit: IFRS basis

Group operating profit before tax: IFRS basis

For the six month period ended 30 June 2015

	6 months 2015 £m	Restated[1] 6 months 2014 £m	Restated[1] Full Year 2014 £m
Operating profit before tax attributable to shareholders' profits			
Life business			
United Kingdom & Ireland	**569**	483	1,049
France	**195**	198	412
Poland	**63**	113	183
Italy	**65**	76	148
Spain	**43**	62	126
Turkey	**6**	6	13
Europe	**372**	455	882
Asia	**79**	34	87
Other	**1**	1	1
Total life business (note 7.i)	**1,021**	973	2,019
General insurance and health			
United Kingdom & Ireland	**239**	263	499
Europe	**59**	57	113
Canada	**131**	83	189
Asia	**(4)**	1	(2)
Other	**(3)**	(1)	9
Total general insurance and health (note 7.ii)	**422**	403	808
Fund management			
Aviva Investors[2]	**32**	41	79
United Kingdom[2]	**—**	6	6
Asia	**1**	1	1
Total fund management	**33**	48	86
Other			
Other operations (note A1)	**(57)**	(54)	(105)
Market operating profit	**1,419**	1,370	2,808
Corporate centre (note A2)	**(79)**	(64)	(132)
Group debt costs and other interest (note A3)	**(170)**	(235)	(463)
Operating profit before tax attributable to shareholders' profits	**1,170**	1,071	2,213
Tax attributable to shareholders' profit	**(304)**	(254)	(563)
Non-controlling interests	**(82)**	(84)	(143)
Preference dividends and other[3]	**(23)**	(21)	(86)
Operating profit attributable to ordinary shareholders	**761**	712	1,421
Operating earnings per share[4]	**22.1p**	24.2p	48.3p

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
2 The UK Retail fund management business was transferred from UK Life to Aviva Investors on 9 May 2014 and hence is included in Aviva Investors from 9 May 2014 onwards.
3 Other includes coupon payments in respect of direct capital instruments (DCI) and fixed rate tier 1 notes (net of tax).
4 Net of tax, non-controlling interests, preference dividends, coupon payments in respect of direct capital instruments (DCI) and fixed rate tier 1 notes (net of tax). The calculation of basic earnings per share uses a weighted average of 3,437 million *(HY14: 2,941 million; FY14: 2,943 million)* ordinary shares in issue, after deducting shares owned by the employee share trusts.

Overall operating profit was £1,170 million (*HY14: £1,071 million*). Excluding the contribution from the Friends Life businesses acquired in April 2015 of £174 million, adverse foreign exchange movements of £54 million, impact of disposals of £22 million and lower non-recurring items of c£85 million, operating profit improved by £86 million.

The life business result was £1,021 million (*HY14: £973 million*), up 10% on a constant currency basis. Friends Life contributed £120 million to UK Life and £38 million to Asia through Friends Provident International ("FPI"). Operating profit includes a net benefit in UK Life of c£50 million (*HY14: £100 million*) from management actions including £22 million relating to expense reserve releases following property restructuring. In Poland, HY14 operating profit included a non-recurring benefit of £35 million[1] from a regulatory pension change.

The general insurance and health business benefitted from benign weather and higher positive prior year development of £74 million (*HY14: £30 million benefit to operating profit*). Overall LTIR reduced to £205 million (*HY14: £248 million*), with £24 million of this decrease due to the lower balance on the UKGI internal loan which is neutral at an overall Group level, while the remainder mainly reflects lower investment yields.

Lower fund management operating profit reflects increased operating expenses incurred to support the development of the business and the disposal of River Road in June 2014.

Operating earnings per share has reduced to 22.1p (*HY14: 24.2p*), mainly driven by the increase in the weighted average number of shares following the Friends Life acquisition (3,437 million at HY15 compared to 2,941 million at HY14).

1 On a constant currency basis.

3 – Expenses

a) Expenses

	6 months 2015 £m	6 months 2014 £m
United Kingdom & Ireland Life	**369**	278
United Kingdom & Ireland General Insurance & Health	**364**	378
Europe	**267**	306
Canada	**158**	161
Asia	**65**	45
Aviva Investors	**169**	143
Other Group activities	**106**	88
Operating cost base	**1,498**	1,399
Integration & restructuring costs	**172**	42
Expense base	**1,670**	1,441

The table below shows the lines of the IFRS consolidated income statement in which operating expenses have been included:

	6 months 2015 £m	6 months 2014 £m
Claims handling costs[1]	**170**	175
Non-commission acquisition costs[2]	**480**	418
Other expenses	**848**	806
Operating cost base	**1,498**	1,399

1 As reported within net claims and benefits paid of £10,402 million *(HY14: £9,976 million).*
2 As reported within fee and commission expense of £1,933 million *(HY14: £1,739 million).*

Overall operating expenses for HY15 were £1,498 million *(HY14: £1,399 million)*, including £141 million of expenses from Friends Life in the period, following its acquisition in April 2015. Excluding Friends Life, operating expenses reduced by £42 million to £1,357 million *(HY14: £1,399 million)*. Within this total, there was a £43 million benefit from foreign exchange movements, meaning that underlying expenses were flat compared with HY14, with cost reductions (primarily in the UK) offset by investment to support growth (mainly in Aviva Investors and Asia).

In the **UK and Ireland**, both the life and general insurance businesses have achieved savings by reducing headcount, mainly as a result of process automation and simplification, together with the continued benefits from previous cost reduction initiatives. In addition, the UK retail fund management business was transferred from UK Life to Aviva Investors in May 2014. The total costs of £369 million in UK and Ireland Life included Friends UK operating expenses of £115 million in HY15.

Total operating expenses of our **European markets** reduced to £267 million (*HY14: £306 million*) and remained broadly stable in constant currency. In **Canada**, operating expenses were down to £158 million *(HY14: £161 million*) but increased by 1% on a constant currency basis as a result of the continued investment in business growth.

Total operating expenses for **Asia** increased by £20 million to £65 million *(HY14: £45 million)*, with £16 million of this increase resulting from the inclusion of FPI in the current period, while the remainder was mostly driven by investment to support business growth in Singapore.

In **Aviva Investors**, operating expenses increased to £169 million (*HY14: £143 million)*, mainly due to higher expenses incurred to support the further development of the business, together with the inclusion of both the UK retail fund management business (transferred from UK Life in May 2014) and Friends Life Investments (£4 million operating expenses in HY15).

Other Group activities, which include Group centre costs, were £106 million *(HY14: £88 million)*. Excluding centre costs relating to Friends Life of £6 million, operating expenses in Other Group activities were £100 million *(HY14: £88 million)*.

Integration and restructuring costs were £172 million *(HY14: £42 million)*, principally driven by transaction and integration activities in relation to the acquisition of Friends Life. In addition, expenses associated with the Solvency II programme were £46 million (*HY14: £39 million*).

b) Operating expense ratios

	6 months 2015	Restated[1] 6 months 2014
Life[2]	**33.9%**	30.0%
General insurance[3]	**14.1%**	14.6%
Health[3]	**12.3%**	13.6%
Fund management[4]	**13bps**	12bps
Group total[5]	**52.8%**	51.7%

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
2 Life non-commission acquisition and administration expenses gross of DAC on new business expressed as a percentage of Life operating income.
3 Written expenses including claims handling costs expressed as a percentage of net written premiums.
4 Aviva Investors' operating expenses expressed as a percentage of average funds under management.
5 Group operating expenses expressed as a percentage of operating profit before operating expenses and group debt costs.

The overall operating expense ratio has increased principally because operating profit in the prior period benefitted from higher non-recurring items, mainly in UK Life and Poland.

4 – Value of new business by market

Gross of tax and non-controlling interests	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
United Kingdom	**253**	177	473
Ireland	**7**	6	9
United Kingdom & Ireland	**260**	183	482
France	**98**	110	205
Poland	**30**	34	64
Italy – excluding Eurovita	**39**	26	63
Spain – excluding CxG	**13**	14	30
Turkey	**12**	14	30
Europe	**192**	198	392
Asia – excluding South Korea	**76**	61	122
Aviva Investors[1]	**6**	2	9
Value of new business – excluding Eurovita, CxG & South Korea	**534**	444	1,005
Eurovita, CxG & South Korea	**—**	—	4
Total value of new business	**534**	444	1,009

1 UK retail fund management business was transferred from UK Life to Aviva Investors on 9 May 2014 and hence is included in Aviva Investors from 9 May 2014 onwards.

The Group's **value of new business**[2] (VNB) increased to £534 million (*HY14: £444 million*), up 25% on a constant currency basis, primarily driven by strong performances in the UK, Italy and Asia. This includes a £23 million contribution to HY15 VNB from Friends Life, following the acquisition of this business in April 2015. Overall VNB excluding Friends Life grew by 15% to £511 million (*HY14: £444 million*), an increase of 19% on a constant currency basis.

In the **UK**, VNB was £253 million (*HY14: £177 million*), with the current period benefitting from £21 million VNB from Friends UK. Excluding Friends UK, VNB in the UK improved 31% to £232 million (*HY14: £177 million*), mainly reflecting higher margins on pension and health business, together with increased sales of bulk purchase annuities and equity release products. This increase was partly offset by the lower level of individual annuity volumes compared to the prior period following the announcements made in the 2014 UK budget. Ireland's VNB improved 17%[4] as a result of higher sales and improved margins on pensions and savings products, partially offset by lower volumes and reduced margins on protection business.

VNB in **Europe** increased 7%[3,4] largely driven by a strong performance in Italy. VNB in France was down by 1%[4] mostly due to lower margins on with-profits business as lower risk free rates increase the cost of guarantees, partly offset by volume growth on protection business. In Poland, VNB decreased by 1%[3,4] as the prior period included an £8 million one-off benefit from regulatory pension changes in Lithuania. Excluding this, Polish VNB grew by 29%[3,4] primarily from increased sales of higher margin protection business. VNB in Italy was up by 66%[3,4] mainly driven by higher margins on with-profits products following management actions to reduce the cost of guarantees, together with an improved mix on protection business. In Spain, VNB decreased by 2%[3,4] mainly driven by reduced sales of with-profits business following management actions to reduce guarantees available and reduced margins on these products following a fall in risk free rates. The 6%[4] decline in Turkey was the result of a reduction in our share of the business following the partial IPO, partly offset by higher sales of pension products with an underlying VNB growth in this business of 13%[4].

In **Asia**, VNB[3] was £76 million *(HY14: £61 million)*, reflecting a continued focus on sales of higher margin products, particularly protection products in China and Singapore as well as retail health business in Singapore. In addition, the current period includes a £2 million contribution from FPI.

VNB in **Aviva Investors** was £6 million *(HY14: £2 million)* following the transfer of the UK retail fund management business from UK Life in May 2014.

2 The trend analysis of VNB and present value of new business premiums (PVNBP) is included in Supplementary Information, section E: VNB & sales analysis.
3 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG and Asia excludes South Korea.
4 On a constant currency basis.

5 – General insurance combined operating ratio (COR)

	Net written premiums			Claims ratio[2]			Commission and expense ratio[3]			Combined operation ratio[4]		
	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %
United Kingdom[1]	**1,851**	1,836	3,663	**62.0**	61.1	61.0	**31.2**	33.2	33.8	**93.2**	94.3	94.8
Ireland	**134**	136	272	**65.5**	67.4	67.1	**28.0**	29.2	29.5	**93.5**	96.6	96.6
United Kingdom & Ireland	**1,985**	1,972	3,935	**62.2**	61.5	61.4	**31.0**	32.9	33.5	**93.2**	94.4	94.9
Europe	**674**	747	1,313	**67.4**	69.6	69.7	**26.9**	26.8	28.0	**94.3**	96.4	97.7
Canada	**1,013**	1,026	2,104	**60.9**	66.4	65.5	**31.0**	30.4	30.6	**91.9**	96.8	96.1
Asia	**6**	7	13	**71.6**	72.1	65.3	**39.3**	27.5	32.5	**110.9**	99.6	97.8
Other[5]	**—**	5	7									
Total	**3,678**	3,757	7,372	**62.8**	64.5	64.0	**30.3**	31.0	31.7	**93.1**	95.5	95.7

1 United Kingdom excluding Aviva Re and agencies in run-off.
2 Claims ratio: incurred claims expressed as a percentage of net earned premiums.
3 Commission and Expense ratio: written commissions and expenses expressed as a percentage of net written premiums.
4 Combined operating ratio: aggregate of claims ratio and commission and expense ratio.
5 Other includes Aviva Re.

Group **combined operating ratio** (COR) for the period was 93.1% *(HY14: 95.5%)*, with improvements across most markets.

In the **UK and Ireland**, GI COR improved by 1.2pp to 93.2% (*HY14: 94.4%*), driven by a lower commission and expense ratio. In the UK, the claims ratio was 62.0% *(HY14: 61.1%)* as the benefit from benign weather was more than offset by less favourable prior year claims development. The lower commission and expense ratio of 31.2% *(HY14: 33.2%)* resulted from cost savings as well as lower sales commissions following selected exits from elements of personal lines and a shift in mix of business. Ireland's GI COR was better at 93.5% *(HY14: 96.6%)*, reflecting an improvement in the overall claims and commission and expense ratios as lower expenses and the favourable weather experience more than offset the lower prior year reserve releases.

Europe's GI COR improved by 2.1pp to 94.3% *(HY14: 96.4%)*, mostly driven by a lower claims ratio following the disposal of the Turkish general insurance business in December 2014. Excluding Turkey GI, Europe's GI COR was marginally better at 94.3% *(HY14: 94.4%)* as favourable claims experience in Italy and expense efficiencies across all markets were partly offset by higher commissions in Italy, growth in high commission lines in Poland and an increased frequency of large losses in France.

In **Canada**, GI COR improved by 4.9pp to 91.9% (*HY14: 96.8%*), driven by a lower claims ratio primarily reflecting favourable prior year development and an improvement on the severe winter weather experienced in 1Q14. The commission and expense ratio deteriorated by 0.6pp mainly reflecting a shift in mix of business.

We continue to apply our reserving policy consistently and to focus on understanding the true cost of claims to ensure that reserves are maintained at an appropriate level. Prior year reserve movements will vary year to year but our business is predominantly short tail in nature and the loss development experience is generally stable. In HY15 we have had a positive prior year development in our GI & Health business, benefitting operating profit by £74 million *(HY14: £30 million benefit to operating profit)*, as higher releases in Canada were partially offset by less favourable prior year development mostly in the UK and Ireland.

Underlying combined operating ratio

	UK & Ireland		Europe		Canada		Total	
	6 months 2015 %	6 months 2014 %	**6 months 2015 %**	6 months 2014 %	**6 months 2015 %**	6 months 2014 %	**6 months 2015 %**	6 months 2014 %
Underlying claims ratio[1]	**66.2**	64.8	**70.4**	67.0	**66.7**	63.2	**67.0**	64.5
Prior year reserve strengthening/(release)[2]	**(0.5)**	(2.4)	**(1.5)**	2.6	**(5.8)**	(0.9)	**(2.1)**	(0.8)
Weather over/(under) long term average[3]	**(3.5)**	(0.9)	**(1.5)**	—	**—**	4.1	**(2.1)**	0.8
Claims ratio	**62.2**	61.5	**67.4**	69.6	**60.9**	66.4	**62.8**	64.5
Commission and expense ratio[4]	**31.0**	32.9	**26.9**	26.8	**31.0**	30.4	**30.3**	31.0
Combined operating ratio	**93.2**	94.4	**94.3**	96.4	**91.9**	96.8	**93.1**	95.5

1 Underlying claims ratio represents the claims ratio adjusted to exclude prior year claims development and weather variations vs. expectations, gross of the impact of profit sharing arrangements.
2 Prior year reserve strengthening/(release) represents the changes in the ultimate cost of the claims incurred in prior years, gross of the impact of profit sharing arrangements.
3 Weather over/(under) long term average represents the difference between the reported net incurred cost of general insurance claims that have occurred as a result of weather events and the equivalent long term average expected net costs, gross of the impact of profit sharing arrangements.
4 Commission and expense ratio includes the impact of profit sharing arrangements.

Group underlying claims ratio for the period worsened by 2.5pp to 67.0% *(HY14: 64.5%)*, across all markets. In the UK and Canada, industry trends of increased frequency on personal motor business adversely impacted both markets. In addition, Canada experienced an adverse large loss experience, mainly in personal property business, while underwriting actions to improve profitability in the UK were offset by the impact of 2014 personal motor rate reductions earning through into 2015. In Europe, the underlying claims ratio was 70.4% *(HY14: 67.0%)*. Excluding Turkey GI, the underlying claims ratio worsened by 2.1pp to 70.4% *(HY14: 68.3%)*, mainly driven by higher large losses in France.

6.i – United Kingdom and Ireland Life

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Cash remitted to Group	**287**	350	437
Life operating profit: IFRS basis (restated)[1]	**569**	483	1,049
Expenses			
Operating expenses	**369**	278	565
Integration and restructuring costs	**86**	14	28
	455	292	593
Value of new business	**260**	183	482

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

Cash

During the first half of 2015, the cash remitted to Group was £287 million (*HY14: £350 million*), the reduction being primarily driven by timing, as we have moved to a bi-annual UK Life remittance, in line with the Group dividend payment schedule.

Operating profit: IFRS basis

UK and Ireland life operating profit for HY15 was £569 million *(HY14: £483 million)*, an £86 million improvement compared with the prior period.

Overall UK Life operating profit was £555 million *(HY14: £476 million)*. This includes a contribution of £120 million by Friends UK to overall operating profit following its acquisition in April 2015. Excluding Friends UK, UK Life operating profit has fallen 9% to £435 million *(HY14: £476 million)*. HY14 included a £100 million benefit from expense reserve releases following actions taken to reduce the current and future cost base. HY15 includes non-recurring items of c£50 million, including £22 million in relation to expense reserve releases following property restructuring, and various other smaller reserve releases as part of the ongoing back book review. Excluding these items, profit was broadly flat with reductions in expenses offset by lower expected returns as a result of de-risking activity.

In Ireland, life operating profit improved by £7 million to £14 million *(HY14: £7 million*), largely due to the one-off benefit of the portfolio transfer to UK Life.

Expenses

Overall UK operating expenses were £354 million *(HY14: £263 million),* including £115 million of expenses from Friends UK in HY15 following its acquisition. Excluding Friends UK, UK operating expenses reduced by 9% to £239 million *(HY14: £263 million)* reflecting cost savings within the business mainly as a result of process automation and simplification. Overall UK integration and restructuring costs were £82 million *(HY14: £8 million)*, with £71 million costs from integration activity. The remainder relates largely to Solvency II costs.

Ireland operating expenses remained stable at £15 million (*HY14: £15 million*), while integration and restructuring costs decreased to £4 million (*HY14: £6 million*).

Value of new business

Value of new business (VNB) was £260 million (*HY14: £183 million*).

In the UK, VNB was £253 million (*HY14: £177 million*). VNB in UK Life excluding Friends UK improved 31% to £232 million (*HY14: £177 million*), mainly reflecting higher margins on pension and health business, together with increased sales of bulk purchase annuities and equity release products. This increase was partly offset by the lower level of individual annuity volumes compared to the prior period following the announcements made in the 2014 UK budget. Friends UK VNB was £21 million since acquisition and is principally protection business as the individual annuities market continues to decline.

In Ireland, VNB slightly increased at £7 million (*HY14: £6 million*) and grew 17% on a constant currency basis as a result of higher sales and improved margins on pensions and savings products, partially offset by lower volumes and reduced margins on protection business.

6.ii – United Kingdom and Ireland general insurance & health

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Cash remitted to Group[1]	**—**	—	294
Operating profit: IFRS basis	**239**	263	499
Expenses			
Operating expenses	**364**	378	755
Integration and restructuring costs	**13**	5	11
	377	383	766
Combined operating ratio[2]	**93.2%**	94.4%	94.9%

1 FY14 cash remittances include £273 million received from UKGI in February 2015 in respect of 2014 activity.
2 General insurance business only.

Cash

Dividends from the business are expected to be paid in Q4 2015.

Operating profit: IFRS basis

UK and Ireland general insurance and health operating profit was £239 million (*HY14: £263 million*), a reduction of £24 million mainly as a result of the lower intercompany loan balance which is neutral at an overall Group level.

In UK general insurance, operating profit was £223 million (*HY14: £251 million*). Within this, the underwriting result was £115 million (*HY14: £114 million*) with the benefit from benign weather and expense savings being partly offset by less favourable prior year claims development experienced in HY15 than in the prior period. The personal lines underwriting result declined to £43 million (*HY14: £60 million*) largely due to reserve strengthening in HY15 compared to releases in HY14, partly offset by lower weather-related claims. The underwriting result in commercial lines improved to £72 million (*HY14: £54 million*), mostly reflecting higher reserve releases and more favourable weather experience than in HY14. UKGI net written premiums (NWP) increased 1% year on year to £1,851 million (*HY14: £1,836 million*), primarily driven by growth in personal motor business.

UK Health reported an operating loss of £(2) million (*HY14: £(1) million loss*) due to continuing adverse claims experience.

In Ireland, general insurance and health operating profit increased to £18 million (*HY14: £13 million*), mainly driven by an improved general insurance underwriting result of £6 million (*HY14: £nil*).

Expenses

UK general insurance operating expenses reduced by 3% to £318 million (*HY14: £328 million*) reflecting the impact of a reduction in headcount and continued focus on cost control. In Ireland, operating expenses decreased to £46 million (*HY14: £50 million*).

UK and Ireland's integration and restructuring costs increased to £13 million (*HY14: £5 million*) mainly as a result of operational restructuring to simplify the business and reduce property costs by focusing on a smaller number of core locations, following the Friends Life acquisition.

Combined operating ratio[2]

	Claims ratio			Commission and expense ratio			Combined operating ratio		
United Kingdom & Ireland	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %
Personal	**65.7**	62.4	62.4	**30.0**	33.1	33.9	**95.7**	95.5	96.3
Commercial	**57.1**	60.3	59.9	**32.4**	32.5	32.9	**89.5**	92.8	92.8
Total	**62.2**	61.5	61.4	**31.0**	32.9	33.5	**93.2**	94.4	94.9

2 General insurance business only.

The UK & Ireland general insurance combined operating ratio (COR) has improved by 1.2pp to 93.2% (*HY14: 94.4%*), mainly due to a lower commission and expense ratio.

Performance in UKGI has improved to 93.2% (*HY14: 94.3%*), driven by cost savings as well as lower sales commissions following selected exits from elements of personal lines and a shift in mix of business. This was partly offset by a deterioration in the claims ratio where the benefit from benign weather was more than offset by less favourable prior year claims development.

Ireland COR was 93.5% (*HY14: 96.6%*) as lower expenses and the favourable weather experience more than offset the adverse impact from lower prior year reserve releases.

6.iii – Europe[1]

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Cash remitted to Group (restated)[2]	**186**	236	473
Operating profit: IFRS basis (restated)[3]			
Life (restated)[3]	**372**	455	882
General insurance & health	**59**	57	113
	431	512	995
Expenses			
Operating expenses	**267**	306	596
Integration and restructuring costs	**10**	1	17
	277	307	613
Value of new business			
Value of new business – excluding Eurovita & CxG	**192**	198	392
Effects of disposals/Assets held for sale (Eurovita & CxG)	**—**	(5)	(1)
	192	193	391
Combined operating ratio[4]	**94.3%**	96.4%	97.7%
Combined operating ratio[4] – excluding Turkey	**94.3%**	94.4%	96.0%

1 Our European business includes life and general insurance business written in France, Poland, Italy, and Turkey (GI business disposed of in December 2014), life business in Spain and health business in France.
2 Cash remittances have been restated to include interest remitted on internal loans.
3 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
4 General insurance business only.

There has been a weakening of the Euro, the Polish Zloty and the Turkish Lira by 11%, 11% and 9% respectively (average rate) over the period which has had an impact across all metrics except combined operating ratio.

Cash
Cash remitted to Group during the period was £186 million *(HY14: £236 million)*, with remittances received from France, Poland, Spain and Turkey. The decrease was primarily due to Spain, which benefitted from a £16 million one-off dividend in HY14 driven by remittance of surplus capital. In addition, a legal entity restructuring in Poland has deferred the timing of remittance for part of the dividend until 2016.

Life operating profit: IFRS basis
Life operating profit was £372 million *(HY14: £455 million)*, a reduction of £83 million, with £46 million of this decrease a result of adverse foreign exchange movements in the period. Excluding foreign exchange movements, the adverse impact of the disposals of Eurovita and CxG, as well as the one-off benefit in HY14 from regulatory pension changes in Poland, overall life operating profit improved by 6% despite lower yields on investments.

In France, operating profit was 2% lower at £195 million *(HY14: £198 million)* but up by 10% on a constant currency basis, mainly from portfolio growth and a continued improvement in mix towards unit-linked products, together with strong results from UFF, our majority-owned broker business. Italy's operating profit[5] increased to £65 million *(HY14: £63 million)*, up 14% on a constant currency basis, mostly due to improved margins on with-profits business. Operating profit[5] in Poland reduced to £63 million (*HY14: £113 million*), down 38% on a constant currency basis largely due to a £39 million one-off regulatory pension change benefitting the prior period. In Spain, operating profit[5] decreased to £43 million (*HY14: £48 million*) but was broadly flat on a constant currency basis despite lower savings margins reflecting lower yields. Operating profit in Turkey was stable at £6 million despite adverse foreign exchange movements and a lower ownership share of the business following the partial IPO in the second half of 2014.

General insurance & health operating profit: IFRS basis
Operating profits increased by 4% to £59 million *(HY14: £57 million),* up 18% on a constant currency basis mainly driven by the disposal of the loss-making Turkey GI business in December 2014. Operating profits in Poland and Italy were broadly stable at £5 million and £16 million respectively *(HY14: £6 million, £17 million)* but improved by 3% and 6% respectively on a constant currency basis, mainly reflecting favourable claims experience. In France, operating profit was £38 million *(HY14: £43 million)*, with the reduction largely due to the adverse foreign exchange movement.

Expenses
Operating expenses improved to £267 million *(HY14: £306 million)* and remained broadly stable in constant currency. Integration and restructuring costs of £10 million *(HY14: £1 million)* relate largely to Solvency II costs.

Value of new business
Europe's value of new business[5] (VNB) was £192 million *(HY14: £198 million)*, an increase of 7% in constant currency, mainly as a result of a strong performance in Italy. VNB in Italy was up by 66%[5,6] mainly driven by higher margins on with-profits products following management actions to reduce the cost of guarantees, together with an improved mix on protection business. In Poland, VNB decreased by 1%[5,6] as the prior period benefitted from an £8 million one-off from regulatory pension changes in Lithuania. Excluding this, Polish VNB grew by 29%[5,6] primarily from increased sales of higher margin protection business. VNB in France was down by 1%[6] mostly due to lower margins on with-profits business as lower risk free rates increase the cost of guarantees, partly offset by volume growth on protection business. In Spain, VNB decreased by 2%[5,6] mainly driven by reduced sales of with-profits business following management actions to reduce guarantees available and reduced margins on these products following a fall in risk free rates. The 6%[6] decline in Turkey was the result of a reduction in our share of the business following the partial IPO, partly offset by higher sales of pension products, with an underlying VNB growth in this business of 13%[6].

5 Poland includes Lithuania, Italy excludes Eurovita and Spain excludes CxG.
6 On a constant currency basis.

6.iii – Europe continued

Combined operating ratio[1]

Europe	Claims ratio 6 months 2015 %	Claims ratio 6 months 2014 %	Claims ratio Full Year 2014 %	Commission and expense ratio 6 months 2015 %	Commission and expense ratio 6 months 2014 %	Commission and expense ratio Full Year 2014 %	Combined operating ratio 6 months 2015 %	Combined operating ratio 6 months 2014 %	Combined operating ratio Full Year 2014 %
France	**69.2**	68.7	70.1	**25.2**	25.7	26.8	**94.4**	94.4	96.9
Poland	**55.9**	55.4	57.6	**38.8**	34.8	38.4	**94.7**	90.2	96.0
Italy	**64.8**	68.5	66.6	**29.3**	26.7	27.4	**94.1**	95.2	94.0
Turkey	**—**	108.2	101.5	**—**	38.3	45.4	**—**	146.5	146.9
Total	**67.4**	69.6	69.7	**26.9**	26.8	28.0	**94.3**	96.4	97.7

1 General insurance business only.

Combined operating ratio has improved to 94.3% *(HY14: 96.4%)*, mostly driven by a lower claims ratio following the disposal of the Turkish general insurance business in December 2014. Excluding Turkey GI, Europe's GI COR was marginally better at 94.3% *(HY14: 94.4%)* as favourable claims experience in Italy and expense efficiencies across all markets were partly offset by higher commissions in Italy, growth in high commission lines in Poland and an increased frequency of large losses in France.

Net written premiums (NWP) for the general insurance and health business were £802 million *(HY14: £885 million)*. Excluding Turkey GI, NWP increased by 4% on a constant currency basis, predominantly driven by continued growth in motor and commercial property businesses in France.

6.iv – Canada

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Cash remitted to Group	**2**	—	138
General Insurance operating profit: IFRS basis	**131**	83	189
Expenses			
Operating expenses	**158**	161	316
Integration and restructuring costs	**2**	1	4
	160	162	320
Combined operating ratio	**91.9%**	96.8%	96.1%

Cash

Cash paid to Group during the period was £2 million *(HY14: £nil)*, with the remaining cash remittance expected to be paid in the second half of the year.

Operating profit: IFRS basis

General insurance operating profit was £131 million *(HY14: £83 million)*, an increase of £48 million compared with the prior period. Within this, the underwriting result of £82 million (*HY14: £30 million*) benefitted from £50 million higher prior year reserve releases and an improvement on the severe winter weather experienced in 1Q14. Longer-term investment return reduced 9% to £51 million *(HY14: £56 million)*, down 7% on a constant currency basis as a result of lower reinvestment yields.

Expenses

Operating expenses reduced to £158 million *(HY14: £161 million*) but increased by 1% on a constant currency basis driven by the continuing volume growth as gross written premiums improved by 4% in constant currency. Integration and restructuring costs were broadly stable at £2 million *(HY14: £1 million)*.

Combined operating ratio

	Claims ratio			Commission and expense ratio			Combined operating ratio		
Canada	6 months 2015 %	6 months 2014 %	Full Year 2014 %	6 months 2015 %	6 months 2014 %	Full Year 2014 %	6 months 2015 %	6 months 2014 %	Full Year 2014 %
Personal	**65.2**	68.6	68.1	**28.4**	27.9	28.3	**93.6**	96.5	96.4
Commercial	**53.4**	62.7	61.1	**35.8**	34.7	34.4	**89.2**	97.4	95.5
Total	**60.9**	66.4	65.5	**31.0**	30.4	30.6	**91.9**	96.8	96.1

Combined operating ratio has improved by 4.9pp to 91.9% (*HY14: 96.8%*), driven by a lower claims ratio primarily reflecting favourable prior year development and improved weather experience. The commission and expense ratio has deteriorated by 0.6pp mainly as a result of a shift in mix of business.

Net written premiums were 1% lower at £1,013 million *(HY14: £1,026 million)*, but up 1% on a constant currency basis. The growth predominantly reflects improved retention across personal lines driving underlying policy growth, with rate increases on personal property and across commercial lines.

6.v – Asia

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Cash remitted to Group	**—**	21	23
Operating profit: IFRS basis			
Life	**79**	34	87
General insurance & health	**(4)**	1	(2)
	75	35	85
Expenses			
Operating expenses	**65**	45	80
Integration and restructuring costs	**—**	—	1
	65	45	81
Value of new business			
Value of new business – excluding South Korea	**76**	61	122
Effects of disposals (South Korea)	**—**	5	5
	76	66	127
Combined operating ratio[1]	**110.9%**	99.6%	97.8%

1 General insurance business only.

Cash
Dividends from the business are expected to be paid in the second half of the year.

Operating profit: IFRS basis
Overall operating profit from life and general insurance and health business was £75 million *(HY14: £35 million)*. Life operating profits were £79 million *(HY14: £34 million)*. Within this, FPI contributed £38 million to the life result since its acquisition in April 2015. Life operating profits net of amortisation of acquired value of in-force business were £32 million with FPI contributing a £9 million loss. Excluding FPI, life operating profit in Asia grew to £41 million *(HY14: £34 million)*, mainly reflecting higher new business contribution and favourable experience variances in Singapore. The non-life business reported a £(4) million loss (*HY14: £1 million profit*), largely driven by Singapore Health as a result of adverse claims experience in the current period.

Expenses
Overall operating expenses were £65 million *(HY14: £45 million)*, including £16 million of expenses from FPI in HY15. Operating expenses excluding FPI increased 9% to £49 million *(HY14: £45 million)*, mostly due to investment to support business growth and transformation initiatives in Singapore, mainly relating to digital capability.

Value of New Business
Value of new business[2] (VNB) improved 25% to £76 million *(HY14: £61 million)*, up 18% on a constant currency basis. Singapore's VNB increased £11 million to £48 million *(HY14: £37 million)*, following higher sales of protection and retail health business. VNB in China improved by £3 million to £23 million *(HY14: £20 million*) largely driven by a continued shift towards higher margin protection products. The inclusion of FPI benefitted HY15 overall VNB by £2 million.

Combined Operating Ratio
Combined operating ratio for the general insurance business was 110.9% *(HY14: 99.6%)*, mainly as a result of higher expenses to support growth offset by a small reduction in the general insurance claims ratio compared with the prior period. Net written premiums for the general insurance and health business increased 17% to £61 million (*HY14: £52 million*), up 16% on a constant currency basis, as growth in the Singapore health business more than offset the adverse impact from a change in shareholding of our Indonesian health business.

2 Asia excludes South Korea.

Overview | Income & expenses | IFRS | Capital & liquidity | Analysis of assets | VNB & sales analysis | MCEV | Other information

6.vi – Fund Management

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Cash remitted to Group[1]	**20**	16	16
Operating profit: IFRS basis			
Aviva Investors	**32**	41	79
United Kingdom	**—**	6	6
Asia	**1**	1	1
	33	48	86
Aviva Investors: Operating profit: IFRS basis			
Fund management	**32**	41	79
Other operations	**—**	—	(18)
	32	41	61
Expenses[1]			
Operating expenses	**169**	143	298
Integration and restructuring costs	**2**	(5)	4
	171	138	302
Value of new business[1]	**6**	2	9

1 Only includes Aviva Investors.

Cash

Cash remitted to Group during the period increased by 25% to £20 million (*HY14: £16 million*), primarily reflecting a higher remittance by Aviva Investors France.

Operating profit: IFRS basis

Operating profit generated by Aviva Investors decreased to £32 million *(HY14: £41 million)*, mainly due to higher expenses, together with the adverse impact of the disposal of the River Road business in June 2014. This was partially offset by a £10 million increased contribution from the UK retail fund management business which transferred from UK Life in May 2014, and a £2 million contribution from Friends Life Investments which was acquired in April 2015.

Expenses

Operating expenses in Aviva Investors were £169 million (*HY14: £143 million*), including £4 million expenses from Friends Life Investments. Excluding Friends Life Investments, operating expenses increased by £22 million to £165 million (*HY14: £143 million)*, mainly due to the transfer of the UK retail fund management business as well as investment to support the further development of the business. This was partly offset by a reduction in costs as a result of the River Road disposal.

Integration and restructuring costs of £2 million (*HY14: £(5) million credit*) relate largely to Solvency II costs.

Value of New Business

Value of new business in Aviva Investors was £6 million (*HY14: £2 million*) following the transfer of the UK retail fund management business from UK Life.

Net flows and funds under management – Aviva Investors

	Internal £m	External £m	Total £m
Aviva Investors			
Funds under management at 1 January 2015	200,415	45,483	245,898
Gross Sales	7,678	2,773	10,451
Gross claims/redemptions	(9,063)	(3,086)	(12,149)
Market movements and other[2]	(1,867)	(2,064)	(3,931)
Acquisition of Friends Life	22,339	—	22,339
Funds under management at 30 June 2015	**219,502**	**43,106**	**262,608**

2 'Market movements and other' includes external liquidity outflows of £1.1 billion.

Aviva Investors funds under management have increased by £16.7 billion to £262.6 billion *(HY14: £245.9 billion)* during the first half of the year. This was driven by the transfer of funds directly managed by Friends Life Investments, following the acquisition of Friends Life in April 2015. Excluding this, funds under management have decreased by £5.6 billion as positive market movements have been more than offset by the adverse impact of the Euro exchange rate, primarily on our French business, and net fund outflows. Our new flagship Aviva Investors multi strategy (AIMS) fund range achieved net external inflows of £0.3 billion since the start of the year.

7.i – Life business profit drivers

Life business operating profit before shareholder tax for continuing operations increased by 5% to £1,021 million *(HY14: £973 million)*, including a contribution of £158 million from Friends Life. Excluding Friends Life, operating profit decreased by 11% to £863 million, with an adverse foreign exchange impact on the life business result of £45 million during the period largely driven by the weakening of the Euro. On a constant currency basis excluding Friends Life businesses, life operating profit has reduced by 7%, largely due to less positive non-recurring items in HY15 compared to HY14.

Overall, total income increased by 12% to £1,745 million *(HY14: £1,555 million)* and total expenses increased by 17% to £874 million *(HY14: £749 million)*. This increase in net income of £65 million was offset by a lower benefit from DAC and other items to give a total increase in life operating profit of £48 million for the half year.

	United Kingdom & Ireland			Europe			Asia			Total		
	6 months 2015 £m	Restated[2] 6 months 2014 £m	Restated[2] Full Year 2014 £m	**6 months 2015 £m**	Restated[2] 6 months 2014 £m	Restated[2] Full Year 2014 £m	**6 months 2015 £m**	6 months 2014 £m	Full Year 2014 £m	**6 months 2015 £m**	Restated[2] 6 months 2014 £m	Restated[2] Full Year 2014 £m
New business income	**251**	200	462	**102**	105	227	**73**	61	126	**426**	366	815
Underwriting margin	**103**	62	175	**109**	130	230	**35**	26	58	**247**	218	463
Investment return	**547**	391	738	**494**	551	1,113	**31**	29	50	**1,072**	971	1,901
Total Income	**901**	653	1,375	**705**	786	1,570	**139**	116	234	**1,745**	1,555	3,179
Acquisition expenses	**(188)**	(151)	(278)	**(116)**	(142)	(263)	**(63)**	(48)	(96)	**(367)**	(341)	(637)
Administration expenses	**(253)**	(162)	(364)	**(226)**	(225)	(467)	**(28)**	(21)	(36)	**(507)**	(408)	(867)
Total Expenses	**(441)**	(313)	(642)	**(342)**	(367)	(730)	**(91)**	(69)	(132)	**(874)**	(749)	(1,504)
DAC and other	**109**	143	316	**9**	36	42	**31**	(13)	(15)	**149**	166	343
	569	483	1,049	**372**	455	882	**79**	34	87	**1,020**	972	2,018
Other business[1]										**1**	1	1
Total										**1,021**	973	2,019

1 Other business includes the total result for Aviva Investors Pooled Pensions and Aviva Life Reinsurance.
2 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on total equity for any period presented as a result of this restatement.

Income: New business income and underwriting margin

	United Kingdom & Ireland		Europe		Asia		Total	
	6 months 2015 £m	Restated 6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m	**6 months 2015 £m**	Restated 6 months 2014 £m
New business income (£m)	**251**	200	**102**	105	**73**	61	**426**	366
APE (£m)[1]	**894**	713	**498**	584	**192**	147	**1,584**	1,444
As margin on APE (%)	**28%**	28%	**20%**	18%	**38%**	41%	**27%**	25%
Underwriting margin (£m)	**103**	62	**109**	130	**35**	26	**247**	218
Analysed by:								
Expenses	**27**	14	**25**	29	**19**	19	**71**	62
Mortality and longevity	**76**	50	**73**	89	**13**	4	**162**	143
Persistency	**—**	(2)	**11**	12	**3**	3	**14**	13

1 APE excludes UK Retail Fund Management and Health business in UK & Ireland and Asia.

(a) New business income

New business income increased to £426 million *(HY14: £366 million)*, mainly driven by the inclusion of Friends Life contribution of £48 million.

The net contribution from new business is the new business income less associated acquisition expenses (see (g) below). This increased to a profit of £59 million *(HY14: profit of £25 million).*

In the UK & Ireland, excluding Friends UK, net contribution from new business increased to £77 million *(HY14: £49 million)* mainly driven by a change in business mix and lower acquisition expenses. Volumes based on APE (excluding Friends UK) decreased by 6% largely due to a decrease in pensions and individual annuities, partly offset by an increase in bulk purchase annuity and equity release business. The net contribution from Friends UK new business was a loss of £14 million.

In Europe, net contribution improved to a loss of £14 million *(HY14: loss of £37 million)* following a change in business mix towards higher margin products in Italy. Volumes based on APE decreased by 15%, driven by adverse foreign exchange movements and lower sales volumes in Italy (partly reflecting the disposal of Eurovita in June 2014), offset by an increase in volumes in France. New business margin on APE increased in Europe to 20% *(HY14: 18%),* driven by the change in business mix.

In Asia, net contribution decreased to a profit of £10 million *(HY14: profit of £13 million)* driven by increased protection sales and cost control in Singapore offset by the inclusion of FPI which contributed a net loss of £6 million.

(b) Underwriting margin

The underwriting margin increased to £247 million *(HY14: £218 million)*. In the UK & Ireland, underwriting margin increased to £103 million *(HY14: £62 million)* driven primarily by the inclusion of £28 million from Friends UK and higher positive mortality margins. In Europe, underwriting margin decreased to £109 million *(HY14: £130 million)* driven by adverse foreign currency movements and lower mortality margins in France.

In Asia, underwriting margin increased to £35 million *(HY14: £26 million)* mainly due to favourable persistency experience on protection business in Singapore and China and the inclusion of £6 million from FPI, offset by the sale of Korea at HY14.

7.i – Life business profit drivers continued

Income: investment return

	United Kingdom & Ireland		Europe		Asia		Total	
	6 months 2015 £m	Restated 6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m	**6 months 2015 £m**	Restated 6 months 2014 £m
Unit-linked margin (£m)	**353**	225	**225**	219	**26**	7	**604**	451
As annual management charge on average reserves (bps)	**90**	91	**144**	119	**108**	117	**105**	104
Average reserves (£bn)	**78.8**	49.2	**31.2**	36.7	**4.8**	1.2	**114.8**	87.1
Participating business (£m)	**58**	50	**222**	252	**(7)**	(4)	**273**	298
As bonus on average reserves (bps)	**26**	29	**79**	82	**n/a**	n/a	**53**	61
Average reserves (£bn)	**44.9**	34.5	**56.1**	61.6	**2.5**	1.6	**103.5**	97.7
Spread margin (£m)	**105**	71	**4**	13	**6**	20	**115**	104
As spread margin on average reserves (bps)	**41**	35	**25**	60	**133**	211	**41**	44
Average reserves (£bn)	**51.6**	40.9	**3.2**	4.3	**0.9**	1.9	**55.7**	47.1
Expected return on shareholder assets (£m)	**31**	45	**43**	67	**6**	6	**80**	118
Total (£m)	**547**	391	**494**	551	**31**	29	**1,072**	971

(c) Unit-linked margin

The unit-linked average reserves have increased to £115 billion *(HY14: £87 billion)*, with the movement largely driven by the inclusion of total Friends Life reserves of £31 billion. The unit-linked margin increased to £604 million *(HY14: £451 million)* mainly driven by the acquisition of Friends Life businesses, and improved unit-linked margin in Europe. The margin as a proportion of average unit-linked reserves was stable at 105 bps *(HY14: 104 bps),* on average reserves of £115 billion *(HY14: £87 billion)*.

The improved unit-linked margin in UK & Ireland is driven by the inclusion of Friends UK margin of £132 million. Unit-linked margin in Europe, on a constant currency basis, improved by 14% due to higher commission income and volumes in France, and a change in business mix to higher margin products in Italy. The increase in unit-linked margin in Asia is due to the inclusion of FPI margin of £20 million.

(d) Participating business

The participating average reserves have increased to £104 billion *(HY14: £98 billion)*, largely driven by the inclusion of total Friends Life reserves of £11 billion. Income from participating business reduced to £273 million *(HY14: £298 million)*. In the UK & Ireland, the shareholder transfer from with-profit funds increased to £58 million *(HY14: £50 million)*, £16 million attributable to Friends UK. The decrease in UK & Ireland excluding Friends UK is primarily driven by fewer policies maturing in the period. In Europe, income has reduced to £222 million *(HY14: £252 million)* reflecting foreign currency movements of £26 million. The majority of participating business income is earned in France, where there is a fixed management charge of around 50bps on AFER business, which is the largest single component of this business.

(e) Spread margin

The spread average reserves have increased to £56 billion *(HY14: £47 billion)*, largely driven by the inclusion of total Friends Life reserves of £7 billion. Spread business income, which mainly relates to UK in-force immediate annuity and equity release business, improved to £115 million *(HY14: £104 million).* The spread margin reduced to 41 bps *(HY14: 44 bps)*, on average reserves of £56 billion *(HY14: £47 billion).* The increase in spread margin in the UK & Ireland is driven by the inclusion of Friends UK of £38 million. Excluding Friends UK, the spread margin in UK & Ireland was stable. In Europe the spread margin reduced largely due to lower reinvestment yields on assets in Spain. In Asia, the majority of spread business income was generated in Korea which was sold in June 2014.

(f) Expected return on shareholder assets

Expected returns, representing investment income on surplus funds, reduced to £80 million *(HY14: £118 million).* The reduction in income is driven by the UK, reflecting lower expected returns principally as a result of increased de-risking activity, and Europe, reflecting lower investment yields.

7.i – Life business profit drivers continued

Expenses

	United Kingdom & Ireland		Europe		Asia		Total	
	6 months 2015 £m	6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m	**6 months 2015 £m**	6 months 2014 £m
Acquisition expenses (£m)	**(188)**	(151)	**(116)**	(142)	**(63)**	(48)	**(367)**	(341)
APE (£m)[1]	**894**	713	**498**	584	**192**	147	**1,584**	1,444
As acquisition expense ratio on APE (%)	**21%**	21%	**23%**	24%	**33%**	33%	**23%**	24%
Administration expenses (£m)	**(253)**	(162)	**(226)**	(225)	**(28)**	(21)	**(507)**	(408)
As existing business expense ratio on average reserves (bps)	**29**	26	**50**	44	**68**	89	**37**	35
Average reserves (£bn)	**175.3**	124.6	**90.5**	102.6	**8.2**	4.7	**274.0**	231.9

1 APE excludes UK Retail Fund Management and Health business in UK & Ireland and Asia.

(g) Acquisition expenses

Acquisition expenses increased to £367 million *(HY14: £341 million)* primarily reflecting total Friends Life expenses of £68 million. In UK & Ireland, excluding Friends UK expenses of £62 million, lower acquisition costs reflect cost saving initiatives. Europe acquisition expenses have improved driven by beneficial exchange rate movements of £14 million, and expense savings in France and Italy.

The increase in Asia is due to change of business mix in China towards protection products and the inclusion of FPI expenses of £6 million. The overall group-wide ratio of acquisition expenses to APE improved to 23% *(HY14: 24%).*

(h) Administration expenses

Administration expenses increased to £507 million *(HY14: £408 million)*. The expense ratio was 37 bps *(HY14: 35 bps)* on average reserves of £274 billion *(HY14: £232 billion).* The increase in UK & Ireland is driven by the inclusion of Friends UK expenses of £91 million. Administration expenses in Europe remain stable, with beneficial exchange rate movements of £23 million offset by higher commission related expenses in France. Asia administration expenses increased due to the inclusion of FPI costs of £12 million, offset by the sale of Korea in 2014.

The overall increase in life business acquisition and administration expenses was £125 million, with additional costs from Friends Life of £171 million offset by expense savings and foreign exchange movements.

(i) DAC and other

DAC and other items amounted to an overall positive contribution of £149 million *(HY14: £166 million)*, which was mainly driven by the UK. In HY15, the UK includes non-recurring items of c£50 million, including £22 million in relation to expense reserve releases following property restructuring, and various other smaller reserve releases as part of the ongoing back book review. In HY14, the UK included a £100 million benefit from expense reserve releases following actions taken to reduce the current and future cost base. Other items in HY14 also reflected a £39 million one-off benefit in Poland from a regulatory pension change.

7.ii – General insurance and health

6 months 2015	UK Personal £m	UK Commercial £m	**Total UK £m**	Ireland £m	**Total UK & Ireland £m**	Canada Personal £m	Canada Commercial £m	**Total Canada £m**	**Europe £m**	**Asia & Other[1] £m**	**Total £m**
General insurance											
Gross written premiums	1,090	917	**2,007**	139	**2,146**	678	399	**1,077**	**704**	**7**	**3,934**
Net written premiums	1,047	804	**1,851**	134	**1,985**	657	356	**1,013**	**674**	**6**	**3,678**
Net earned premiums	1,067	741	**1,808**	128	**1,936**	642	372	**1,014**	**591**	**7**	**3,548**
Net claims incurred	(696)	(424)	**(1,120)**	(84)	**(1,204)**	(418)	(200)	**(618)**	**(398)**	**(9)**	**(2,229)**
Of which claims handling costs			**(96)**	(4)	**(100)**			**(39)**	**(28)**	**—**	**(167)**
Written commission	(245)	(165)	**(410)**	(18)	**(428)**	(128)	(72)	**(200)**	**(134)**	**—**	**(762)**
Written expenses[2]	(72)	(96)	**(168)**	(20)	**(188)**	(58)	(56)	**(114)**	**(47)**	**(3)**	**(352)**
Movement in DAC	(11)	16	**5**	—	**5**	4	(4)	**—**	**13**	**—**	**18**
Underwriting result	43	72	**115**	6	**121**	42	40	**82**	**25**	**(5)**	**223**
Longer-term investment return[3]			**111**	10	**121**			**51**	**30**	**1**	**203**
Other[4]			**(3)**	—	**(3)**			**(2)**	**—**	**—**	**(5)**
Operating profit			**223**	16	**239**			**131**	**55**	**(4)**	**421**
Health insurance											
Underwriting result					**(2)**			**—**	**4**	**(3)**	**(1)**
Longer-term investment return					**2**			**—**	**—**	**—**	**2**
Operating profit					**—**			**—**	**4**	**(3)**	**1**
Total operating profit					**239**			**131**	**59**	**(7)**	**422**
General insurance combined operating ratio											
Claims ratio	65.2%	57.2%	**62.0%**	65.5%	**62.2%**	65.2%	53.4%	**60.9%**	**67.4%**		**62.8%**
Commission ratio	23.3%	20.6%	**22.1%**	13.2%	**21.5%**	19.5%	20.2%	**19.8%**	**19.9%**		**20.7%**
Expense ratio	6.9%	12.1%	**9.1%**	14.8%	**9.5%**	8.9%	15.6%	**11.2%**	**7.0%**		**9.6%**
Combined operating ratio[5]	95.4%	89.9%	**93.2%**	93.5%	**93.2%**	93.6%	89.2%	**91.9%**	**94.3%**		**93.1%**
Assets supporting general insurance and health business											
Debt securities			**4,399**	555	**4,954**			**3,014**	**1,851**	**214**	**10,033**
Equity securities			**7**	—	**7**			**206**	**19**	**—**	**232**
Investment property			**138**	2	**140**			**—**	**116**	**—**	**256**
Cash and cash equivalents			**634**	52	**686**			**97**	**181**	**24**	**988**
Other[6]			**2,988**	91	**3,079**			**128**	**182**	**—**	**3,389**
Assets at 30 June 2015			**8,166**	700	**8,866**			**3,445**	**2,349**	**238**	**14,898**
Debt securities			**4,429**	825	**5,254**			**3,261**	**2,140**	**203**	**10,858**
Equity securities			**7**	—	**7**			**222**	**22**	**—**	**251**
Investment property			**91**	4	**95**			**—**	**128**	**—**	**223**
Cash and cash equivalents			**865**	79	**944**			**123**	**185**	**48**	**1,300**
Other[6]			**3,372**	101	**3,473**			**122**	**172**	**—**	**3,767**
Assets at 31 December 2014			**8,764**	1,009	**9,773**			**3,728**	**2,647**	**251**	**16,399**
Average assets			**8,465**	855	**9,320**			**3,586**	**2,498**	**245**	**15,649**
LTIR as % of average assets			**2.6%**	2.3%	**2.6%**			**2.8%**	**2.4%**	**0.8%**	**2.6%**

1 Asia & Other includes Aviva Re.
2 Operating expenses shown in note 3 includes claims handling costs and written expenses included in general insurance COR above, plus operating expenses of other non-insurance operations.
3 The UK & Ireland LTIR includes £59 million *(HY14: £83 million)* relating to the internal loan. This is lower than 2014 primarily as a result of the reduction in the balance of this loan during 2014 and 2015.
4 Includes unwind of discount and pension scheme net finance costs.
5 COR is calculated as incurred claims expressed as a percentage of net earned premiums, plus written commissions and written expenses expressed as a percentage of net written premiums. COR is calculated using unrounded numbers so minor rounding differences may exist.
6 Includes loans and other financial investments.

7.ii – General insurance and health continued

6 months 2014	UK Personal £m	UK Commercial £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Europe £m	Asia & Other[1] £m	Total £m
General insurance											
Gross written premiums	1,088	900	1,988	143	2,131	659	403	1,062	784	9	3,986
Net written premiums	1,041	795	1,836	136	1,972	648	378	1,026	747	12	3,757
Net earned premiums	1,104	750	1,854	134	1,988	620	378	998	664	13	3,663
Net claims incurred	(689)	(445)	(1,134)	(90)	(1,224)	(425)	(237)	(662)	(462)	(13)	(2,361)
Of which claims handling costs			(97)	(4)	(101)			(41)	(29)	—	(171)
Written commission	(267)	(164)	(431)	(18)	(449)	(123)	(75)	(198)	(139)	(1)	(787)
Written expenses[2]	(80)	(97)	(177)	(22)	(199)	(58)	(56)	(114)	(61)	(3)	(377)
Movement in DAC	(8)	10	2	(4)	(2)	6	—	6	12	—	16
Underwriting result	60	54	114	—	114	20	10	30	14	(4)	154
Longer-term investment return[3]			139	9	148			56	37	3	244
Other[4]			(2)	—	(2)			(3)	—	—	(5)
Operating profit			251	9	260			83	51	(1)	393
Health insurance											
Underwriting result					1			—	5	—	6
Longer-term investment return					2			—	1	1	4
Operating profit					3			—	6	1	10
Total operating profit					263			83	57	—	403
General insurance combined operating ratio											
Claims ratio	62.3%	59.3%	61.1%	67.4%	61.5%	68.6%	62.7%	66.4%	69.6%		64.5%
Commission ratio	25.6%	20.6%	23.5%	13.3%	22.8%	18.9%	19.8%	19.3%	18.7%		21.0%
Expense ratio	7.8%	12.1%	9.7%	15.9%	10.1%	9.0%	14.9%	11.1%	8.1%		10.0%
Combined operating ratio[5]	95.7%	92.0%	94.3%	96.6%	94.4%	96.5%	97.4%	96.8%	96.4%		95.5%
Assets supporting general insurance and health business											
Debt securities			3,602	998	4,600			3,132	2,166	232	10,130
Equity securities			14	—	14			254	26	—	294
Investment property			1	6	7			—	128	—	135
Cash and cash equivalents			883	65	948			90	262	37	1,337
Other[6]			4,142	101	4,243			136	186	—	4,565
Assets at 30 June 2014			8,642	1,170	9,812			3,612	2,768	269	16,461
Debt securities			3,515	994	4,509			3,098	2,255	243	10,105
Equity securities			15	—	15			301	23	—	339
Investment property			1	6	7			—	133	—	140
Cash and cash equivalents			1,490	194	1,684			95	152	51	1,982
Other[6]			5,088	109	5,197			79	159	—	5,435
Assets at 31 December 2013			10,109	1,303	11,412			3,573	2,722	294	18,001
Average assets			9,375	1,237	10,612			3,592	2,745	282	17,231
LTIR as % of average assets			3.0%	1.5%	2.8%			3.1%	2.8%	2.8%	2.9%

1 Asia & Other includes Aviva Re.
2 Operating expenses shown in note 3 includes claims handling costs and written expenses included in general insurance COR above, plus operating expenses of other non-insurance operations.
3 The UK & Ireland LTIR includes £83 million *(HY13: £116 million)* relating to the internal loan. This is lower than 2013 primarily as a result of a reduction in the balance of this loan during 2013 and 2014.
4 Includes unwind of discount and pension scheme net finance costs.
5 COR is calculated as incurred claims expressed as a percentage of net earned premiums, plus written commissions and written expenses expressed as a percentage of net written premiums. COR is calculated using unrounded numbers so minor rounding differences may exist.
6 Includes loans and other financial investments.

7.ii – General insurance and health continued

Full Year 2014	UK Personal £m	UK Commercial £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Europe £m	Asia & Other[1] £m	Total £m
General insurance											
Gross written premiums	2,239	1,694	3,933	285	4,218	1,344	832	2,176	1,389	15	7,798
Net written premiums	2,152	1,511	3,663	272	3,935	1,325	779	2,104	1,313	20	7,372
Net earned premiums	2,202	1,511	3,713	267	3,980	1,280	770	2,050	1,308	23	7,361
Net claims incurred	(1,359)	(905)	(2,264)	(179)	(2,443)	(872)	(471)	(1,343)	(912)	(13)	(4,711)
Of which claims handling costs			(193)	(6)	(199)			(79)	(59)	—	(337)
Written commission	(564)	(309)	(873)	(36)	(909)	(259)	(157)	(416)	(250)	(1)	(1,576)
Written expenses[2]	(175)	(189)	(364)	(44)	(408)	(115)	(111)	(226)	(117)	(5)	(756)
Movement in DAC	(8)	(5)	(13)	(3)	(16)	15	3	18	1	—	3
Underwriting result	96	103	199	5	204	49	34	83	30	4	321
Longer-term investment return[3]			260	18	278			112	74	6	470
Other[4]			(4)	—	(4)			(6)	—	—	(10)
Operating profit			455	23	478			189	104	10	781
Health insurance											
Underwriting result					15			—	8	(3)	20
Longer-term investment return					6			—	1	—	7
Operating profit					21			—	9	(3)	27
Total operating profit					499			189	113	7	808
General insurance combined operating ratio											
Claims ratio	61.7%	59.9%	61.0%	67.1%	61.4%	68.1%	61.1%	65.5%	69.7%		64.0%
Commission ratio	26.2%	20.4%	23.8%	13.4%	23.1%	19.6%	20.2%	19.8%	19.1%		21.4%
Expense ratio	8.1%	12.5%	10.0%	16.1%	10.4%	8.7%	14.2%	10.8%	8.9%		10.3%
Combined operating ratio[5]	96.0%	92.8%	94.8%	96.6%	94.9%	96.4%	95.5%	96.1%	97.7%		95.7%
Assets supporting general insurance and health business											
Debt securities			4,429	825	5,254			3,261	2,140	203	10,858
Equity securities			7	—	7			222	22	—	251
Investment property			91	4	95			—	128	—	223
Cash and cash equivalents			865	79	944			123	185	48	1,300
Other[6]			3,372	101	3,473			122	172	—	3,767
Assets at 31 December 2014			8,764	1,009	9,773			3,728	2,647	251	16,399
Debt securities			3,515	994	4,509			3,098	2,255	243	10,105
Equity securities			15	—	15			301	23	—	339
Investment property			1	6	7			—	133	—	140
Cash and cash equivalents			1,490	194	1,684			95	152	51	1,982
Other[6]			5,088	109	5,197			79	159	—	5,435
Assets at 31 December 2013			10,109	1,303	11,412			3,573	2,722	294	18,001
Average assets			9,436	1,156	10,592			3,650	2,685	273	17,200
LTIR as % of average assets			2.8%	1.6%	2.7%			3.1%	2.8%	2.2%	2.8%

1 Asia & Other includes Aviva Re.
2 Operating expenses shown in note 3 includes claims handling costs and written expenses included in general insurance COR above, plus operating expenses of other non-insurance operations.
3 The UK & Ireland LTIR includes £156 million *(FY13: £221 million)* relating to the internal loan. This is lower than 2013 primarily as a result of a reduction in the balance of this loan during 2014.
4 Includes unwind of discount and pension scheme net finance costs.
5 COR is calculated as incurred claims expressed as a percentage of net earned premiums, plus written commissions and written expenses expressed as a percentage of net written premiums. COR is calculated using unrounded numbers so minor rounding differences may exist.
6 Includes loans and other financial investments.

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7.iii – Fund flows

	Managed assets at 1 January 2015 £m	Acquisitions[1] £m	Premiums and deposits, net of reinsurance £m	Claims and redemptions, net of reinsurance £m	Net flows[2] £m	Effect of disposals, market and other movements £m	Managed assets at 30 June 2015 £m
Life and platform business							
UK – non-profit – platform	5,282	—	1,732	(215)	1,517	18	**6,817**
UK – non-profit – other	83,731	63,810	3,568	(3,842)	(274)	(2,249)	**145,018**
Ireland	5,518	—	231	(332)	(101)	(578)	**4,839**
United Kingdom & Ireland (excluding UK with-profits)	94,531	63,810	5,531	(4,389)	1,142	(2,809)	**156,674**
Europe	96,602	—	4,103	(3,469)	634	(5,432)	**91,804**
Asia	4,240	7,505	714	(451)	263	(234)	**11,774**
Other	1,862	—	13	(80)	(67)	65	**1,860**
	197,235	71,315	10,361	(8,389)	1,972	(8,410)	**262,112**
UK – with-profits and other	46,677						**65,597**
Total life and platform business	243,912						**327,709**

1 For further details on the acquisition of Friends Life see note B4.
2 Life business net flows in the table above are net of reinsurance and exclude flows related to UK equity release products.

United Kingdom & Ireland (excluding UK with-profits)

During the first half of 2015, net inflows in the UK Life platform were £1,517 million reflecting growing market presence. Over the period, platform assets under management have increased 29% to £6,817 million.

Other UK non-profit outflows were £274 million. Positive net flows in Group pensions have been offset by expected negative net flows in traditional products with customers switching to modern platforms and taking advantage of pension freedom. Other movements mainly reflect unfavourable market movements driven by an increase in interest rates and fall in equities since the acquisition of Friends Life.

In Ireland, net outflows were £101 million reflecting reduced new business inflows due to the strategic withdrawal from unprofitable product lines. In addition, claims exceed premiums in the Irish with-profit fund which is closed to new business.

Europe

Net inflows were £634 million. This was mainly driven by France reflecting increased AFER inflows plus increased unit linked and protection sales. Other movements in Europe include unfavourable foreign exchange movements of £8.5 billion partially offset by favourable market and other movements.

Asia and other

Net inflows in Asia were £263 million arising mainly in Singapore and reflect the launch of a number of new products in 2015. Market and other movements reflect adverse foreign exchange rate and market movements. Other business net outflows of £67 million primarily relate to Aviva Investors' Pooled Pensions business.

8.i – Summary of assets

The Group asset portfolio is invested to generate competitive investment returns for both policyholders and shareholders whilst remaining within the Group's appetite for market and credit risk.

The Group has a low appetite for interest rate risk and currency risk which means that the asset portfolios are well matched by duration and currency to the liabilities they cover. The Group also runs a low level of liquidity risk which results in a high proportion of income generating assets and a preference for more liquid assets where there is the potential need to realise those assets before maturity.

The Group seeks to diversify its asset portfolio in order to reduce risk and provide more attractive risk-adjusted returns. In order to achieve this there is a comprehensive risk limit framework in place. There is an allowance for diversification in our economic capital model, actions have been taken to reduce our exposure to the Eurozone periphery, and we are broadening the investment portfolio in individual businesses.

Asset allocation decisions are taken at legal entity level and in many cases by fund within a legal entity in order to reflect the nature of the liabilities, customer expectations, the local accounting and regulatory treatment, and any local constraints. These asset allocation decisions are made in accordance with a Group-wide framework that takes into account consensus investment views across the Group, prioritised Group objectives and metrics and Group risk limits and constraints. This framework is overseen by the Group ALCO (Asset Liability Committee) and facilitates a generally consistent approach to strategic asset allocation across the business units in line with Group risk appetite and shareholder objectives.

The asset allocation as at 30 June 2015 across the Group, split according to the type of liability the assets are covering, is shown in the table below. This includes the acquisition of Friends Life on 10 April 2015 which has significantly increased the total assets across the Group since 31 December 2014. Further information on these assets is given in the Analysis of Assets Section.

	Shareholder business assets			Participating fund assets				
Carrying value in the statement of financial position	General Insurance & health & other[1] £m	Annuity and non-profit £m	Policyholder (unit linked assets) £m	UK style with profits £m	Continental European-style participating funds £m	Total assets analysed £m	Less assets of operation classified as held for sale £m	Carrying value in the statement of financial position £m
Debt securities								
Government bonds	**6,456**	**11,288**	**16,356**	**21,438**	**23,563**	**79,101**	**—**	**79,101**
Corporate bonds	**4,092**	**22,598**	**7,653**	**13,317**	**23,387**	**71,047**	**—**	**71,047**
Other	**192**	**2,735**	**2,128**	**2,450**	**4,493**	**11,998**	**—**	**11,998**
	10,740	**36,621**	**26,137**	**37,205**	**51,443**	**162,146**	**—**	**162,146**
Loans								
Mortgage loans	**68**	**19,614**	**—**	**570**	**1**	**20,253**	**—**	**20,253**
Other loans	**133**	**600**	**318**	**2,133**	**684**	**3,868**	**—**	**3,868**
	201	**20,214**	**318**	**2,703**	**685**	**24,121**	**—**	**24,121**
Equity securities	**220**	**337**	**48,385**	**12,672**	**3,443**	**65,057**	**—**	**65,057**
Investment property	**256**	**176**	**6,325**	**4,031**	**779**	**11,567**	**—**	**11,567**
Other investments	**667**	**1,420**	**39,638**	**3,379**	**2,504**	**47,608**	**—**	**47,608**
Total as at 30 June 2015	**12,084**	**58,768**	**120,803**	**59,990**	**58,854**	**310,499**	**—**	**310,499**
Total as at 31 December 2014	12,463	46,820	71,454	42,077	64,009	236,823	—	236,823

1 Of the £12.1 billion of assets 8% relates to other shareholder business assets.

There is an internal loan between Aviva Insurance Limited (AIL) and Aviva Group Holdings Limited (AGH) that has a net value of zero at a consolidated level.

General insurance and health

All the investment risk is borne by shareholders and the portfolio held to cover these liabilities contains a high proportion of fixed and variable income securities, of which 84% are rated A or above. The assets are relatively short duration reflecting the short average duration of the liabilities. Liquidity, interest rate and foreign exchange risks are maintained at a low level.

Annuity and other non-profit

All the investment risk is borne by shareholders. The annuity liabilities have a long duration but are also illiquid as customers cannot surrender their policies. The assets are chosen to provide stable income with a good cash flow, foreign exchange and interest rate match to the liabilities. We are able to invest part of the portfolio in less liquid assets in order to improve risk-adjusted returns given the illiquid nature of the liabilities. The asset portfolio is principally comprised of long maturity bonds and loans including a material book of commercial mortgage loans. As at 30 June 2015, unrealised losses and impairments on the bond portfolio of £36.6 billion amounted to £1.1 billion or 3% of the portfolio. The equivalent figure for 31 December 2014 was 0.3%. Unrealised gains on the portfolio were £4.0 billion as at 30 June 2015 or 11% of the portfolio. The equivalent unrealised gains figure for 31 December 2014 was 17%. The other non-profit business assets are a smaller proportion of this portfolio and are generally shorter in duration and have a high proportion invested in fixed income.

8.i – Summary of assets continued

The current asset value of the commercial mortgage portfolio (including Healthcare and PFI mortgages) backing the UK Annuity book is £12.2 billion. Commercial mortgages are held at fair value on the asset side of the statement of financial position. In addition we also carry an allowance against the risk of default on our riskier mortgages of £0.9 billion *(FY14: £0.9 billion)*. The valuation allowance (including supplementary allowances) for commercial mortgages, including Healthcare and PFI mortgages of £0.9 billion equates to 93bps at 30 June 2015 *(FY14: 87bps)*.

Policyholder assets

These assets are invested in line with the fund choices made by our unit-linked policyholders and the investment risk is borne by the policyholder. This results in a high allocation to growth assets such as equity and property. Aviva's shareholder exposure to these assets arises from the fact that the income we receive is a proportion of the assets under management.

UK style with – profits (WP)

UK style with-profit funds hold relatively long term contracts with policyholders participating in pooled investment performance subject to some minimum guarantees. Smoothed returns are used to declare bonuses to policyholders which increase the level of the guarantees through time. The part of the portfolio to which policyholder bonuses are linked is invested in line with their expectations and includes growth assets such as equity and property as well as fixed income. The remainder of the portfolio is invested to mitigate the resultant shareholder risk. This leads us to an overall investment portfolio that holds a higher proportion of growth assets (such as equity and property) than our other business lines although there are still material allocations to fixed income assets.

Continental European style participating funds

Continental European style participating funds hold relatively long term contracts with policyholders participating in pooled investment performance subject to some minimum guarantees. Smoothed returns are used to declare bonuses to policyholders which increase the level of the guarantees through time. There is less discretion in how guarantees increase through time compared to the UK style equivalent funds and more of the bonus accrues each year rather than being allocated at maturity. The investment portfolio holds a higher proportion of fixed income assets than the UK style equivalent. Fixed income assets also give rise to less volatility on the local statutory balance sheet than growth assets.

8.ii – Net asset value

At the end of HY15, IFRS net asset value per share was 380 pence *(FY14: 340 pence).* This movement was driven by a benefit from the acquisition of Friends Life of 55 pence per share (£5,975 million), operating profits and positive investment variances. This was partly offset by the payment of the final 2014 dividend to shareholders, remeasurement of the pension schemes, adverse foreign exchange movements, amortisation and impairment of acquired value of in-force business following Friends Life acquisition and integration and restructuring costs principally driven by transaction and integration activities in relation to the Friends Life acquisition.

Total investment variances and economic assumption changes were £37 million positive. This included £112 million positive short term fluctuations in the non-life business, as foreign exchange gains on Group centre holdings more than offset adverse economic assumption changes, reflecting the adverse impact of lower real discount rates on periodic payment order claims. In the life businesses, investment return variances were £75 million adverse. The adverse variance is driven by increased risk-free rates in the UK, in addition to the cost of de-risking activities used to manage the UK's economic capital position. This has partly been offset by positive equity market movements in Asia in the first half of 2015.

The adverse movement on the Group's staff pension schemes of £267 million post tax is principally due to the main UK staff pension scheme. The surplus has decreased over the period largely as a result of an adverse movement in the liabilities reflecting the narrowing of credit spreads, partly offset by increased interest rates.

The adverse foreign exchange movement of £404 million is due to the strengthening of sterling, particularly compared with the Euro.

IFRS	30 June 2015 £m	pence per share[2]	31 December 2014 £m	pence per share[2]
Equity attributable to shareholders of Aviva plc at 1 January[1]	**10,018**	**340p**	7,964	270p
Operating profit – (Restated)[3]	**1,170**	**29p**	2,173	74p
Investment return variances and economic assumption changes on life and non-life business	**37**	**1p**	188	6p
Profit/(loss) on the disposal and remeasurements of subsidiaries and associates	**—**	**—**	232	8p
Goodwill impairment and amortisation of intangibles	**(83)**	**(2)p**	(114)	(4)p
Amortisation and impairment of acquired value of in-force business	**(162)**	**(4)p**	—	—
Integration and restructuring costs	**(172)**	**(4)p**	(140)	(5)p
Tax on operating profit and on other activities	**(245)**	**(6)p**	(601)	(20)p
Non-controlling interests	**(81)**	**(3)p**	(169)	(6)p
Profit after tax attributable to shareholders of Aviva plc	**464**	**11p**	1,569	53p
AFS securities (fair value) & other reserve movements	**(15)**	**—**	62	2p
Ordinary dividends	**(362)**	**(9)p**	(446)	(15)p
Direct capital instruments and fixed rate tier 1 notes interest and preference share dividend	**(23)**	**(1)p**	(86)	(3)p
Foreign exchange rate movements	**(404)**	**(10)p**	(317)	(11)p
Remeasurements of pension schemes	**(267)**	**(7)p**	1,315	45p
Friends Life acquisition[4]	**5,975**	**55p**	—	—
Other net equity movements[5]	**4**	**1p**	(43)	(1)p
Equity attributable to shareholders of Aviva plc at 30 June/31 December[1]	**15,390**	**380p**	10,018	340p

1 Excluding preference shares.
2 Number of shares as at 30 June 2015: 4,046 million *(31 December 2014: 2,950 million)*.
3 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement. Amortisation and impairment of AVIF has been added as a separate line item outside of operating profit.
4 Includes the dilution effect on IFRS NAV per share of the increase in number of shares arising as a result of the acquisition of Friends Life.
5 The pence per share impact includes the effects of rounding.

8.ii – Net asset value continued

At the end of HY15, MCEV net asset value per share reduced to 508 pence *(FY14: 527 pence).* This movement is driven by a benefit from the acquisition of Friends Life and operating profits, more than offset by adverse foreign exchange rate movements, remeasurement of the pension schemes, the payment of the final 2014 dividend to shareholders, integration and restructuring costs following the acquisition of Friends Life and adverse investment variances.

Total MCEV investment variances were £128 million adverse. This includes adverse variance of £240 million in the Group's life businesses, partially offset by positive variances in the non-life businesses of £112 million.

The adverse life investment variances are largely driven by the adverse impact on the UK annuity business of increases in risk-free rates and widening corporate bond and mortgage spreads, as well as the adverse impact of refinements to the model used to value the equity release business. This is partly offset by favourable variances in France due to a fall in the cost of guarantees following increased risk-free rates and reduced swaption volatilities. France also benefits from a strong equity performance on unit-linked business and an economic assumption change to adjust the split between the income and capital component of equity returns.

MCEV[2]	**30 June 2015 £m**	**pence per share[1]**	31 December 2014 £m	pence per share[3]
Equity attributable to shareholders of Aviva plc at 1 January[3]	**15,547**	**527p**	13,643	463p
Operating profit	**1,103**	**27p**	2,885	98p
Investment return variances and economic assumption changes on life and non-life business	**(128)**	**(3)p**	(36)	(1)p
Profit/(loss) on the disposal and remeasurements of subsidiaries and associates	**—**	**—**	178	6p
Goodwill impairment and amortisation of intangibles	**(91)**	**(2)p**	(130)	(4)p
Integration costs and restructuring	**(167)**	**(4)p**	(159)	(6)p
Exceptional items	**(2)**	**—**	(198)	(7)p
Tax on operating profit and on other activities	**(308)**	**(8)p**	(674)	(23)p
Non-controlling interests	**(74)**	**(2)p**	(208)	(7)p
Profit after tax attributable to shareholders of Aviva plc	**333**	**8p**	1,658	56p
AFS securities (fair value) & other reserve movements	**—**	**—**	(1)	—
Ordinary dividends	**(362)**	**(9)p**	(446)	(15)p
Direct capital instruments and fixed rate tier 1 notes interest and preference share dividend	**(23)**	**(1)p**	(86)	(3)p
Foreign exchange rate movements	**(652)**	**(16)p**	(546)	(19)p
Remeasurements of pension schemes	**(267)**	**(7)p**	1,315	45p
Friends Life acquisition[4]	**5,975**	**5p**	—	—
Other net equity movements[5]	**4**	**1p**	10	—
Equity attributable to shareholders of Aviva plc at 30 June/31 December[3]	**20,555**	**508p**	15,547	527p

1 Number of shares as at 30 June 2015: 4,046 million *(31 December 2014: 2,950 million).*
2 In preparing the MCEV information, the directors have done so in accordance with the European Insurance CFO Forum MCEV Principles.
3 Excluding preference shares.
4 Includes the dilution effect on MCEV NAV per share of the increase in number of shares arising as a result of the acquisition of Friends Life. As the opening MCEV is greater than the opening IFRS, the dilution effect is more significant under MCEV. As a result the acquisition leads to a 5p increase in pence per share under MCEV compared to 55p under IFRS.
5 The pence per share impact includes the effects of rounding.

8.iii – Return on equity

Following the acquisition of Friends Life, management has changed the calculation of return on equity which is now calculated as net operating return on an IFRS basis expressed as a percentage of weighted average ordinary shareholders' equity (rather than opening ordinary shareholders' equity). Comparatives have been restated accordingly and the calculation at half year is based on an annualised net operating return.

During HY15, return on equity has decreased to 15.5% *(FY14: 16.2% restated),* primarily reflecting the effect of the acquisition of Friends Life on weighted average shareholders' equity. During the second half of 2015 the effect of the acquisition of Friends Life on weighted average equity will have a further adverse impact on return on equity.

	6 months 2015 %	Restated[1] Full Year 2014 %
United Kingdom & Ireland Life	**14.6%**	16.1%
United Kingdom & Ireland General Insurance and Health	**8.7%**	9.0%
Europe	**12.1%**	13.0%
Canada	**19.7%**	14.2%
Asia	**21.2%**	9.4%
Fund management	**17.4%**	23.2%
Corporate and Other Business	**n/a**	n/a
Return on total capital employed	**11.6%**	11.4%
Subordinated debt	**5.0%**	5.3%
Senior debt	**2.3%**	2.1%
Return on total equity	**14.6%**	14.2%
Less: Non-controlling interest	**12.4%**	10.5%
Direct capital instruments and fixed rate tier 1 notes	**7.8%**	5.5%
Preference capital	**8.5%**	8.5%
Return on equity shareholders' funds[2]	**15.5%**	16.2%

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on total equity for any period presented as a result of this restatement. The combined impact of the operating profit restatement and the change to the calculation of return on equity has decreased the FY14 return on equity shareholders' funds from 17.4% to 16.2%.

2 Return on equity including the impact of amortisation and impairment of acquired value of in-force business would be 10.9% *(FY14: 15.8%).*

8.iv – European Insurance Groups Directive (IGD)

	UK life funds £bn	Other business £bn	30 June 2015 £bn	31 December 2014 £bn
Insurance Groups Directive (IGD) capital resources	**12.5**	**9.9**	**22.4**	14.4
Less: capital resources requirement	**(12.5)**	**(4.7)**	**(17.2)**	(11.2)
Insurance Group Directive (IGD) excess solvency	**—**	**5.2**	**5.2**	3.2
Cover over EU minimum (calculated excluding UK life funds)			**2.1 times**	1.6 times

The EU Insurance Groups Directive (IGD) regulatory capital solvency surplus has increased by £2.0 billion since 31 December 2014 to £5.2 billion. The key drivers of the increase are the acquisition of Friends Life which has increased IGD capital by £1.6 billion and the net issue of hybrid debt which has increased IGD capital by £0.4 billion.

The key movements over the period are set out in the following table:

	£bn
IGD solvency surplus at 31 December 2014	**3.2**
Operating profits net of other income and expenses	**0.6**
Net hybrid debt issue[1]	**0.4**
Pension scheme funding	**(0.2)**
Acquisition of Friends Life	**1.6**
CRR increase	**(0.1)**
Other regulatory adjustments	**(0.3)**
Estimated IGD solvency surplus at 30 June 2015	**5.2**

1 Net hybrid debt issue includes £1 billion benefit of two new Tier 2 subordinated debt instruments issued on 4 June 2015; offset by £(0.6) billion derecognition of two instruments with first call dates in the second half of 2015.

Group IGD sensitivity

	30 June 2015 £bn	Equities down 10%	Interest rates up 1%
Sensitivities on IGD	**5.2**	**(0.0)**	**(0.0)**

The Group proactively manages its balance sheet risk through monitoring, stress analysis and our hedging programme.

The Group's IGD surplus is resilient to global equity market falls and global interest rate rises, reflecting the hedging that the Group currently has in place.

The impact of a 1% rise in global interest rates is calculated with reference to the regulatory value of debt securities in continental Europe being capped to local minimum capital requirements in participating funds. This provides protection to the Group's IGD surplus from immediate market losses on debt securities.

8.v – Economic capital

The estimated economic capital surplus represents the excess of Available Economic Capital over Required Economic Capital. Available Economic Capital is based on MCEV net assets, adjusted for items to convert to an economic basis. Required Economic Capital is based on Aviva's own internal assessment and capital management policies. The term 'economic capital' does not imply capital as required by regulators or other third parties.

Summary of estimated economic capital position

	30 June 2015 £bn	31 December 2014 £bn
Available economic capital	**25.1**	18.6
Standalone required economic capital	**(20.8)**	(16.1)
Diversification benefit	**6.5**	5.9
Diversified required economic capital	**(14.3)**	(10.2)
Estimated economic capital position at 30 June/31 December	**10.8**	8.4
Cover Ratio	**176%**	182%
Foreseeable dividend accrual	**—**	(0.4)
Estimated economic capital position at 30 June/31 December	**10.8**	8.0
Cover ratio	**176%**	178%

Analysis of change in economic capital

	6 months 2015 £bn	Full year 2014 £bn
Economic capital surplus position at 1 January	**8.0**	8.3
MCEV operating earnings	**0.8**	1.6
Economic variances (including FX)	**(1.0)**	(0.5)
Exceptional and other non-operating items	**(0.3)**	(0.4)
Dividends and appropriations, and shares issued in lieu of dividends	**—**	(0.5)
Net hybrid debt issuance	**0.4**	(0.3)
Acquisition of Friends Life	**7.3**	—
Available capital benefits from acquisitions and disposals	**—**	0.2
Other	**(0.3)**	0.1
Change in available economic capital	**6.9**	0.2
Impact of trading operations and other	**0.4**	0.3
Other changes in methodology	**(0.9)**	(0.6)
Acquisition of Friends Life	**(3.6)**	—
Capital requirement impact from acquisitions and disposals	**—**	0.2
Change in diversified required economic capital	**(4.1)**	(0.1)
Estimated economic capital surplus position at 30 June/31 December before foreseeable dividend accrual	**10.8**	8.4
Foreseeable dividend accrual	**—**	(0.4)
Estimated economic capital surplus position at 30 June/31 December	**10.8**	8.0

The estimated economic capital position has increased by £2.8 billion to £10.8 billion at 30 June 2015 with a cover ratio of 176%. The change in available economic capital position is driven by the acquisition of Friends Life, underlying operating profits and net issue of hybrid debt instruments, offset by economic variances and other non-operating items. The change in required economic capital position is driven by the acquisition of Friends Life and strengthening of correlation and calibration assumptions to align with Solvency II.

Summary analysis of diversified required economic capital

	30 June 2015 £bn	31 December 2014 £bn
Credit risk[1]	**3.9**	2.4
Equity risk[2]	**2.0**	1.5
Interest rate risk[3]	**0.7**	0.6
Other market risk[4]	**1.5**	1.4
Life insurance risk[5]	**2.2**	1.3
General insurance risk[6]	**0.8**	0.8
Other risk[7]	**3.2**	2.2
Total	**14.3**	10.2

1 Capital held in respect of credit risk recognises the Group's shareholder exposure to changes in the market value of assets and defaults. A range of specific stresses are applied reflecting the difference in assumed risk relative to the investment grade and duration.
2 Capital held in respect of equity risk recognises the Group's shareholder exposure to changes in the market value of assets.
3 Capital held in respect of interest rate risk recognises the Group's shareholder exposure to changes in the market value of assets. A range of specific stresses are applied reflecting the difference in assumed risk relative to investment grade and duration.
4 Capital held in respect of other market risk recognises the Group's shareholder exposure to changes in the market value of commercial mortgages and property, but also captures risk in association with inflation and foreign exchange.
5 Capital held in respect of life insurance risk recognises the Group's shareholder exposure to life insurance specific risks, such as longevity and lapse.
6 Capital held in respect of general insurance risk recognises the Group's shareholder exposure to general insurance specific risks, such as claims volatility and catastrophe.
7 Capital held in respect of other risk recognises the Group's shareholder exposure to specific risks unique to particular business units and other items.

Financial supplement

Reconciliation of Group operating profit to profit after tax – IFRS basis

For the six month period ended 30 June 2015

	6 months 2015 £m	Restated[1] 6 months 2014 £m	Restated[1] Full Year 2014 £m
Operating profit before tax attributable to shareholders' profits			
Life business			
United Kingdom & Ireland	**569**	483	1,049
Europe	**372**	455	882
Asia	**79**	34	87
Other	**1**	1	1
Total life business	**1,021**	973	2,019
General insurance and health			
United Kingdom & Ireland	**239**	263	499
Europe	**59**	57	113
Canada	**131**	83	189
Asia	**(4)**	1	(2)
Other	**(3)**	(1)	9
Total general insurance and health	**422**	403	808
Fund management			
Aviva Investors	**32**	41	79
United Kingdom	**—**	6	6
Asia	**1**	1	1
Total fund management	**33**	48	86
Other			
Other operations (note A1)	**(57)**	(54)	(105)
Market operating profit	**1,419**	1,370	2,808
Corporate centre (note A2)	**(79)**	(64)	(132)
Group debt costs and other interest (note A3)	**(170)**	(235)	(463)
Operating profit before tax attributable to shareholders' profits	**1,170**	1,071	2,213
Integration and restructuring costs	**(172)**	(42)	(140)
Operating profit before tax attributable to shareholders' profits after integration and restructuring costs	**998**	1,029	2,073
Adjusted for the following:			
Investment return variances and economic assumption changes on long-term business (note A4)	**(75)**	44	72
Short-term fluctuation in return on investments backing non-long-term business (note A5)	**166**	165	261
Economic assumption changes on general insurance and health business (note A6)	**(54)**	(67)	(145)
Impairment of goodwill, joint ventures and associates and other amounts expensed (note A7)	**(22)**	(24)	(24)
Amortisation and impairment of intangibles	**(61)**	(38)	(90)
Amortisation and impairment of acquired value of in-force business (note A9)	**(162)**	(19)	(40)
Profit on the disposal and re-measurement of subsidiaries, joint ventures and associates (note A8)	**—**	51	174
Exceptional items (note A10)	**—**	—	—
Non-operating items before tax	**(208)**	112	208
Profit before tax attributable to shareholders' profits	**790**	1,141	2,281
Tax on operating profit	**(304)**	(254)	(563)
Tax on other activities	**59**	(24)	(38)
	(245)	(278)	(601)
Profit after tax	**545**	863	1,680
Profit from discontinued operations[2]	**—**	—	58
Profit for the period	**545**	863	1,738

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
2 Discontinued operations relate to US life and related internal asset management businesses (US Life) sold in 2013.

Other Group Operating Profit Items

A1 – Other operations

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
United Kingdom & Ireland Life	**(6)**	(6)	(4)
United Kingdom & Ireland General Insurance	**—**	—	4
Europe	**(12)**	(12)	(26)
Asia	**(9)**	(10)	(8)
Other Group operations[1]	**(30)**	(26)	(71)
Total	**(57)**	(54)	(105)

1 Other Group operations include Group and head office costs.

Other operations relate to non insurance activities and primarily include costs associated with our Group and regional head offices, pension schemes expenses, as well as non insurance income.

A2 – Corporate centre

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Project spend	**(2)**	(5)	(9)
Central spend and share award costs	**(77)**	(59)	(123)
Total	**(79)**	(64)	(132)

A3 – Group debt costs and other interest

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
External debt			
Subordinated debt	**(153)**	(142)	(289)
Other	**(10)**	(10)	(21)
Total external debt	**(163)**	(152)	(310)
Internal lending arrangements	**(53)**	(99)	(186)
Net finance income on main UK pension scheme	**46**	16	33
Total	**(170)**	(235)	(463)

Non-operating profit items

A4 – Life Business: Investment return variances and economic assumption changes

(a) Definitions

Operating profit for life business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. Operating profit includes the effect of variance in experience for non-economic items, such as mortality, persistency and expenses, and the effect of changes in non-economic assumptions, where not treated as exceptional. Changes due to economic items, such as market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit.

(b) Economic volatility

The investment variances and economic assumption changes excluded from the life operating profit are as follows:

Life business	**6 months 2015 £m**	6 months 2014 £m	Full Year 2014 £m
Investment variances and economic assumptions	**(75)**	44	72

Investment variances and economic assumption changes were £75 million negative *(HY14: £44 million positive; FY14: £72 million positive)*. The adverse variance is driven by increased risk-free rates in the UK, in addition to the cost of de-risking activities used to manage the UK's economic capital position. This has partly been offset by positive equity market movements in Asia in the first half of 2015.

In 2014, positive variances were mainly driven by lower risk-free rates and narrowing credit spreads on government and corporate bonds in Italy and Spain. Adverse variances in the UK were due to the adverse impact of falling reinvestment yields net of improved underlying property values on commercial mortgages partly offset by a change to the model used to value certain equity release assets and the consequential impact on the liabilities that they back.

(c) Assumptions

The expected rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return and asset classification under IFRS.

The principal assumptions underlying the calculation of the expected investment return for equities and properties are:

			Equities			Properties
	6 months 2015 %	6 months 2014 %	Full year 2014 %	**6 months 2015 %**	6 months 2014 %	Full year 2014 %
United Kingdom	**5.4%**	6.6%	6.6%	**3.9%**	5.1%	5.1%
Eurozone	**4.3%**	5.7%	5.7%	**2.8%**	4.2%	4.2%

The expected return on equities and properties has been calculated by reference to the 10 year swap rate in the relevant currency plus an appropriate risk margin. These are the same assumptions as are used under MCEV principles to calculate the longer-term investment return for the Group's life business.

For fixed interest securities classified as fair value through profit or loss, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risks; this includes an adjustment for credit risk on all Eurozone sovereign debt. Where such securities are classified as available for sale, the expected investment return comprises the expected interest or dividend payments and amortisation of the premium or discount at purchase.

A5 – Non-life business: Short-term fluctuation in return on investments

General Insurance and health	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Analysis of investment income:			
– Net investment income	**141**	363	666
– Foreign exchange gains/losses and other charges	**(31)**	(15)	(8)
	110	348	658
Analysed between:			
– Longer-term investment return, reported within operating profit	**205**	248	477
– Short-term fluctuations in investment return, reported outside operating profit	**(95)**	100	181
	110	348	658
Short-term fluctuations:			
– General insurance and health	**(95)**	100	181
– Other operations[1]	**261**	65	80
Total short-term fluctuations	**166**	165	261

1 Represents short-term fluctuation on assets backing non-life business in Group centre investments, including the centre hedging programme.

The longer-term investment return is calculated separately for each principal non-life business unit. In respect of equities and properties, the return is calculated by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the longer-term rate of investment return. The longer-term rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return. The allocated longer-term return for other investments is the actual income receivable for the period. Actual income and longer-term investment return both contain the amortisation of the discounts/premium arising on the acquisition of fixed income securities.

Market value movements which give rise to variances between actual and longer-term investment returns are disclosed separately in short term fluctuations outside operating profit.

The impact of realised and unrealised gains on Group centre investments, including the centre hedging programme which is designed to economically protect the total Group's capital against adverse equity and foreign exchange movements, is included in short-term fluctuations on other operations.

The favourable short-term fluctuations during the first half of 2015 are mainly due to foreign exchange movement gains on Group centre holdings, including the centre hedging programme which more than offset adverse fluctuations due to increased interest rates in the UK.

Total assets supporting the general insurance and health business, which contribute towards the longer-term return, are:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Debt securities	**10,033**	10,130	10,858
Equity securities	**232**	294	251
Properties	**256**	135	223
Cash and cash equivalents	**988**	1,337	1,300
Other[2]	**3,389**	4,565	3,767
Assets supporting general insurance and health business	**14,898**	16,461	16,399
Assets supporting other non-long term business[1]	**816**	881	562
Total assets supporting non-long term business	**15,714**	17,342	16,961

1 Represents assets backing non-life business in Group centre investments, including the centre hedging programme.
2 Includes the internal loan.

The principal assumptions underlying the calculation of the longer-term investment return are:

	Longer-term rates of return on equities			Longer-term rates of return on property		
	6 months 2015 %	6 months 2014 %	Full year 2014 %	6 months 2015 %	6 months 2014 %	Full year 2014 %
United Kingdom	**5.4%**	6.6%	6.6%	**3.9%**	5.1%	5.1%
Eurozone	**4.3%**	5.7%	5.7%	**2.8%**	4.2%	4.2%
Canada	**5.8%**	6.8%	6.8%	**4.3%**	5.3%	5.3%

The underlying reference rates are in F2 within the MCEV financial supplement.

A6 – General insurance and health business: economic assumption changes

Economic assumption changes of £54 million adverse *(HY14: £67 million adverse)* mainly arise as a result of a decrease in the real interest rates used to discount reserves for periodic payment order claims.

A7 – Impairment of goodwill, associates, joint ventures and other amounts expensed
Impairment of goodwill, associates and joint ventures is a charge of £22 million *(HY14: £24 million charge)* as management has determined goodwill of £13 million in Asia and £9 million in Europe is not recoverable.

A8 – Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates
There was no profit or loss recognised on the disposal or re-measurement of subsidiaries, joint ventures and associates in the six month period ended 30 June 2015 (*HY14: £51 million profit*).

A9 – Amortisation and impairment of acquired value of in-force business
Amortisation of acquired value of in-force business is a charge of £162 million *(HY14: £19 million charge)*. There were no impairments of acquired value of in-force business in the current period *(HY14: £nil).*

A10 – Exceptional items
Exceptional items are those items that, in the directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. There were no exceptional items in the first half of 2015 *(HY14: £nil).*

IFRS financial statements

In this section

Condensed consolidated income statement

For the six month period ended 30 June 2015

	Note	Reviewed 6 months 2015 £m	Reviewed 6 months 2014 £m	Audited Full Year 2014 £m
Income				
Gross written premiums		**11,058**	11,366	21,670
Premiums ceded to reinsurers		**(1,004)**	(805)	(1,614)
Premiums written net of reinsurance		**10,054**	10,561	20,056
Net change in provision for unearned premiums		**(222)**	(158)	1
Net earned premiums		**9,832**	10,403	20,057
Fee and commission income		**753**	639	1,230
Net investment income		**606**	9,857	21,889
Share of profit after tax of joint ventures and associates		**88**	80	147
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	B4	**—**	51	174
		11,279	21,030	43,497
Expenses				
Claims and benefits paid, net of recoveries from reinsurers		**(10,402)**	(9,976)	(19,474)
Change in insurance liabilities, net of reinsurance	B9a(ii)	**2,761**	(1,533)	(5,570)
Change in investment contract provisions		**(605)**	(2,821)	(6,518)
Change in unallocated divisible surplus	B13	**743**	(2,576)	(3,364)
Fee and commission expense		**(1,933)**	(1,739)	(3,389)
Other expenses		**(1,062)**	(887)	(1,979)
Finance costs		**(271)**	(264)	(540)
		(10,769)	(19,796)	(40,834)
Profit before tax		**510**	1,234	2,663
Tax attributable to policyholders' returns	B6	**280**	(93)	(382)
Profit before tax attributable to shareholders' profits		**790**	1,141	2,281
Tax expense	B6	**35**	(371)	(983)
Less: tax attributable to policyholders' returns	B6	**(280)**	93	382
Tax attributable to shareholders' profits		**(245)**	(278)	(601)
Profit after tax		**545**	863	1,680
Profit from discontinued operations[1]		**—**	—	58
Profit for the period		**545**	863	1,738
Attributable to:				
Equity shareholders of Aviva plc		**464**	755	1,569
Non-controlling interests		**81**	108	169
Profit for the period		**545**	863	1,738
Earnings per share	B7			
Basic (pence per share)		**12.8p**	25.0p	50.4p
Diluted (pence per share)		**12.7p**	24.6p	49.6p
Continuing operations – Basic (pence per share)		**12.8p**	25.0p	48.4p
Continuing operations – Diluted (pence per share)		**12.7p**	24.6p	47.7p

1 Discontinued operations relates to the US Life and related internal asset management businesses (US Life) sold in 2013

Condensed consolidated statement of comprehensive income

For the six month period ended 30 June 2015

	Note	**Reviewed 6 months 2015 £m**	Reviewed 6 months 2014 £m	Audited Full Year 2014 £m
Profit for the period from continuing operations		**545**	863	1,680
Profit for the period from discontinued operations[1]		**—**	—	58
Total profit for the period		**545**	863	1,738
Other comprehensive income from continuing operations:				
Items that may be reclassified subsequently to income statement				
Investments classified as available for sale				
Fair value (losses)/gains		**(15)**	32	62
Fair value (losses)/gains transferred to profit on disposals		**—**	2	(7)
Share of other comprehensive income of joint ventures and associates		**(2)**	8	22
Foreign exchange rate movements		**(496)**	(280)	(396)
Aggregate tax effect – shareholder tax on items that may be reclassified into profit or loss		**19**	(6)	(9)
Items that will not be reclassified to income statement				
Owner-occupied properties – fair value (losses)/gains		**(4)**	(1)	7
Remeasurements of pension schemes	B15	**(338)**	387	1,662
Aggregate tax effect – shareholder tax on items that will not be reclassified into profit or loss		**71**	(67)	(347)
Other comprehensive income, net of tax from continuing operations		**(765)**	75	994
Other comprehensive income, net of tax from discontinued operations[1]		**—**	—	—
Total other comprehensive income, net of tax		**(765)**	75	994
Total comprehensive income for the period from continuing operations		**(220)**	938	2,674
Total comprehensive income for the period from discontinued operations[1]		**—**	—	58
Total comprehensive income for the period		**(220)**	938	2,732
Attributable to:				
Equity shareholders of Aviva plc		**(222)**	876	2,642
Non-controlling interests		**2**	62	90
		(220)	938	2,732

1 Discontinued operations relates to the US Life and related internal asset management businesses (US Life) sold in 2013.

Condensed consolidated statement of changes in equity

For the six month period ended 30 June 2015

	Note	**Reviewed 6 months 2015 £m**	Reviewed 6 months 2014 £m	Audited Full Year 2014 £m
Balance at 1 January		**12,276**	11,017	11,017
Profit for the period		**545**	863	1,738
Other comprehensive income		**(765)**	75	994
Total comprehensive income for the period		**(220)**	938	2,732
Issue of share capital – acquisition of Friends Life	B4	**5,975**	—	—
Non-controlling interests in acquired subsidiaries[1]		**504**	—	—
Reclassification of non-controlling interests to financial liabilities[2]		**(272)**	—	—
Dividends and appropriations		**(389)**	(302)	(551)
Redemption of direct capital instrument[3]		**—**	—	(547)
Non-controlling interests share of dividends declared in the period		**(67)**	(96)	(189)
Transfer to profit on disposal of subsidiaries, joint ventures and associates		**—**	(10)	(11)
Changes in non-controlling interests in subsidiaries		**3**	(20)	(242)
Shares acquired by employee trusts		**(1)**	—	—
Treasury shares held by Group subsidiaries – acquisition of Friends Life		**(20)**	—	—
Shares distributed by employee trusts		**—**	1	5
Reserves credit for equity compensation plans		**23**	21	39
Shares issued under equity compensation plans		**2**	—	4
Aggregate tax effect – shareholder tax		**4**	4	19
Balance at 30 June/31 December		**17,818**	11,553	12,276

1 Includes Friends Life's Step-up Tier one Insurance Capital Securities ("STICS") issuances classified as equity instruments within non-controlling interests at the date of acquisition (refer to note B4 for further detail).
2 On 29 May 2015 notification was given that the Group would redeem the 2005 STICS issuance. At that date the instrument was reclassified as a liability. The instrument was redeemed on 1 July 2015, £272 million represents the fair value of the instrument recognised on acquisition, made up of the £268 million outstanding principal redeemed on 1 July 2015 and £4 million amortised subsequent to the reclassification and included within finance costs in the income statement.
3 On 28 November 2014 a €700 million direct capital instrument was redeemed, which included a £57 million foreign exchange loss.

Condensed consolidated statement of financial position
As at 30 June 2015

	Note	Reviewed 30 June 2015 £m	Reviewed 30 June 2014 £m	Audited 31 December 2014 £m
Assets				
Goodwill		**1,923**	1,364	1,302
Acquired value of in-force business and intangible assets	B21	**6,079**	965	1,028
Interests in, and loans to, joint ventures		**1,222**	1,226	1,140
Interests in, and loans to, associates		**383**	362	404
Property and equipment		**390**	286	357
Investment property		**11,567**	8,647	8,925
Loans		**24,121**	22,967	25,260
Financial investments		**274,811**	197,607	202,638
Reinsurance assets	B11	**20,432**	7,551	7,958
Deferred tax assets		**74**	112	76
Current tax assets		**18**	117	27
Receivables		**8,574**	7,526	5,933
Deferred acquisition costs and other assets		**4,883**	3,677	5,091
Prepayments and accrued income		**2,988**	2,721	2,466
Cash and cash equivalents	B19	**33,186**	23,584	23,105
Assets of operations classified as held for sale	B4	**9**	149	9
Total assets		**390,660**	278,861	285,719
Equity				
Capital				
Ordinary share capital		**1,011**	736	737
Preference share capital		**200**	200	200
		1,211	936	937
Capital reserves				
Share premium		**1,178**	1,165	1,172
Merger reserve		**8,974**	3,271	3,271
		10,152	4,436	4,443
Treasury shares		**(21)**	(11)	(8)
Other reserves[1]		**(194)**	258	229
Retained earnings		**4,442**	3,138	4,617
Equity attributable to shareholders of Aviva plc		**15,590**	8,757	10,218
Direct capital instruments and fixed rate tier 1 notes		**892**	1,382	892
Non-controlling interests[2]		**1,336**	1,414	1,166
Total equity		**17,818**	11,553	12,276
Liabilities				
Gross insurance liabilities	B9	**143,288**	110,980	113,445
Gross liabilities for investment contracts	B10	**179,481**	115,563	117,245
Unallocated divisible surplus	B13	**8,815**	8,923	9,467
Net asset value attributable to unitholders		**10,728**	9,463	9,482
Provisions	B15	**1,615**	871	879
Deferred tax liabilities		**2,053**	624	1,091
Current tax liabilities		**169**	54	169
Borrowings	B14	**9,590**	6,944	7,378
Payables and other financial liabilities		**14,493**	11,418	12,012
Other liabilities		**2,608**	2,329	2,273
Liabilities of operations classified as held for sale	B4	**2**	139	2
Total liabilities		**372,842**	267,308	273,443
Total equity and liabilities		**390,660**	278,861	285,719

1 The decrease in other reserves is primarily driven by adverse foreign exchange rate movements within the currency translation reserve.
2 Includes £231 million relating to Step-up Tier 1 Insurance Capital Securities ("STICS") issued by a Group subsidiary.

Condensed consolidated statement of cash flows

For the six month period ended 30 June 2015

	Note	Reviewed 6 months 2015 £m	Reviewed 6 months 2014 £m	Audited Full year 2014 £m
Cash flows from operating activities				
Cash generated from/(used in) continuing operations		**3,013**	(1,257)	(87)
Tax paid		**(191)**	(301)	(457)
Net cash from/(used in) operating activities – continuing operations		**2,822**	(1,558)	(544)
Net cash from/(used in) operating activities – discontinued operations[1]		**—**	—	—
Total net cash from/(used in) operating activities		**2,822**	(1,558)	(544)
Cash flows from investing activities				
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired		**7,852**	(74)	(79)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred		**—**	(41)	110
New loans to joint ventures and associates		**(9)**	(41)	(73)
Repayment of loans to joint ventures and associates		**—**	2	33
Net new loans to joint ventures and associates		**(9)**	(39)	(40)
Purchases of property and equipment		**(31)**	(7)	(116)
Proceeds on sale of property and equipment		**4**	16	19
Other cash flow related to intangible assets		**(43)**	32	(122)
Net cash from/(used in) investing activities – continuing operations		**7,773**	(113)	(228)
Net cash from/(used in) investing activities – discontinued operations[1]		**—**	—	(20)
Total net cash from/(used in) from investing activities		**7,773**	(113)	(248)
Cash flows from financing activities				
Redemption of direct capital instrument		**—**	—	(547)
Proceeds from issue of ordinary shares		**8**	—	8
Treasury shares purchased for employee trusts		**(1)**	—	—
New borrowings drawn down, net of expenses		**1,583**	992	2,383
Repayment of borrowings		**(546)**	(1,486)	(2,442)
Net drawdown/(repayment) of borrowings		**1,037**	(494)	(59)
Interest paid on borrowings		**(263)**	(256)	(527)
Preference dividends paid	B8	**(9)**	(9)	(17)
Ordinary dividends paid[2]	B8	**(362)**	(277)	(447)
Coupon payments on direct capital instruments and fixed rate tier 1 notes	B8	**(18)**	(16)	(88)
Dividends paid to non-controlling interests of subsidiaries		**(51)**	(96)	(189)
Changes in controlling interest in subsidiaries[3]		**(3)**	(6)	(89)
Net cash from/(used in) financing activities – continuing operations		**338**	(1,154)	(1,955)
Net cash from/(used in) financing activities – discontinued operations[1]		**—**	—	—
Total net cash from/(used in) financing activities		**338**	(1,154)	(1,955)
Total net increase/(decrease) in cash and cash equivalents		**10,933**	(2,825)	(2,747)
Cash and cash equivalents at 1 January		**22,564**	25,989	25,989
Effect of exchange rate changes on cash and cash equivalents		**(808)**	(359)	(678)
Cash and cash equivalents at 30 June/31 December	B19	**32,689**	22,805	22,564

1 Discontinued operations relates to the US Life and related internal asset management businesses (US Life) sold in 2013.
2 In FY14 ordinary dividends paid amounted to £449 million. £2 million of unclaimed and waived dividends was set off against this.
3 Changes in controlling interests in subsidiaries in FY14 primarily relate to Italy where we increased our ownership interest in certain existing subsidiaries during 2014.

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. Operating cash flows reflect the movement in both policyholder and shareholder controlled cash and cash equivalent balances.

During the period the net operating cash inflow reflects a number of factors, including the level of premium income, payments of claims, creditors and surrenders and purchases and sales of operating assets including financial investments. It also includes changes in the size and value of consolidated cash investment funds and changes in the Group participation in these funds.

B1 – Basis of preparation

The condensed consolidated financial statements for the six months to 30 June 2015 have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU), and the Disclosure and Transparency Rules of the Financial Conduct Authority.

The accounting policies applied in the condensed consolidated financial statements are the same as those applied in Aviva plc's 2014 Annual Report and Accounts, except for the presentation change related to the definition of operating profit detailed in Note B2 for which comparative figures have been restated. There is no impact on reported profit or equity as result of this. In addition, during the period ended 30 June 2015, Aviva plc ("the Group") adopted new amendments and interpretations to International Financial Reporting Standards ("IFRS") that became effective on 1 January 2015, however these had no effect on reported profit or loss or equity, the statement of financial position or the statement of cash flows.

The results for the six months to 30 June 2015 are unaudited but have been reviewed by the auditor, PricewaterhouseCoopers LLP. The interim results do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The results for the full year 2014 have been taken from the Group's 2014 Annual Report and Accounts other than for the presentation change described above. Therefore, these interim accounts should be read in conjunction with the 2014 Annual Report and Accounts that were prepared in accordance with IFRS as issued by the International Accounting Standards Board and endorsed by the European Union. PricewaterhouseCoopers LLP reported on the 2014 financial statements and their report was unqualified and did not contain a Statement under section 498 (2) or (3) of the Companies Act 2006. The Group's 2014 Annual Report and Accounts has been filed with the Registrar of Companies.

After making enquiries, the directors have a reasonable expectation that the Company and the Group as a whole have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the interim financial statements.

Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the 'functional currency'). The consolidated financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in the financial statements are in millions of pounds sterling (£m).

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management, short-term realised and unrealised investment gains and losses are treated as non-operating items.

The Group focuses instead on an operating profit measure (also referred to as adjusted operating profit) that incorporates an expected return on investments supporting its long-term and non-long-term businesses. Operating profit for long-term business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit. For non-long-term business, the total investment income, including realised and unrealised gains, is analysed between that calculated using a longer-term return and short-term fluctuations from that level. Operating profit also excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangibles; amortisation and impairment of acquired value of in-force business; the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates; integration and restructuring costs; and exceptional items.

B2 – Presentation changes

Management has changed the definition of Group operating profit on an IFRS basis to exclude amortisation and impairment of acquired value of in-force business ("AVIF"), aligning the presentation of this item with the amortisation and impairment of intangible assets as non-operating items. Comparatives have been restated as shown below. This change in presentation had no impact on reported profit or loss or equity, the statement of financial position or the statement of cash flows.

Effect of restatements from change in definition of operating profit – IFRS basis

	6 months 2014			Full Year 2014		
	As previously reported £m	Effect of change £m	Restated £m	As previously reported £m	Effect of change £m	Restated £m
Operating profit before tax attributable to shareholders' profits	1,052	19	1,071	2,173	40	2,213
Non-operating items before tax	89	(19)	70	108	(40)	68
Profit before tax attributable to shareholders' profits	1,141	—	1,141	2,281	—	2,281
Tax on operating profit	(253)	(1)	(254)	(561)	(2)	(563)
Tax on other activities	(25)	1	(24)	(40)	2	(38)
	(278)	—	(278)	(601)	—	(601)
Profit after tax	863	—	863	1,680	—	1,680
Operating profit per share (p)	23.6	0.6	24.2	47.0	1.3	48.3
Diluted operating profit per share (p)	23.3	0.6	23.9	46.3	1.3	47.6

As a result of this change comparative information in Note B5 Segmental Information and Note B7 Earnings per Share has been restated.

B3 – Exchange rates

The Group's principal overseas operations during the period were located within the Eurozone, Canada and Poland. The results and cash flows of these operations have been translated into sterling at the average rates for the period and the assets and liabilities have been translated at the period end rates as follows:

	6 months 2015	6 months 2014	Full Year 2014
Eurozone			
Average rate (€1 equals)	**£0.74**	£0.82	£0.81
Period end rate (€1 equals)	**£0.71**	£0.80	£0.78
Canada			
Average rate ($CAD1 equals)	**£0.53**	£0.55	£0.55
Period end rate ($CAD1 equals)	**£0.51**	£0.55	£0.55
Poland			
Average rate (PLN1 equals)	**£0.18**	£0.20	£0.19
Period end rate (PLN1 equals)	**£0.17**	£0.19	£0.18

B4 – Subsidiaries

This note provides details of the acquisitions and disposals of subsidiaries, joint ventures and associates that the Group has made during the period, together with details of businesses held for sale at the period end.

(a) Acquisition of Friends Life

On 10 April 2015, the Group completed the acquisition of 100% of the outstanding ordinary shares of Friends Life Group Limited ("Friends Life") through an all share exchange which gave Friends Life shareholders 0.74 Group shares for every Friends Life share held. In total, 1,086,326,606 Group shares were issued and commenced trading on 13 April 2015.

Friends Life is a leading insurance business which provides a range of pension, investment and insurance products and services to both individual customers and corporates. Prior to the acquisition, Friends Life operated through three distinct divisions: the Heritage division which administers products which are no longer actively marketed for new business; the UK division whose main lines of business are corporate benefits, retirement income and protection; and the International division which provides savings, investment and protection products for customers in Asia and the Middle East. The acquisition accelerates the Group's investment thesis of cash flow plus growth and is expected to benefit the Group over time through the realisation of significant incremental capital, financial and revenue synergies as well as supporting the Group to secure its position as a leading insurance and savings business.

£768 million of the shares transferred to the shareholders of Friends Life represents the fair value of the liabilities, based on discounted cash flows substantiated against internally modelled and external market values, held by the Group related to the settlement of a pre-existing insurance contract between the Group and Friends Life held by the Friends Provident pension scheme (refer to note B15). The remaining £5,207 million represents the consideration exchanged for £4,536 million of net assets of Friends Life and £671 million of goodwill, as follows:

	Book Value £m	Fair Value and Accounting Policy Adjustments £m	**Fair Value £m**
Assets			
Acquired value of in-force business and intangible assets	3,055	2,219	**5,274**
Investment property	2,685	—	**2,685**
Financial investments	97,580	(11,314)	**86,266**
Reinsurance assets	1,254	11,251	**12,505**
Deferred tax assets	51	54	**105**
Other assets	2,619	(854)	**1,765**
Cash and cash equivalents	7,878	—	**7,878**
Total assets	115,122	1,356	**116,478**
Liabilities			
Insurance liabilities	36,068	12	**36,080**
Liability for investment contracts	68,778	(129)	**68,649**
Unallocated divisible surplus	724	—	**724**
Net asset value attributable to unitholders	212	—	**212**
Deferred tax liabilities	1,203	240	**1,443**
Borrowings	1,064	243	**1,307**
Other liabilities	2,355	668	**3,023**
Total liabilities	110,404	1,034	**111,438**
Net assets	4,718	322	**5,040**
Non-controlling interests (NCI) including tier 1 notes	329	175	**504**
Net assets excluding NCI	4,389	147	**4,536**
Goodwill arising on acquisition			**671**
Fair value of shares exchanged for net assets			**5,207**
Fair value of Group liabilities related to pre-existing relationship			**768**
Fair value of total shares exchanged[1]			**5,975**

1 Fair value of consideration based on the opening market price on the date of acquisition.

The issue of new shares in the Company in exchange for shares of Friends Life has attracted merger relief under section 612 of the Companies Act 2006. Of the £5,975 million, £272 million (25 pence per ordinary share) has been credited to share capital and the remaining £5,703 million has been credited to the merger reserve within equity, increasing the reserve from £3,271 million to £8,974 million.

Acquired value of in-force business and intangible assets

An asset of £4,790 million was recognised upon acquisition representing the present value of future profits from the acquired in-force business ("AVIF") as of 10 April 2015. This will be amortised in accordance with the Group's accounting policies. Deferred acquisition costs ("DAC") are not recognised upon acquisition.

Intangible assets of £484 million represent Friends Life's distribution agreements and customer contracts. These assets have been assessed as having a useful life of between five and ten years and will be amortised over that period in accordance with the Group's accounting policies, along with the corresponding release of the applicable deferred tax provision.

B4 – Subsidiaries continued

Fair value and accounting policy adjustments

A reclassification of £11.3 billion was made from financial investments to reinsurance assets to align to the Group's presentation policy for reinsurance assets.

The adjustments to other liabilities are primarily related to a Group insurance contract held within the Friends Provident pension scheme (refer to note B15).

The adjustment to non-controlling interests represents the fair value adjustment for the 2003 and 2005 Step-up Tier one Insurance Capital Securities ("STICS") issuances based on the market quoted price which were classified as equity instruments within NCI on acquisition.

Goodwill

The residual goodwill on acquisition of £671 million, none of which is expected to be deductible for tax purposes, represents future synergies expected to arise from combining the operations of Friends Life with those of the Group as well as the value of the workforce in place and other future business value.

The carrying amount of total Group goodwill at the end of the period of £1.9 billion comprises the brought forward goodwill of £1.3 billion (gross goodwill of £1.5 billion with accumulated impairment of £0.2 billion), goodwill arising from the acquisition of Friends Life of £671 million, impairment charges of £22 million relating to other subsidiaries and a decrease of £29 million due to foreign exchange rate movements.

Profit and loss

In the period from 10 April 2015 to 30 June 2015 the acquired Friends Life subsidiaries contributed net earned premiums and fee and commission income of £467 million and a loss before tax attributable to shareholders of £64 million including £70 million of integration costs, to the consolidated results of the Group.

If the acquisition had been effective on 1 January 2015, on a pro-forma basis the Group's net earned premiums and fee and commission income is estimated at £11.0 billion and profit before tax attributable to shareholders is estimated at £791 million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 January 2015. The pro-forma results are provided for information purposes only and do not necessarily reflect the actual results that would have occurred had the acquisition taken place on 1 January 2015, nor are they necessarily indicative of the future results of the combined Group.

Acquisition costs of £29 million related to legal and professional fees incurred to support the transaction have been recognised within other expenses in the income statement.

(b) Disposal and re-measurements of subsidiaries, joint ventures and associates

There was no profit or loss recognised on the disposal or re-measurement of subsidiaries, joint ventures and associates in the six month period ended 30 June 2015.

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Spain – long-term business	**—**	—	132
Italy – long-term business	**—**	(6)	(6)
Korea	**—**	2	2
Turkey – general insurance	**—**	9	(16)
Aviva Investors	**—**	32	35
Turkey – long-term business	**—**	—	15
Indonesia	**—**	(3)	(3)
Other small operations	**—**	17	15
Profit on disposal and remeasurement from continuing operations	**—**	51	174
Profit on disposal and remeasurement from discontinued operations	**—**	—	58
Total profit on disposal and remeasurement	**—**	51	232

(c) Assets and liabilities of operations classified as held for sale

The assets and liabilities of operations classified as held for sale as at 30 June 2015 are as follows:

	6 months 2015 Total £m	6 months 2014 Total £m	Full Year 2014 Total £m
Assets			
Property and equipment	**—**	1	—
Financial investments	**—**	23	—
Reinsurance assets	**—**	26	—
Deferred acquisition costs	**—**	6	—
Other assets	**—**	29	—
Cash and cash equivalents	**9**	64	9
Total assets	**9**	149	9
Liabilities			
Insurance liabilities	**(1)**	(134)	(1)
Other liabilities	**(1)**	(5)	(1)
Total liabilities	**(2)**	(139)	(2)
Net assets	**7**	10	7

Assets held for sale as of 30 June 2015 relate to small reinsurance operations in the Group.

B5 – Segmental information

The Group's results can be segmented, either by activity or by geography. Our primary reporting format is along market reporting lines, with supplementary information being given by business activity. This note provides segmental information on the condensed consolidated income statement and condensed consolidated statement of financial position.

The Group has determined its operating segments along market reporting lines. These reflect the management structure whereby a member of the Executive Management team is accountable to the Group CEO for the operating segment for which they are responsible.

United Kingdom and Ireland
The United Kingdom and Ireland comprises two operating segments – Life and General Insurance. The principal activities of our UK and Ireland Life operations are life insurance, long-term health (in the UK) and accident insurance, savings, pensions and annuity business, and include the UK insurance operations acquired as part of the acquisition of Friends Life (refer to note B4). UK and Ireland General Insurance provides insurance cover to individuals and businesses, for risks associated mainly with motor vehicles, property and liability (such as employers' liability and professional indemnity liability) and medical expenses. UK & Ireland General Insurance includes the results of our Ireland Health business.

France
The principal activities of our French operations are long-term business and general insurance. The long-term business offers a range of long-term insurance and savings products, primarily for individuals, with a focus on the unit-linked market. The general insurance business predominantly sells personal and small commercial lines insurance products through agents and a direct insurer.

Poland
Activities in Poland comprise long-term business and general insurance operations, including our long-term business in Lithuania.

Italy, Spain and Other
These countries are not individually significant at a Group level, so have been aggregated into a single reporting segment in line with IFRS 8. This segment includes our operations in Italy (including Eurovita up until date of disposal in June 2014) and Spain (including CxG up until the date of disposal in December 2014). The principal activities of our Italian operations are long-term business and general insurance. The life business offers a range of long-term insurance and savings products, and the general insurance business provides motor and home insurance products to individuals, as well as small commercial risk insurance to businesses. The principal activity of the Spanish operation is the sale of long-term business, accident and health insurance and a selection of savings products. Our Other European operations include our life operations in Turkey (including our reduced joint venture share following IPO in November 2014) and our Turkish general insurance business (up until the date of disposal in December 2014).

Canada
The principal activity of the Canadian operation is general insurance. In particular it provides personal and commercial lines insurance products principally distributed through insurance brokers.

Asia
Our activities in Asia principally comprise our long-term business operations in China, India, Singapore, Hong Kong, Vietnam, Indonesia, Taiwan and the international operations of Friends Life. This segment also includes general insurance and health operations in Singapore, health operations in Indonesia and the results of South Korea (until the date of disposal in June 2014).

Aviva Investors
Aviva Investors operates in most of the markets in which the Group operates, in particular the UK, Europe, North America, Asia Pacific and other international businesses, managing policyholders' and shareholders' invested funds, providing investment management services for institutional pension fund mandates and managing a range of retail investment products, including investment funds, unit trusts, OEICs and ISAs. This segment also includes Friends Life Investments and the results of River Road Asset Management LLC until the date of its disposal in June 2014.

Other Group activities
Investment return on centrally held assets and head office expenses, such as Group treasury and finance functions, together with certain taxes and financing costs arising on central borrowings are included in 'Other Group activities', along with central core structural borrowings and certain tax balances in the segmental statement of financial position. The results of our reinsurance operations are also included in this segment.

Discontinued operations
In October 2013 the Group sold its US life operations (including the related internal asset management operations of Aviva Investors), which has been presented as a discontinued operation for the comparative periods in the income statement, statement of comprehensive income and statement of cash flows. The result in 2014 represented the settlement of the purchase price adjustment in conjunction with the aggregate development of other provisions in the year.

Measurement basis
The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. The Group evaluates performance of operating segments on the basis of:
(i) profit or loss from operations before tax attributable to shareholders
(ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items outside the segment management's control, including investment market performance and fiscal policy changes.

B5 – Segmental information continued

(a) (i) Segmental income statement for the six month period ended 30 June 2015

	United Kingdom & Ireland		Europe							
	Life £m	GI £m	France £m	Poland £m	Italy, Spain and Other £m	Canada £m	Asia £m	Aviva Investors[2] £m	Other Group activities[3] £m	Total £m
Gross written premiums	2,501	2,266	3,011	244	1,439	1,077	519	—	1	11,058
Premiums ceded to reinsurers	(568)	(238)	(35)	(3)	(26)	(64)	(70)	—	—	(1,004)
Internal reinsurance revenue	(2)	(1)	—	—	(2)	—	—	—	5	—
Premiums written net of reinsurance	1,931	2,027	2,976	241	1,411	1,013	449	—	6	10,054
Net change in provision for unearned premiums	(47)	(49)	(95)	(7)	(4)	1	(21)	—	—	(222)
Net earned premiums	1,884	1,978	2,881	234	1,407	1,014	428	—	6	9,832
Fee and commission income	289	78	109	13	46	14	65	139	—	753
	2,173	2,056	2,990	247	1,453	1,028	493	139	6	10,585
Net investment income/(expense)	(1,637)	76	1,726	58	111	41	(36)	81	186	606
Inter-segment revenue	—	—	—	—	—	—	—	76	—	76
Share of profit of joint ventures and associates	54	—	4	3	5	—	22	—	—	88
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	—	—	—	—	—	—
Segmental income[1]	590	2,132	4,720	308	1,569	1,069	479	296	192	11,355
Claims and benefits paid, net of recoveries from reinsurers	(4,711)	(1,311)	(2,124)	(163)	(1,232)	(627)	(220)	—	(14)	(10,402)
Change in insurance liabilities, net of reinsurance	3,671	23	(911)	(45)	170	8	(159)	—	4	2,761
Change in investment contract provisions	1,355	—	(1,485)	11	(509)	—	105	(82)	—	(605)
Change in unallocated divisible surplus	(37)	—	519	11	263	—	(13)	—	—	743
Fee and commission expense	(327)	(607)	(382)	(25)	(129)	(292)	(52)	(14)	(105)	(1,933)
Other expenses	(469)	(139)	(108)	(26)	(56)	(43)	(101)	(175)	55	(1,062)
Inter-segment expenses	(66)	(2)	(3)	(3)	—	(2)	—	—	—	(76)
Finance costs	(82)	(3)	(1)	—	(3)	(2)	(1)	—	(179)	(271)
Segmental expenses	(666)	(2,039)	(4,495)	(240)	(1,496)	(958)	(441)	(271)	(239)	(10,845)
Profit/(loss) before tax from continuing operations	(76)	93	225	68	73	111	38	25	(47)	510
Tax attributable to policyholders' returns	280	—	—	—	—	—	—	—	—	280
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	204	93	225	68	73	111	38	25	(47)	790
Profit from discontinued operations									—	—
Adjusted for non-operating items:										
Reclassification of corporate costs and unallocated interest	1	—	7	—	—	2	—	2	(12)	—
Investment return variances and economic assumption changes on long-term business	106	—	(10)	1	13	—	(35)	—	—	75
Short-term fluctuation in return on investments backing non-long-term business	31	78	(9)	(1)	15	10	—	—	(290)	(166)
Economic assumption changes on general insurance and health business	—	51	—	—	—	2	—	—	1	54
Impairment of goodwill, joint ventures and associates and other amounts expensed	—	—	—	—	9	—	13	—	—	22
Amortisation and impairment of intangibles	27	6	—	1	8	5	4	4	6	61
Amortisation and impairment of AVIF	106	—	4	1	4	—	47	—	—	162
(Profit) on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	—	—	—	—	—	—
Integration and restructuring costs	86	13	8	—	2	2	—	2	59	172
Exceptional items	—	—	—	—	—	—	—	—	—	—
Operating profit/(loss) before tax attributable to shareholders	561	241	225	70	124	132	67	33	(283)	1,170

1 Total reported income, excluding inter-segment revenue, includes £2,304 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2 Aviva Investors operating profit also includes £1 million profit relating to the Aviva Investors Pooled Pensions business.
3 Other Group activities include Group Reinsurance.

B5 – Segmental information continued

(a) (ii) Segmental income statement for the six month period ended 30 June 2014

	United Kingdom & Ireland		Europe							
	Life £m	GI £m	France £m	Poland £m	Italy, Spain and Other £m	Canada £m	Asia £m	Aviva Investors[2] £m	Other Group activities[3] £m	Total £m
Gross written premiums	2,253	2,264	3,045	239	2,040	1,062	461	—	2	11,366
Premiums ceded to reinsurers	(379)	(245)	(32)	(3)	(40)	(34)	(72)	—	—	(805)
Internal reinsurance revenue	(3)	—	(1)	—	(2)	(2)	—	—	8	—
Premiums written net of reinsurance	1,871	2,019	3,012	236	1,998	1,026	389	—	10	10,561
Net change in provision for unearned premiums	(36)	17	(97)	—	(5)	(28)	(9)	—	—	(158)
Net earned premiums	1,835	2,036	2,915	236	1,993	998	380	—	10	10,403
Fee and commission income	194	89	105	69	42	7	6	127	—	639
	2,029	2,125	3,020	305	2,035	1,005	386	127	10	11,042
Net investment income/(expense)	4,331	165	3,519	73	1,534	100	82	93	(40)	9,857
Inter-segment revenue	—	—	—	—	—	—	—	67	—	67
Share of profit/(loss) of joint ventures and associates	80	—	5	2	4	—	(11)	—	—	80
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	3	14	1	33	—	51
Segmental income[1]	6,440	2,290	6,544	380	3,576	1,119	458	320	(30)	21,097
Claims and benefits paid, net of recoveries from reinsurers	(3,866)	(1,404)	(2,237)	(162)	(1,480)	(598)	(191)	—	(38)	(9,976)
Change in insurance liabilities, net of reinsurance	(514)	80	(776)	(23)	(102)	(65)	(160)	—	27	(1,533)
Change in investment contract provisions	(710)	—	(1,216)	1	(803)	—	—	(93)	—	(2,821)
Change in unallocated divisible surplus	(157)	—	(1,656)	(3)	(732)	—	(28)	—	—	(2,576)
Fee and commission expense	(254)	(645)	(309)	(36)	(145)	(275)	(35)	(8)	(32)	(1,739)
Other expenses	(291)	(121)	(119)	(29)	(59)	(44)	(33)	(144)	(47)	(887)
Inter-segment expenses	(60)	(2)	—	(3)	—	(2)	—	—	—	(67)
Finance costs	(90)	(2)	(2)	—	(1)	(2)	—	(2)	(165)	(264)
Segmental expenses	(5,942)	(2,094)	(6,315)	(255)	(3,322)	(986)	(447)	(247)	(255)	(19,863)
Profit/(loss) before tax	498	196	229	125	254	133	11	73	(285)	1,234
Tax attributable to policyholders' returns	(93)	—	—	—	—	—	—	—	—	(93)
Profit/(loss) before tax attributable to shareholders' profits	405	196	229	125	254	133	11	73	(285)	1,141
Profit from discontinued operations									—	—
Adjusted for non-operating items:										
Reclassification of corporate costs and unallocated interest	—	4	8	—	—	—	—	—	(12)	—
Investment return variances and economic assumption changes on long-term business	45	—	28	(5)	(104)	—	(8)	—	—	(44)
Short-term fluctuation in return on investments backing non-long-term business	—	(7)	(44)	—	(10)	(42)	—	—	(62)	(165)
Economic assumption changes on general insurance and health business	—	66	—	—	—	1	—	—	—	67
Impairment of goodwill, joint ventures and associates	—	—	—	—	—	—	24	—	—	24
Amortisation and impairment of intangibles	13	—	—	—	7	4	—	7	7	38
Amortisation and impairment of AVIF[4]	5	—	9	1	4	—	—	—	—	19
(Profit)/loss on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	(3)	(14)	(1)	(33)	—	(51)
Integration and restructuring costs	14	5	1	—	—	1	—	(5)	26	42
Exceptional items	—	—	—	—	—	—	—	—	—	—
Operating profit/(loss) before tax attributable to shareholders[4]	482	264	231	121	148	83	26	42	(326)	1,071

1 Total reported income, excluding inter-segment revenue, includes £8,228 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2 Aviva Investors operating profit also includes £1 million profit relating to the Aviva Investors Pooled Pensions business.
3 Other Group activities include Group Reinsurance.
4 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

Overview
Income & expenses
IFRS
Capital & liquidity
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B5 – Segmental information continued

(a) (iii) Segmental income statement for the year ended 31 December 2014

	United Kingdom & Ireland		Europe							
	Life £m	GI £m	France £m	Poland £m	Italy, Spain and Other £m	Canada £m	Asia £m	Aviva Investors[2] £m	Other Group activities[3] £m	Total £m
Gross written premiums	4,306	4,484	5,756	490	3,514	2,176	942	—	2	21,670
Premiums ceded to reinsurers	(784)	(454)	(70)	(7)	(68)	(70)	(161)	—	—	(1,614)
Internal reinsurance revenue	(7)	(2)	(2)	(1)	(2)	(2)	—	—	16	—
Premiums written net of reinsurance	3,515	4,028	5,684	482	3,444	2,104	781	—	18	20,056
Net change in provision for unearned premiums	23	43	(27)	6	10	(54)	(3)	—	3	1
Net earned premiums	3,538	4,071	5,657	488	3,454	2,050	778	—	21	20,057
Fee and commission income	398	160	203	87	115	15	9	243	—	1,230
	3,936	4,231	5,860	575	3,569	2,065	787	243	21	21,287
Net investment income/(expense)	13,301	362	5,174	147	2,392	180	125	267	(59)	21,889
Inter-segment revenue	—	—	—	—	—	—	—	158	—	158
Share of profit/(loss) of joint ventures and associates	139	—	7	4	9	—	(12)	—	—	147
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	125	14	(1)	35	1	174
Segmental income[1]	17,376	4,593	11,041	726	6,095	2,259	899	703	(37)	43,655
Claims and benefits paid, net of recoveries from reinsurers	(7,522)	(2,745)	(4,594)	(331)	(2,572)	(1,276)	(362)	—	(72)	(19,474)
Change in insurance liabilities, net of reinsurance	(3,955)	88	(1,119)	(70)	(212)	(70)	(294)	—	62	(5,570)
Change in investment contract provisions	(3,036)	—	(1,881)	8	(1,347)	—	—	(262)	—	(6,518)
Change in unallocated divisible surplus	(62)	—	(2,182)	(6)	(1,055)	—	(59)	—	—	(3,364)
Fee and commission expense	(462)	(1,294)	(564)	(65)	(289)	(570)	(60)	(24)	(61)	(3,389)
Other expenses	(674)	(228)	(232)	(59)	(127)	(81)	(61)	(332)	(185)	(1,979)
Inter-segment expenses	(137)	(4)	(4)	(7)	—	(4)	—	—	(2)	(158)
Finance costs	(191)	(4)	(3)	—	(4)	(5)	—	(2)	(331)	(540)
Segmental expenses	(16,039)	(4,187)	(10,579)	(530)	(5,606)	(2,006)	(836)	(620)	(589)	(40,992)
Profit/(loss) before tax from continuing operations	1,337	406	462	196	489	253	63	83	(626)	2,663
Tax attributable to policyholders' returns	(357)	—	—	—	—	—	(25)	—	—	(382)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	980	406	462	196	489	253	38	83	(626)	2,281
Profit from discontinued operations[4]	—	—	—	—	—	—	—	—	58	58
Adjusted for non-operating items:										
Reclassification of corporate costs and unallocated interest	—	11	16	—	1	—	—	—	(28)	—
Investment return variances and economic assumption changes on long-term business	13	—	9	(4)	(101)	—	11	—	—	(72)
Short-term fluctuation in return on investments backing non-long-term business	—	(82)	(50)	(1)	13	(65)	—	—	(76)	(261)
Economic assumption changes on general insurance and health business	—	145	—	—	—	3	—	—	(3)	145
Impairment of goodwill, joint ventures and associates and other amounts expensed	—	—	—	—	—	—	24	—	—	24
Amortisation and impairment of intangibles	31	1	—	—	17	10	3	11	17	90
Amortisation and impairment of AVIF[5]	10	—	18	3	9	—	—	—	—	40
(Profit)/loss on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	—	—	(125)	(14)	1	(35)	(1)	(174)
Integration and restructuring costs	28	11	15	1	1	4	1	4	75	140
Adjusted for non-operating items from discontinued operations[4]	—	—	—	—	—	—	—	—	(58)	(58)
Operating profit/(loss) before tax attributable to shareholders[5]	1,062	492	470	195	304	191	78	63	(642)	2,213

1 Total reported income, excluding inter-segment revenue, includes £20,816 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2 Aviva Investors operating profit includes £2 million profit relating to the Aviva Investors Pooled Pensions business.
3 Other Group activities include Group Reinsurance.
4 In 2014, the Group paid a settlement of £20 million related to the purchase price adjustment relating to the disposal of the US Life business in 2013. The settlement and the aggregate development of other provisions related to the discontinued operations in 2014 resulted in a net £58 million gain which has been presented as profit on disposal of discontinued operations.
5 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

B5 – Segmental information continued

(a) (iv) Segmental statement of financial position as at 30 June 2015

	United Kingdom & Ireland		Europe							
	Life £m	GI £m	France £m	Poland £m	Italy, Spain and Other £m	Canada £m	Asia £m	Aviva Investors £m	Other Group activities £m	Total £m
Goodwill	663	1,022	—	7	166	22	43	—	—	1,923
Acquired value of in-force business and intangible assets	3,893	128	82	4	522	59	1,345	22	24	6,079
Interests in, and loans to, joint ventures and associates	972	—	133	36	73	3	388	—	—	1,605
Property and equipment	103	33	199	2	5	9	8	1	30	390
Investment property	8,203	140	1,707	—	1	—	—	1,145	371	11,567
Loans	23,162	73	692	—	38	127	29	—	—	24,121
Financial investments	169,195	5,147	62,318	2,653	18,036	3,220	9,880	657	3,705	274,811
Deferred acquisition costs	1,344	440	222	26	76	261	25	6	—	2,400
Other assets	41,605	4,460	11,200	167	1,666	873	1,425	736	5,623	67,755
Assets of operations classified as held for sale	—	—	—	—	—	—	—	—	9	9
Total assets	**249,140**	**11,443**	**76,553**	**2,895**	**20,583**	**4,574**	**13,143**	**2,567**	**9,762**	**390,660**
Insurance liabilities										
Long-term business and outstanding claims provisions	103,081	5,301	15,658	2,329	7,510	2,121	2,882	—	34	138,916
Unearned premiums	272	2,062	459	39	228	1,044	61	—	2	4,167
Other insurance liabilities	—	80	42	—	—	81	—	—	2	205
Liability for investment contracts	114,653	—	45,540	5	9,356	—	8,071	1,856	—	179,481
Unallocated divisible surplus	2,624	—	5,073	55	843	—	220	—	—	8,815
Net asset value attributable to unitholders	251	—	3,788	—	324	—	—	—	6,365	10,728
External borrowings	2,037	—	—	—	47	—	—	—	7,506	9,590
Other liabilities, including inter-segment liabilities	14,621	(1,676)	4,077	115	625	508	495	347	1,826	20,938
Liabilities of operations classified as held for sale	—	—	—	—	—	—	—	—	2	2
Total liabilities	**237,539**	**5,767**	**74,637**	**2,543**	**18,933**	**3,754**	**11,729**	**2,203**	**15,737**	**372,842**
Total equity										**17,818**
Total equity and liabilities										**390,660**

(a) (v) Segmental statement of financial position as at 30 June 2014

	United Kingdom & Ireland		Europe							
	Life £m	GI £m	France £m	Poland £m	Italy, Spain and Other £m	Canada £m	Asia £m	Aviva Investors £m	Other Group activities £m	Total £m
Goodwill	—	1,034	—	8	254	20	48	—	—	1,364
Acquired value of in-force business and intangible assets	130	2	108	7	605	43	2	31	37	965
Interests in, and loans to, joint ventures and associates	1,006	—	148	10	97	14	313	—	—	1,588
Property and equipment	12	20	220	3	5	10	3	1	12	286
Investment property	5,530	7	1,629	—	2	—	—	1,021	458	8,647
Loans	21,917	86	791	—	11	134	28	—	—	22,967
Financial investments	91,484	4,749	67,221	2,866	20,689	3,388	2,843	683	3,684	197,607
Deferred acquisition costs	1,305	451	233	24	92	265	5	9	—	2,384
Other assets	19,691	4,036	11,073	298	1,929	974	390	634	3,879	42,904
Assets of operations classified as held for sale	—	—	—	—	140	—	—	—	9	149
Total assets	141,075	10,385	81,423	3,216	23,824	4,848	3,632	2,379	8,079	278,861
Insurance liabilities										
Long-term business and outstanding claims provisions	68,093	5,521	16,339	2,553	9,287	2,328	2,294	—	39	106,454
Unearned premiums	284	2,064	483	41	293	1,082	54	—	1	4,302
Other insurance liabilities	—	83	47	—	1	91	—	—	2	224
Liability for investment contracts	54,830	—	49,172	13	9,767	—	—	1,781	—	115,563
Unallocated divisible surplus	2,008	—	5,749	73	918	—	175	—	—	8,923
Net asset value attributable to unitholders	87	—	3,073	—	317	—	—	—	5,986	9,463
External borrowings	2,054	—	—	—	56	—	—	—	4,834	6,944
Other liabilities, including inter-segment liabilities	7,639	(2,640)	4,396	129	794	308	343	327	4,000	15,296
Liabilities of operations classified as held for sale	—	—	—	—	138	—	—	—	1	139
Total liabilities	134,995	5,028	79,259	2,809	21,571	3,809	2,866	2,108	14,863	267,308
Total equity										11,553
Total equity and liabilities										278,861

B5 – Segmental information continued

(a) (vi) Segmental statement of financial position as at 31 December 2014

	United Kingdom & Ireland		Europe							
	Life £m	GI £m	France £m	Poland £m	Italy, Spain and Other £m	Canada £m	Asia £m	Aviva Investors £m	Other Group activities £m	Total £m
Goodwill	—	1,031	—	8	190	23	50	—	—	1,302
Acquired value of in-force business and intangible assets	127	103	96	5	581	60	2	25	29	1,028
Interests in, and loans to, joint ventures and associates	953	—	145	10	82	2	352	—	—	1,544
Property and equipment	74	33	214	3	6	9	4	1	13	357
Investment property	5,558	95	1,758	—	1	—	—	1,120	393	8,925
Loans	24,178	84	788	—	58	122	30	—	—	25,260
Financial investments	97,410	5,415	66,484	2,829	19,959	3,483	3,192	660	3,206	202,638
Deferred acquisition costs	1,310	438	227	23	89	280	4	7	—	2,378
Other assets	19,092	4,895	10,009	171	1,585	937	459	784	4,346	42,278
Assets of operations classified as held for sale	—	—	—	—	—	—	—	—	9	9
Total assets	148,702	12,094	79,721	3,049	22,551	4,916	4,093	2,597	7,996	285,719
Insurance liabilities										
Long-term business and outstanding claims provisions	71,619	5,515	16,179	2,444	8,414	2,317	2,598	—	36	109,122
Unearned premiums	225	2,038	402	34	247	1,114	46	—	1	4,107
Other insurance liabilities	—	79	46	—	—	89	—	—	2	216
Liability for investment contracts	57,201	—	48,316	10	9,867	—	—	1,851	—	117,245
Unallocated divisible surplus	1,879	—	6,104	71	1,202	—	211	—	—	9,467
Net asset value attributable to unitholders	19	—	2,928	—	317	—	—	—	6,218	9,482
External borrowings	2,016	—	—	—	52	—	—	—	5,310	7,378
Other liabilities, including inter-segment liabilities	9,539	(1,787)	3,673	120	662	404	388	377	3,048	16,424
Liabilities of operations classified as held for sale	—	—	—	—	—	—	—	—	2	2
Total liabilities	142,498	5,845	77,648	2,679	20,761	3,924	3,243	2,228	14,617	273,443
Total equity										12,276
Total equity and liabilities										285,719

(b) Further analysis by products and services

The Group's results can be further analysed by products and services which comprise long-term business, general insurance and health, fund management and other activities.

Long-term business

Our long-term business comprises life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed pension fund business and our share of the other life and related business written in our associates and joint ventures, as well as lifetime mortgage business written in the UK.

General insurance and health

Our general insurance and health business provides insurance cover to individuals and to small and medium sized businesses, for risks associated mainly with motor vehicles, property and liability, such as employers' liability and professional indemnity liability, and medical expenses.

Fund management

Our fund management business invests policyholders' and shareholders' funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products, including investment funds, unit trusts, OEICs and ISAs. Clients include Aviva Group businesses and third-party financial institutions, pension funds, public sector organisations, investment professionals and private investors.

Other

Other includes service companies, head office expenses, such as Group treasury and finance functions, and certain financing costs and taxes not allocated to business segments.

B5 – Segmental information continued

(b) (i) Segmental income statement – products and services for the six month period ended 30 June 2015

	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total £m
Gross written premiums[1]	**6,494**	**4,564**	**—**	**—**	**11,058**
Premiums ceded to reinsurers	**(658)**	**(346)**	**—**	**—**	**(1,004)**
Premiums written net of reinsurance	**5,836**	**4,218**	**—**	**—**	**10,054**
Net change in provision for unearned premiums	**—**	**(222)**	**—**	**—**	**(222)**
Net earned premiums	**5,836**	**3,996**	**—**	**—**	**9,832**
Fee and commission income	**472**	**27**	**136**	**118**	**753**
	6,308	**4,023**	**136**	**118**	**10,585**
Net investment income/(expense)	**284**	**141**	**(2)**	**183**	**606**
Inter-segment revenue	**—**	**—**	**79**	**—**	**79**
Share of profit of joint ventures and associates	**87**	**1**	**—**	**—**	**88**
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**—**	**—**	**—**	**—**	**—**
Segmental income	**6,679**	**4,165**	**213**	**301**	**11,358**
Claims and benefits paid, net of recoveries from reinsurers	**(7,768)**	**(2,634)**	**—**	**—**	**(10,402)**
Change in insurance liabilities, net of reinsurance	**2,766**	**(5)**	**—**	**—**	**2,761**
Change in investment contract provisions	**(605)**	**—**	**—**	**—**	**(605)**
Change in unallocated divisible surplus	**743**	**—**	**—**	**—**	**743**
Fee and commission expense	**(609)**	**(1,075)**	**(13)**	**(236)**	**(1,933)**
Other expenses	**(698)**	**(203)**	**(175)**	**14**	**(1,062)**
Inter-segment expenses	**(74)**	**(5)**	**—**	**—**	**(79)**
Finance costs	**(80)**	**(5)**	**—**	**(186)**	**(271)**
Segmental expenses	**(6,325)**	**(3,927)**	**(188)**	**(408)**	**(10,848)**
Profit/(loss) before tax from continuing operations	**354**	**238**	**25**	**(107)**	**510**
Tax attributable to policyholder returns	**280**	**—**	**—**	**—**	**280**
Profit/(loss) before tax attributable to shareholders' profits	**634**	**238**	**25**	**(107)**	**790**
Adjusted for:					
Non-operating items from continuing operations	**387**	**184**	**8**	**(199)**	**380**
Operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	**1,021**	**422**	**33**	**(306)**	**1,170**
Operating profit/(loss) before tax attributable to shareholders' profits	**1,021**	**422**	**33**	**(306)**	**1,170**

1 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £80 million, of which £37 million relates to property and liability insurance and £43 million relates to long-term business.
2 General insurance and health business segment includes gross written premiums of £630 million relating to health business. The remaining business relates to property and liability insurance.

B5 – Segmental information continued

(b) (ii) Segmental income statement – products and services for the six month period ended 30 June 2014

	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total £m
Gross written premiums[1]	6,734	4,632	—	—	11,366
Premiums ceded to reinsurers	(462)	(343)	—	—	(805)
Premiums written net of reinsurance	6,272	4,289	—	—	10,561
Net change in provision for unearned premiums	—	(158)	—	—	(158)
Net earned premiums	6,272	4,131	—	—	10,403
Fee and commission income	348	35	144	112	639
	6,620	4,166	144	112	11,042
Net investment income/(expense)	9,546	363	2	(54)	9,857
Inter-segment revenue	—	—	66	—	66
Share of profit of joint ventures and associates	79	1	—	—	80
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	(5)	9	33	14	51
Segmental income	16,240	4,539	245	72	21,096
Claims and benefits paid, net of recoveries from reinsurers	(7,172)	(2,804)	—	—	(9,976)
Change in insurance liabilities, net of reinsurance	(1,543)	10	—	—	(1,533)
Change in investment contract provisions	(2,821)	—	—	—	(2,821)
Change in unallocated divisible surplus	(2,576)	—	—	—	(2,576)
Fee and commission expense	(543)	(1,116)	(10)	(70)	(1,739)
Other expenses	(410)	(209)	(153)	(115)	(887)
Inter-segment expenses	(60)	(6)	—	—	(66)
Finance costs	(89)	(5)	(2)	(168)	(264)
Segmental expenses	(15,214)	(4,130)	(165)	(353)	(19,862)
Profit/(loss) before tax from continuing operations	1,026	409	80	(281)	1,234
Tax attributable to policyholder returns	(93)	—	—	—	(93)
Profit/(loss) before tax attributable to shareholders' profits	933	409	80	(281)	1,141
Adjusted for:					
Non-operating items from continuing operations[3]	40	(6)	(32)	(72)	(70)
Operating profit/(loss) before tax attributable to shareholders' profits from continuing operations[3]	973	403	48	(353)	1,071
Operating profit/(loss) before tax attributable to shareholders' profits[3]	973	403	48	(353)	1,071

1 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £102 million, of which £62 million relates to property and liability insurance and £40 million relates to long-term business.
2 General insurance and health business segment includes gross written premiums of £646 million relating to health business. The remaining business relates to property and liability insurance.
3 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

B5 – Segmental information continued

(b) (iii) Segmental income statement – products and services for the year ended 31 December 2014

	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total £m
Gross written premiums[1]	12,727	8,943	—	—	21,670
Premiums ceded to reinsurers	(971)	(643)	—	—	(1,614)
Premiums written net of reinsurance	11,756	8,300	—	—	20,056
Net change in provision for unearned premiums	—	1	—	—	1
Net earned premiums	11,756	8,301	—	—	20,057
Fee and commission income	705	54	256	215	1,230
	12,461	8,355	256	215	21,287
Net investment income/(expense)	21,295	666	5	(77)	21,889
Inter-segment revenue	—	—	158	—	158
Share of profit of joint ventures and associates	144	3	—	—	147
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	140	(16)	35	15	174
Segmental income	34,040	9,008	454	153	43,655
Claims and benefits paid, net of recoveries from reinsurers	(13,861)	(5,613)	—	—	(19,474)
Change in insurance liabilities, net of reinsurance	(5,604)	34	—	—	(5,570)
Change in investment contract provisions	(6,518)	—	—	—	(6,518)
Change in unallocated divisible surplus	(3,364)	—	—	—	(3,364)
Fee and commission expense	(977)	(2,247)	(26)	(139)	(3,389)
Other expenses	(920)	(402)	(321)	(336)	(1,979)
Inter-segment expenses	(148)	(10)	—	—	(158)
Finance costs	(191)	(11)	(2)	(336)	(540)
Segmental expenses	(31,583)	(8,249)	(349)	(811)	(40,992)
Profit/(loss) before tax from continuing operations	2,457	759	105	(658)	2,663
Tax attributable to policyholder returns	(382)	—	—	—	(382)
Profit/(loss) before tax attributable to shareholders' profits	2,075	759	105	(658)	2,281
Adjusted for:					
Non-operating items from continuing operations[3]	(56)	49	(19)	(42)	(68)
Operating profit/(loss) before tax attributable to shareholders' profits from continuing operations[3]	2,019	808	86	(700)	2,213
Operating profit/(loss) before tax attributable to shareholders' profits[3]	2,019	808	86	(700)	2,213

1 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £164 million, of which £81 million relates to property and liability insurance and £83 million relates to long-term business.
2 General insurance and health business segment includes gross written premiums of £1,146 million relating to health business. The remaining business relates to property and liability insurance.
3 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

B5 – Segmental information continued

(c) (i) Segmental statement of financial position – products and services as at 30 June 2015

	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
Goodwill	853	1,030	—	40	1,923
Acquired value of in-force business and intangible assets	5,738	285	22	34	6,079
Interests in, and loans to, joint ventures and associates	1,570	32	—	3	1,605
Property and equipment	252	93	1	44	390
Investment property	10,941	256	—	370	11,567
Loans	23,920	201	—	—	24,121
Financial investments	260,499	10,634	25	3,653	274,811
Deferred acquisition costs	1,551	843	6	—	2,400
Other assets	53,040	6,589	629	7,497	67,755
Assets of operations classified as held for sale	—	9	—	—	9
Total assets	**358,364**	**19,972**	**683**	**11,641**	**390,660**
Gross insurance liabilities	129,766	13,522	—	—	143,288
Gross liabilities for investment contracts	179,481	—	—	—	179,481
Unallocated divisible surplus	8,815	—	—	—	8,815
Net asset value attributable to unitholders	4,362	—	—	6,366	10,728
External borrowings	1,995	—	—	7,595	9,590
Other liabilities, including inter-segment liabilities	17,551	(814)	329	3,872	20,938
Liabilities of operations classified as held for sale	—	2	—	—	2
Total liabilities	**341,970**	**12,710**	**329**	**17,833**	**372,842**
Total equity					**17,818**
Total equity and liabilities					**390,660**

(c) (ii) Segmental statement of financial position – products and services as at 30 June 2014

	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
Goodwill	277	1,044	—	43	1,364
Acquired value of in-force business and intangible assets	731	155	31	48	965
Interests in, and loans to, joint ventures and associates	1,560	15	—	13	1,588
Property and equipment	172	89	1	24	286
Investment property	8,057	135	—	455	8,647
Loans	22,746	221	—	—	22,967
Financial investments	183,329	10,724	34	3,520	197,607
Deferred acquisition costs	1,510	865	9	—	2,384
Other assets	31,193	5,963	502	5,246	42,904
Assets of operations classified as held for sale	—	149	—	—	149
Total assets	249,575	19,360	577	9,349	278,861
Gross insurance liabilities	96,740	14,240	—	—	110,980
Gross liabilities for investment contracts	115,563	—	—	—	115,563
Unallocated divisible surplus	8,923	—	—	—	8,923
Net asset value attributable to unitholders	3,477	—	—	5,986	9,463
External borrowings	2,110	—	—	4,834	6,944
Other liabilities, including inter-segment liabilities	11,559	(1,776)	315	5,198	15,296
Liabilities of operations classified as held for sale	—	139	—	—	139
Total liabilities	238,372	12,603	315	16,018	267,308
Total equity					11,553
Total equity and liabilities					278,861

B5 – Segmental information continued

(c) (iii) Segmental statement of financial position – products and services as at 31 December 2014

	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
Goodwill	216	1,043	—	43	1,302
Acquired value of in-force business and intangible assets	691	270	25	42	1,028
Interests in, and loans to, joint ventures and associates	1,526	16	—	2	1,544
Property and equipment	230	100	1	26	357
Investment property	8,310	223	—	392	8,925
Loans	25,053	207	—	—	25,260
Financial investments	188,094	11,435	23	3,086	202,638
Deferred acquisition costs	1,519	852	7	—	2,378
Other assets	29,839	6,270	657	5,512	42,278
Assets of operations classified as held for sale	—	9	—	—	9
Total assets	255,478	20,425	713	9,103	285,719
Gross insurance liabilities	99,453	13,992	—	—	113,445
Gross liabilities for investment contracts	117,245	—	—	—	117,245
Unallocated divisible surplus	9,467	—	—	—	9,467
Net asset value attributable to unitholders	3,264	—	—	6,218	9,482
External borrowings	2,068	—	—	5,310	7,378
Other liabilities, including inter-segment liabilities	12,689	(952)	354	4,333	16,424
Liabilities of operations classified as held for sale	—	2	—	—	2
Total liabilities	244,186	13,042	354	15,861	273,443
Total equity					12,276
Total equity and liabilities					285,719

B6 – Tax

This note analyses the tax charge for the period and explains the factors that affect it.

(a) Tax (credited)/charged to the income statement

(i) The total tax (credit)/charge comprises:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Current tax			
For the period	**284**	270	680
Prior period adjustments	**(20)**	—	12
Total current tax from continuing operations	**264**	270	692
Deferred tax			
Origination and reversal of temporary differences	**(274)**	115	315
Changes in tax rates or tax laws	**—**	(3)	(17)
Write back of deferred tax assets	**(25)**	(11)	(7)
Total deferred tax from continuing operations	**(299)**	101	291
Total tax (credited)/charged to income statement	**(35)**	371	983

(ii) The Group, as a proxy for policyholders in the UK, Ireland and Singapore, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK, Ireland and Singapore insurance policyholder returns is included in the tax (credit)/charge. The tax credit attributable to policyholders' returns included in the (credit)/charge above is £280 million *(HY14: £93 million charge; FY14: £382 million charge)*.

(iii) The tax (credit)/charge can be analysed as follows:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
UK tax	**(234)**	131	462
Overseas tax	**199**	240	521
	(35)	371	983

(b) Tax (credited)/charged to other comprehensive income

(i) The total tax (credit)/charge comprises:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Current tax from continuing operations			
In respect of pensions and other post-retirement obligations	**(36)**	(38)	(77)
In respect of foreign exchange movements	**(13)**	(7)	(12)
	(49)	(45)	(89)
Deferred tax from continuing operations			
In respect of pensions and other post-retirement obligations	**(35)**	105	424
In respect of fair value gains on owner-occupied properties	**—**	—	—
In respect of unrealised gains on investments	**(6)**	13	21
	(41)	118	445
Total tax (credited)/charged to other comprehensive income	**(90)**	73	356

B6 – Tax continued

(c) Tax credited to equity

Tax credited directly to equity in the period in respect of coupon payments on direct capital instruments and fixed rate tier 1 notes amounted to £4 million *(HY14: £4 million; FY14: £19 million).*

(d) Tax reconciliation

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	Shareholder £m	**Policyholder £m**	**6 months 2015 £m**	Shareholder £m	Policyholder £m	6 months 2014 £m	Shareholder £m	Policyholder £m	Full Year 2014 £m
Total profit/(loss) before tax	**790**	**(280)**	**510**	1,141	93	1,234	2,339	382	2,721
Tax calculated at standard UK corporation tax rate of 20.25% *(2014: 21.5%)*	**160**	**(57)**	**103**	245	20	265	503	82	585
Reconciling items									
Different basis of tax – policyholders	**—**	**(223)**	**(223)**	—	73	73	—	302	302
Adjustment to tax charge in respect of prior periods	**1**	**—**	**1**	(16)	—	(16)	(36)	—	(36)
Non-assessable income and items not taxed at the full statutory rate	**21**	**—**	**21**	(25)	—	(25)	(22)	—	(22)
Non-taxable loss/(profit) on sale of subsidiaries and associates	**—**	**—**	**—**	3	—	3	(31)	—	(31)
Disallowable expenses	**28**	**—**	**28**	25	—	25	76	—	76
Different local basis of tax on overseas profits	**62**	**—**	**62**	77	—	77	138	(2)	136
Change in future local statutory tax rates	**—**	**—**	**—**	(3)	—	(3)	(17)	—	(17)
Movement in deferred tax not recognised	**(26)**	**—**	**(26)**	(22)	—	(22)	3	—	3
Tax effect of profit from joint ventures and associates	**(6)**	**—**	**(6)**	(4)	—	(4)	(4)	—	(4)
Other	**5**	**—**	**5**	(2)	—	(2)	(9)	—	(9)
Total tax charged/(credited) to income statement	**245**	**(280)**	**(35)**	278	93	371	601	382	983

The tax (credit)/charge attributable to policyholders' returns is removed from the Group's total profit before tax in arriving at the Group's profit before tax attributable to shareholders' profits. As the net of tax profit attributable to with-profit and unit-linked policyholders is zero, the Group's pre-tax (loss)/profit attributable to policyholders is an amount equal and opposite to the tax (credit)/charge attributable to policyholders included in the total tax charge. The difference between the policyholder tax (credit)charge and the impact of this item in the tax reconciliation can be explained as follows:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Tax attributable to policyholder returns	**(280)**	93	382
UK corporation tax at a rate of 20.25% *(2014: 21.5%)* in respect of the policyholder tax deduction	**57**	(20)	(82)
Different local basis of tax of overseas profits	**—**	—	2
Different basis of tax – policyholders per tax reconciliation	**(223)**	73	302

UK legislation was substantively enacted in July 2013 to reduce the UK corporation tax rate from 21% to 20% from 1 April 2015, resulting in an effective rate for the year ended 31 December 2015 of 20.25%. The 20% corporation tax rate has been used in the calculation of the UK's deferred tax assets and liabilities for the period.

As announced in the Summer Budget on 8 July 2015, the rate is expected to reduce further to 19% from 1 April 2017 and to 18% from 1 April 2020. The aggregate impact of the reductions in rate from 20% to 18% would reduce the deferred tax assets and liabilities and increase IFRS net assets by approximately £60 million and will be recognised when the legislation is substantively enacted.

B7 – Earnings per share

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	6 months 2015			Restated[1] 6 months 2014			Restated[1] Full Year 2014		
Continuing operations	**Operating profit £m**	**Non-operating items £m**	**Total £m**	Operating profit £m	Non-operating items £m	Total £m	Operating profit £m	Non-operating items £m	Total £m
Profit before tax attributable to shareholders' profits	**1,170**	**(380)**	**790**	1,071	70	1,141	2,213	68	2,281
Tax attributable to shareholders' profit	**(304)**	**59**	**(245)**	(254)	(24)	(278)	(563)	(38)	(601)
Profit for the period	**866**	**(321)**	**545**	817	46	863	1,650	30	1,680
Amount attributable to non-controlling interests	**(82)**	**1**	**(81)**	(84)	(24)	(108)	(143)	(26)	(169)
Cumulative preference dividends for the period	**(9)**	**—**	**(9)**	(9)	—	(9)	(17)	—	(17)
Coupon payments in respect of direct capital instruments (DCI) and fixed rate tier 1 notes (net of tax)	**(14)**	**—**	**(14)**	(12)	—	(12)	(69)	—	(69)
Profit attributable to ordinary shareholders from continuing operations	**761**	**(320)**	**441**	712	22	734	1,421	4	1,425
Profit attributable to ordinary shareholders from discontinued operations	**—**	**—**	**—**	—	—	—	—	58	58
Profit attributable to ordinary shareholders	**761**	**(320)**	**441**	712	22	734	1,421	62	1,483

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

(ii) Basic earnings per share is calculated as follows:

	6 months 2015			Restated[1] 6 months 2014			Restated[1] Full Year 2014		
Continuing operations	**Before tax £m**	**Net of tax, non-controlling interests, preference dividends and DCI[2] £m**	**Per share p**	Before tax £m	Net of tax, non-controlling interests, preference dividends and DCI[2] £m	Per share p	Before tax £m	Net of tax, non-controlling interests, preference dividends and DCI[2] £m	Per share p
Operating profit attributable to ordinary shareholders	**1,170**	**761**	**22.1**	1,071	712	24.2	2,213	1,421	48.3
Non-operating items:									
Investment return variances and economic assumption changes on long-term business	**(75)**	**(59)**	**(1.7)**	44	—	—	72	4	0.1
Short-term fluctuation in return on investments backing non-long-term business	**166**	**132**	**3.9**	165	119	4.0	261	197	6.7
Economic assumption changes on general insurance and health business	**(54)**	**(43)**	**(1.3)**	(67)	(52)	(1.8)	(145)	(114)	(3.9)
Impairment of goodwill, joint ventures and associates and other amounts expensed	**(22)**	**(22)**	**(0.6)**	(24)	(24)	(0.8)	(24)	(24)	(0.8)
Amortisation and impairment of intangibles	**(61)**	**(47)**	**(1.4)**	(38)	(27)	(0.9)	(90)	(61)	(2.1)
Amortisation and impairment of AVIF[1]	**(162)**	**(136)**	**(4.0)**	(19)	(18)	(0.6)	(40)	(38)	(1.3)
Profit on disposal and remeasurement of subsidiaries, joint ventures and associates	**—**	**—**	**—**	51	47	1.6	174	170	5.8
Integration and restructuring costs and exceptional items	**(172)**	**(145)**	**(4.2)**	(42)	(23)	(0.7)	(140)	(130)	(4.4)
Profit attributable to ordinary shareholders from continuing operations	**790**	**441**	**12.8**	1,141	734	25.0	2,281	1,425	48.4
Profit attributable to ordinary shareholders from discontinued operations	**—**	**—**	**—**	—	—	—	58	58	2.0
Profit attributable to ordinary shareholders	**790**	**441**	**12.8**	1,141	734	25.0	2,339	1,483	50.4

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.
2 DCI includes direct capital instruments and fixed rate tier 1 notes.

(iii) The calculation of basic earnings per share uses a weighted average of 3,437 million *(HY14: 2,941 million; FY14: 2,943 million)* ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 30 June 2015 was 4,046 million *(HY14: 2,948 million; FY14: 2,950 million)* and 4,040 million *(HY14: 2,945 million; FY14: 2,948 million)* excluding treasury shares.

B7 – Earnings per share continued

(b) Diluted earnings per share

(i) Diluted earnings per share is calculated as follows:

	6 months 2015			6 months 2014			Full Year 2014		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Profit attributable to ordinary shareholders	**441**	**3,437**	**12.8**	734	2,941	25.0	1,425	2,943	48.4
Dilutive effect of share awards and options	**—**	**43**	**(0.1)**	—	40	(0.4)	—	44	(0.7)
Diluted earnings per share from continuing operations	**441**	**3,480**	**12.7**	734	2,981	24.6	1,425	2,987	47.7
Profit attributable to ordinary shareholders	**—**	**3,437**	**—**	—	2,941	—	58	2,943	2.0
Dilutive effect of share awards and options	**—**	**43**	**—**	—	40	—	—	44	(0.1)
Diluted earnings per share from discontinued operations	**—**	**3,480**	**—**	—	2,981	—	58	2,987	1.9
Diluted earnings per share	**441**	**3,480**	**12.7**	734	2,981	24.6	1,483	2,987	49.6

(ii) Diluted earnings per share on operating profit attributable to ordinary shareholders is calculated as follows:

	6 months 2015			Restated[1] 6 months 2014			Restated[1] Full Year 2014		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Operating profit attributable to ordinary shareholders	**761**	**3,437**	**22.1**	712	2,941	24.2	1,421	2,943	48.3
Dilutive effect of share awards and options	**—**	**43**	**(0.2)**	—	40	(0.3)	—	44	(0.7)
Diluted operating profit per share from continuing operations	**761**	**3,480**	**21.9**	712	2,981	23.9	1,421	2,987	47.6
Operating profit attributable to ordinary shareholders	**—**	**3,437**	**—**	—	2,941	—	—	2,943	—
Dilutive effect of share awards and options	**—**	**43**	**—**	—	40	—	—	44	—
Diluted operating profit per share from discontinued operations	**—**	**3,480**	**—**	—	2,981	—	—	2,987	—
Diluted operating profit per share	**761**	**3,480**	**21.9**	712	2,981	23.9	1,421	2,987	47.6

1 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on the result or the total equity for any period presented as a result of this restatement.

B8 – Dividends and appropriations

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Ordinary dividends declared and charged to equity in the period			
Final 2014 – 12.25 pence per share, paid on 15 May 2015	**362**	—	—
Final 2013 – 9.40 pence per share, paid on 16 May 2014	**—**	277	277
Interim 2014 – 5.85 pence per share, paid on 17 November 2014	**—**	—	172
	362	277	449
Dividends waived/unclaimed returned to the Company	**—**	—	(3)
Preference dividends declared and charged to equity in the period	**9**	9	17
Coupon payments on direct capital instruments and fixed rate tier 1 notes	**18**	16	88
	389	302	551

Subsequent to 30 June 2015, the directors declared an interim dividend for 2015 of 6.75 pence per ordinary share *(HY14: 5.85 pence)*, amounting to £273 million *(HY14: £172 million)* in total. The dividend will be paid on 17 November and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2015.

Interest on the direct capital instruments and fixed rate tier 1 notes is treated as an appropriation of retained profits and, accordingly, are accounted for once paid. Tax relief is obtained at a rate of 20.25% *(2014: 21.5%)*.

B9 – Insurance liabilities

(a) Carrying amount

(i) Insurance liabilities (gross of reinsurance) at 30 June/31 December

	30 June 2015			30 June 2014			31 December 2014		
	Long-term business[1] £m	General insurance and health £m	Total £m	Long-term business £m	General insurance and health £m	Total £m	Long-term business £m	General insurance and health £m	Total £m
Long-term business provisions									
Participating	54,729	—	54,729	44,248	—	44,248	44,834	—	44,834
Unit-linked non-participating	15,776	—	15,776	8,424	—	8,424	7,963	—	7,963
Other non-participating	57,548	—	57,548	42,697	—	42,697	45,313	—	45,313
	128,053	—	128,053	95,369	—	95,369	98,110	—	98,110
Outstanding claims provisions	1,713	7,047	8,760	1,371	7,529	8,900	1,343	7,298	8,641
Provision for claims incurred but not reported	—	2,299	2,299	—	2,533	2,533	—	2,578	2,578
	1,713	9,346	11,059	1,371	10,062	11,433	1,343	9,876	11,219
Provision for unearned premiums	—	4,166	4,166	—	4,302	4,302	—	4,107	4,107
Provision arising from liability adequacy tests	—	11	11	—	10	10	—	10	10
Other technical provisions	—	—	—	—	—	—	—	—	—
Total	129,766	13,523	143,289	96,740	14,374	111,114	99,453	13,993	113,446
Less: Amounts classified as held for sale	—	(1)	(1)	—	(134)	(134)	—	(1)	(1)
	129,766	13,522	143,288	96,740	14,240	110,980	99,453	13,992	113,445

1 HY15 total long-term business liabilities includes £33,645 million for Friends Life. £11,643 million relates to participating contracts, £8,354 million relates to unit-linked non-participating contracts and £13,648 million relates to other non-participating contracts. Friends Life's total long-term business liabilities include an outstanding claims provision of £293 million.

(ii) Change in insurance liabilities recognised as an expense

The purpose of the following table is to reconcile the change in insurance liabilities, net of reinsurance, shown on the income statement, to the change in insurance liabilities recognised as an expense in the relevant movement tables in this note. The components of the reconciliation are the change in provision for outstanding claims on long-term business (which is not included in a separate movement table), and the unwind of discounting on GI reserves (which is included within finance costs within the income statement). For general insurance and health business, the change in the provision for unearned premiums is not included in the reconciliation as, within the income statement, this is included within earned premiums.

30 June 2015	Gross £m	Reinsurance £m	Total Net £m
Long-term business			
Change in long-term business provisions (note B9(b))	(2,809)	(184)	(2,993)
Change in provision for outstanding claims	226	1	227
	(2,583)	(183)	(2,766)
General insurance and health			
Change in insurance liabilities (note B9(c))	(126)	133	7
Less: Unwind of discount on GI reserves and other	(5)	3	(2)
	(131)	136	5
Total change in insurance liabilities	(2,714)	(47)	(2,761)

30 June 2014	Gross £m	Reinsurance £m	Total Net £m
Long-term business			
Change in long-term business provisions (note B9(b))	1,630	(202)	1,428
Change in provision for outstanding claims	117	(2)	115
	1,747	(204)	1,543
General insurance and health			
Change in insurance liabilities (note B9(c))	(37)	30	(7)
Less: Unwind of discount on GI reserves and other	(9)	6	(3)
	(46)	36	(10)
Total change in insurance liabilities	1,701	(168)	1,533

B9 – Insurance liabilities continued

31 December 2014	Gross £m	Reinsurance £m	Total Net £m
Long-term business			
Change in long-term business provisions (note B9(b))	5,847	(376)	5,471
Change in provision for outstanding claims	128	4	132
	5,975	(372)	5,603
General insurance and health			
Change in insurance liabilities (note B9(c))	(76)	49	(27)
Less: Unwind of discount on GI reserves and other	(9)	3	(6)
	(85)	52	(33)
Total change in insurance liabilities	5,890	(320)	5,570

(b) Movements in long-term business liabilities

The following movements have occurred in the long-term business provisions (gross of reinsurance) during the period:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Carrying amount at 1 January	**98,110**	94,972	94,972
Provisions in respect of new business	**1,994**	2,408	4,796
Expected change in existing business provisions	**(3,430)**	(2,500)	(5,806)
Variance between actual and expected experience	**738**	355	1,383
Impact of operating assumption changes	**(28)**	(170)	(1,118)
Impact of economic assumption changes	**(2,119)**	1,630	6,819
Other movements	**36**	(93)	(227)
Change in liability recognised as an expense	**(2,809)**	1,630	5,847
Effect of portfolio transfers, acquisitions and disposals[1,2,3]	**35,105**	(109)	(805)
Foreign exchange rate movements	**(2,353)**	(1,125)	(1,904)
Other movements	**—**	1	—
Carrying amount at 30 June/31 December	**128,053**	95,369	98,110

1 The movement during HY15 relates to the acquisition of the Friends Life business.
2 The movement during FY14 includes £103 million related to the disposal of Eurovita, £696 million related to the disposal of CxG and £6 million related to the restructuring of our operations in Indonesia.
3 The movement during HY14 includes £103 million related to the disposal of Eurovita and £6 million related to the restructuring of our operations in Indonesia.

(c) Movements in general insurance and health liabilities

The following changes have occurred in the general insurance and health claims provisions (gross of reinsurance) during the period:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Carrying amount at 1 January	**9,876**	10,298	10,298
Impact of changes in assumptions	**31**	91	211
Claim losses and expenses incurred in the current period	**2,845**	2,938	5,950
Decrease in estimated claim losses and expenses incurred in prior periods	**(231)**	(124)	(329)
Incurred claims losses and expenses	**2,645**	2,905	5,832
Less:			
Payments made on claims incurred in the current period	**(1,339)**	(1,342)	(3,253)
Payments made on claims incurred in prior periods	**(1,559)**	(1,729)	(2,933)
Recoveries on claim payments	**122**	120	269
Claims payments made in the period, net of recoveries	**(2,776)**	(2,951)	(5,917)
Unwind of discounting	**5**	9	9
Changes in claims reserve recognised as an expense	**(126)**	(37)	(76)
Effect of portfolio transfers, acquisitions and disposals	**(2)**	(3)	(121)
Foreign exchange rate movements	**(402)**	(195)	(222)
Other movements	**—**	(1)	(3)
Carrying amount at 30 June/31 December	**9,346**	10,062	9,876

B10 – Liability for investment contracts

(a) Carrying amount

The liability for investment contracts (gross of reinsurance) at 30 June/31 December comprised:

	30 June 2015[1] £m	30 June 2014 £m	Full Year 2014 £m
Long-term business			
Participating contracts	**76,038**	67,512	67,232
Non-participating contracts at fair value	**103,443**	48,051	50,013
Non-participating contracts at amortised cost	**—**	—	—
	103,443	48,051	50,013
Total	**179,481**	115,563	117,245

1 HY15 includes a total of £64,206 million long-term business liabilities for the acquired Friends Life business. This is split into participating (£11,714 million) and non-participating (£52,492 million).

(b) Movements in participating investment contracts

The following movements have occurred in the provisions (gross of reinsurance) during the period:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Carrying amount at 1 January	**67,232**	70,628	70,628
Provisions in respect of new business	**1,937**	2,319	4,144
Expected change in existing business provisions	**(1,776)**	(882)	(1,972)
Variance between actual and expected experience	**1,287**	317	713
Impact of operating assumption changes	**(2)**	4	14
Impact of economic assumption changes	**(50)**	30	303
Other movements	**(16)**	(2)	16
Change in liability recognised as an expense	**1,380**	1,786	3,218
Effect of portfolio transfers, acquisitions and disposals[1]	**12,245**	(2,671)	(2,671)
Foreign exchange rate movements	**(4,819)**	(2,231)	(3,943)
Carrying amount at 30 June/31 December	**76,038**	67,512	67,232

1 The movement during HY15 relates to the acquisition of Friends Life and the movement during HY14 and FY14 relates to the disposal of Eurovita.

(c) Movements in non-participating investment contracts

The following movements have occurred in the provisions (gross of reinsurance) during the period:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Carrying amount at 1 January	**50,013**	48,140	48,140
Provisions in respect of new business	**1,744**	1,248	2,273
Expected change in existing business provisions	**(1,594)**	(1,130)	(1,442)
Variance between actual and expected experience	**(2,476)**	129	1,575
Impact of operating assumption changes	**—**	(1)	2
Impact of economic assumption changes	**—**	2	11
Other movements	**2**	(24)	8
Change in liability	**(2,324)**	224	2,427
Effect of portfolio transfers, acquisitions and disposals[1]	**56,404**	(16)	(20)
Foreign exchange rate movements	**(650)**	(297)	(534)
Carrying amount at 30 June/31 December	**103,443**	48,051	50,013

1 The movement during HY15 relates to the acquisition of Friends Life and the movement during HY14 and FY14 relates to the disposal of Eurovita.

For non-participating investment contracts, deposits collected and amounts withdrawn are not shown on the income statement, but are accounted for directly through the statement of financial position as an adjustment to the gross liabilities for investment contracts. The associated change in investment contract provisions shown on the income statement consists of the attributed investment return. Participating investment contracts are treated consistently with insurance contracts with the change in investment contract provisions primarily consisting of the movement in participating investment contract liabilities (net of reinsurance) over the reporting period.

B11 – Reinsurance assets

The reinsurance assets at 30 June/31 December comprised:

	30 June 2015[2] £m	30 June 2014 £m	31 December 2014 £m
Long-term business			
Insurance contracts	**5,405**	3,881	4,032
Participating investment contracts	**13**	2	3
Non-participating investment contracts[1]	**13,773**	2,279	2,533
	19,191	6,162	6,568
Outstanding claims provisions	**39**	50	43
	19,230	6,212	6,611
General insurance and health			
Outstanding claims provisions	**725**	771	724
Provisions for claims incurred but not reported	**223**	341	373
	948	1,112	1,097
Provisions for unearned premiums	**254**	253	250
	1,202	1,365	1,347
	20,432	7,577	7,958
Less: Amounts classified as held for sale	**—**	(26)	—
Total	**20,432**	7,551	7,958

1 Balances in respect of all reinsurance treaties are included under reinsurance assets (regardless of whether they transfer significant insurance risk). The reinsurance assets classified as non-participating investment contracts are financial instruments measured at fair value through profit and loss.

2 HY15 includes total reinsurance assets of £11,425 million for Friends Life business. £10,217 million relates to non-participating investment contracts, £1,198 million relates to insurance contracts and £10 million relates to participating investment contracts.

B12 – Effect of changes in assumptions and estimates during the period

This disclosure only allows for the impact on liabilities and related assets, such as unallocated divisible surplus, reinsurance, deferred acquisition costs and AVIF, and does not allow for offsetting movements in the value of backing financial assets.

	Effect on profit 6 months 2015 £m	Effect on profit 6 months 2014 £m	Effect on profit Full Year 2014 £m
Assumptions			
Long-term insurance business			
Interest rates	**1,798**	(777)	(4,578)
Expenses	**22**	100	75
Persistency rates	**—**	—	15
Mortality for assurance contracts	**—**	—	20
Mortality for annuity contracts	**—**	70	283
Tax and other assumptions	**—**	(11)	75
Investment contracts			
Interest rates	**—**	(1)	(2)
Expenses	**—**	—	—
Persistency rates	**—**	—	—
Tax and other assumptions	**—**	—	—
General insurance and health business			
Change in loss ratio assumptions	**—**	—	—
Change in discount rate assumptions	**(54)**	(67)	(145)
Change in expense ratio and other assumptions	**—**	—	1
Total	**1,766**	(686)	(4,256)

The impact of interest rates on long-term business relates primarily to annuities in the UK (including any change in credit default and reinvestment risk provisions), where an increase in the valuation interest rates, in response to increasing risk free rates and spreads, has reduced liabilities. The overall impact on profit also depends on movements in the value of assets backing the liabilities, which is not included in this disclosure.

There has been a release of expense reserves for UK annuities of £22 million as a result of reduced property rental charges in UK Life entities.

The adverse change in discount rate assumptions on general insurance and health business of £54 million *(HY14: £67 million adverse)* arises mainly as a result of a decrease in the real interest rates used to discount claim reserves for periodic payment orders.

B13 – Unallocated divisible surplus

An unallocated divisible surplus (UDS) is established where the nature of policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain at the reporting date. Therefore the expected duration for settlement of the UDS is not defined.

This note shows the movements in the UDS during the period.

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Carrying amount at 1 January	**9,467**	6,709	6,709
Change in participating contract assets	**(612)**	2,482	3,087
Change in participating contract liabilities	**34**	89	299
Other movements	**(165)**	5	(22)
Change in liability recognised as an expense	**(743)**	2,576	3,364
Effect of portfolio transfers, acquisition and disposals	**724**	(123)	(131)
Foreign exchange rate movements	**(633)**	(239)	(444)
Other movements	**—**	—	(31)
Carrying amount at 30 June/31 December	**8,815**	8,923	9,467

The amount of UDS has reduced to £8.8 billion at 30 June 2015 (*HY14: £8.9 billion, FY14: £9.5 billion),* despite the acquisition of Friends Life in April 2015, which increased the UDS balance by £724 million. The reduction is mainly due to the increase in Eurozone corporate and government bond yields during the period as well as the weakening of the Euro.

Negative UDS balances result from an accounting mismatch between participating assets carried at market value and participating liabilities measured using local practice. Any negative balances are tested for recoverability using embedded value methodology and in line with local accounting practice. Testing is conducted at a participating fund-level within each life entity.

In both Italy and Spain, all participating funds had positive UDS balances at 30 June 2015, and consequently testing of negative UDS was not required. In Italy, the carrying value of UDS was £646 million positive (*HY14: £708 million positive, FY14: £953 million positive*); in Spain, the carrying value of UDS was £198 million positive *(HY14: £209 million positive, FY14: £248 million positive)*.

B14 – Borrowings

The Group's borrowings are either core structural borrowings or operational borrowings. This note shows the carrying values of each type.

(a) Analysis of total borrowings:

Total borrowings comprise:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Core structural borrowings, at amortised cost	**7,593**	4,833	5,310
Operational borrowings, at amortised cost	**695**	765	696
Operational borrowings, at fair value	**1,302**	1,346	1,372
	1,997	2,111	2,068
	9,590	6,944	7,378

(b) Core structural borrowings

The carrying amounts of these borrowings are:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Subordinated debt			
6.125% £700 million subordinated notes 2036	**692**	692	692
5.700% €500 million undated subordinated notes	**354**	400	387
6.125% £800 million undated subordinated notes	**794**	793	794
6.125% €650 million subordinated notes 2043	**458**	517	502
6.875% £600 million subordinated notes 2058	**594**	594	594
6.875% €500 million subordinated notes 2018	**353**	400	387
8.250% $400 million subordinated notes 2041	**251**	229	252
6.625% £450 million subordinated notes 2041	**447**	447	447
3.875% €700 million subordinated notes 2044	**492**	—	539
12.000% £162 million subordinated notes 2021[1]	**229**	—	—
8.250% £500 million subordinated notes 2022[1]	**623**	—	—
7.875% $575 million undated subordinated notes[1]	**422**	—	—
3.375% €900 million subordinated notes 2045	**628**	—	—
5.125% £400 million subordinated notes 2050	**394**	—	—
6.292% £268 million undated STICS[1,2]	**268**	—	—
	6,999	4,072	4,594
Debenture loans			
9.5% guaranteed bonds 2016	**200**	199	200
Commercial paper	**450**	562	516
	7,649	4,833	5,310
Less: Amount held by Group companies[3]	**(56)**	—	—
Total	**7,593**	4,833	5,310

1 These instruments are issued by Friends Life Holdings plc, a Group subsidiary.
2 This instrument was redeemed in full on 1 July 2015.
3 This balance represents £49 million of subordinated debt and £7 million of senior debt.

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B14 – Borrowings continued

(b) Core structural borrowings continued

On 4 June 2015 Aviva plc issued €900 million and £400 million of subordinated debt which qualifies as tier 2 capital under current regulatory rules:

- The €900 million instrument was issued at 99.052% of the nominal amount and bears interest at 3.375% per annum. Maturity is on 4 December 2045 but the Company may, at its sole option, redeem all (but not part) of the debt on 4 June 2025 and on each interest payment date thereafter.
- The £400 million instrument was issued at 99.118% of the nominal amount and bears interest at 5.125% per annum. Maturity is on 4 June 2050 but the Company may, at its sole option, redeem all (but not part) of the debt on 4 June 2030 and on each interest payment date thereafter.

On 29 May 2015 Friends Life Holdings plc notified the holders of the 2005 STICS (refer to note B4) that the £268 million principal outstanding would be redeemed at its first call date on 1 July 2015. The notice resulted in an irrevocable commitment to redeem the instrument, leading to a reclassification of the 2005 STICS from within non-controlling interests in equity to liabilities. On 1 July 2015, subsequent to the end of the reporting period, Friends Life Holdings plc redeemed the outstanding principal of £268 million.

On 6 August 2015, subsequent to the end of the reporting period, Aviva plc will notify the holders of the following debt instruments of the intention to redeem:

- The €500 million principal outstanding on the 2003 undated subordinated debt at its first call date on 29 September 2015.
- The £200 million 1996 debenture loan on 18 September 2015, ahead of the 20 June 2016 maturity date, at a redemption price of £218 million including accrued interest.

(c) Operational borrowings

The carrying amounts of these borrowings are:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Amounts owed to financial institutions			
Loans	**695**	765	696
Securitised mortgage loan notes			
UK lifetime mortgage business	**1,302**	1,346	1,372
Total	**1,997**	2,111	2,068

B15 – Pension obligations and other provisions

(a) Carrying amounts

(i) Provisions in the condensed consolidated statement of financial position

In the condensed consolidated statement of financial position, provisions include pension scheme deficits and comprise:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Deficits in the main staff pension schemes	**825**	372	391
Deficits in other staff pension schemes	**42**	42	43
Deficits in staff pension schemes	**867**	414	434
Restructuring provisions	**156**	88	97
Other provisions	**592**	369	348
Total	**1,615**	871	879

(ii) Pension obligations

The assets and liabilities of the Group's material defined benefit schemes as at 30 June/31 December are shown below.

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Total fair value of assets	**17,062**	13,176	15,474
Present value of scheme liabilities	**(14,812)**	(12,287)	(13,170)
Net surplus in the schemes	**2,250**	889	2,304
Less: consolidation elimination for non-transferable Group insurance policy[1]	**(606)**	—	—
Net IAS 19 surplus in the schemes	**1,644**	889	2,304
Surplus included in other assets	**2,469**	1,261	2,695
Deficits included in provisions	**(825)**	(372)	(391)
Net IAS 19 surplus in the schemes	**1,644**	889	2,304

1 As at 30 June 2015, the scheme assets in the Friends Provident Pension Scheme include an insurance policy of £606 million issued by a Group company that is not transferable under IAS 19 and consequently is eliminated from the IAS 19 net surplus balance. The IAS 19 fair value of scheme assets at 30 June 2015, excluding this policy is £16,456 million.

(b) Movements in the schemes' surpluses and deficits

Movements in the pension schemes' surpluses and deficits comprise:

	6 months 2015 £m	6 months 2014 £m	Full Year 2014 £m
Net IAS19 surplus in the schemes at 1 January	**2,304**	239	239
Past service costs – amendments	**(1)**	—	—
Administrative expenses[1]	**(12)**	(11)	(27)
Total pension cost charged to net operating expenses	**(13)**	(11)	(27)
Net interest credited/(charged) to investment income/(finance costs)[2]	**41**	9	20
Total recognised in income statement from continuing operations	**28**	(2)	(7)
Remeasurements:			
Actual return on these assets	**113**	748	3,135
Less: Interest income on scheme assets	**(290)**	(272)	(542)
Return on scheme assets excluding amounts in interest income	**(177)**	476	2,593
Losses from change in financial assumptions	**(166)**	(103)	(1,063)
Gains from change in demographic assumptions	**—**	2	150
Experience gains/(losses)	**5**	12	(18)
Total remeasurements recognised in other comprehensive income from continuing operations	**(338)**	387	1,662
Acquisitions – gross surplus	**68**	—	—
Acquisitions – consolidation elimination for non-transferable Group insurance policy[3]	**(631)**	—	—
Acquisitions – net deficit	**(563)**	—	—
Employer contributions	**183**	253	391
Foreign exchange rate movements	**30**	12	19
Net IAS19 surplus in the schemes at 30 June/31 December	**1,644**	889	2,304

1 Administrative expenses are expensed as incurred.
2 Net interest income of £50 million (*HY14: £16 million, FY14: £33 million*) has been credited to investment income and net interest expense of £9 million (*HY14: £7 million, FY14: £13 million*) has been charged to finance costs in HY15.
3 The gross surplus of £68 million on acquisition relates to Friends Life. As the Friends Provident Pension scheme assets include an insurance policy of £631 million at acquisition date, issued by a Group company that is not transferrable under IAS 19, it is eliminated from the scheme assets.

After taking into account the impact of the Friends Life acquisition, the decrease in the surplus during the period is primarily due to the adverse impact of narrowing credit spreads, partly offset by increased interest rates and employer contributions.

B16 – Related party transactions

During the period, there have been no changes in the nature of the related party transactions from those described in the Group's annual report and accounts for the year ended 31 December 2014. There were no transactions with related parties that had a material effect on the result for the period ended 30 June 2015, 30 June 2014 or 31 December 2014.

B17 – Fair value

This note explains the methodology for valuing our assets and liabilities measured at fair value, and for fair value disclosures. It also provides an analysis of these according to a 'fair value hierarchy', determined by the market observability of valuation inputs.

(a) Basis for determining fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date.

Level 2

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly.
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads).
- Market-corroborated inputs.

Where we use broker quotes and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- Where the broker price is validated by using internal models with market observable inputs and the values are similar, we classify the investment as Level 2.
- In circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

Level 3

Inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset or liability. Examples are investment properties, certain private equity investments and private placements.

The majority of the Group's assets and liabilities measured at fair value are based on quoted market information or observable market data. 16.4% of assets and 2.7% of liabilities measured at fair value are based on estimates and recorded as Level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

(b) Changes to valuation technique

There were no changes in the valuation techniques during the period compared to those described in the 2014 annual consolidated financial statements, other than those noted below.

B17 – Fair value continued

(c) Comparison of the carrying amount and fair values of financial instruments

Set out below is a comparison of the carrying amounts and fair values of financial assets and liabilities, excluding those classified as held for sale. These amounts may differ where the asset or liability is carried on a measurement basis other than fair value, e.g. amortised cost.

	30 June 2015		30 June 2014		31 December 2014	
	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m
Financial assets						
Loans[1]	**23,954**	**24,121**	22,830	22,967	25,135	25,260
Financial Investments	**274,811**	**274,811**	197,607	197,607	202,638	202,638
Fixed maturity securities	**162,146**	**162,146**	128,488	128,488	131,661	131,661
Equity securities	**65,057**	**65,057**	36,478	36,478	35,619	35,619
Other investments (including derivatives)	**47,608**	**47,608**	32,641	32,641	35,358	35,358
Financial liabilities						
Non-participating investment contracts[2]	**103,443**	**103,443**	48,051	48,051	50,013	50,013
Net asset value attributable to unitholders	**10,728**	**10,728**	9,463	9,463	9,482	9,482
Borrowings[1]	**10,052**	**9,590**	7,459	6,944	8,080	7,378
Derivative liabilities[3]	**3,432**	**3,432**	2,263	2,263	3,481	3,481

1 Within the fair value, the estimated fair value has been provided for the portion of loans and borrowings that are carried at amortised cost as disclosed in Note B17(d).
2 Non-participating investment contracts are included within gross liabilities for investment contracts on the condensed consolidated statement of financial position and disclosed in Note B10.
3 Derivative liabilities are included within payables and other financial liabilities on the condensed consolidated statement of financial position.

Fair value of the following assets and liabilities approximate to their carrying amounts:

- Receivables
- Cash and cash equivalents
- Payables and other financial liabilities
- The equivalent assets to those above, which are classified as held for sale

(d) Fair value hierarchy analysis

An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below. Financial instruments relating to operations classified as held for sale have been excluded from the individual asset and liability line items and have been disclosed separately.

	Fair value hierarchy					
At 30 June 2015	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment Property	—	—	**11,567**	**11,567**	—	**11,567**
Loans	—	**988**	**19,775**	**20,763**	**3,358**	**24,121**
Financial investments measured at fair value						
Fixed maturity securities	**86,371**	**62,617**	**13,158**	**162,146**	—	**162,146**
Equity securities	**63,991**	—	**1,066**	**65,057**	—	**65,057**
Other investments (including derivatives)	**36,859**	**5,945**	**4,804**	**47,608**	—	**47,608**
Total	**187,221**	**69,550**	**50,370**	**307,141**	**3,358**	**310,499**
Financial liabilities measured at fair value						
Non-participating investment contracts[1]	**101,060**	**473**	**1,910**	**103,443**	—	**103,443**
Net asset value attributable to unit holders	**10,682**	—	**46**	**10,728**	—	**10,728**
Borrowings	—	**850**	**452**	**1,302**	**8,288**	**9,590**
Derivative liabilities[2]	**210**	**2,441**	**781**	**3,432**	—	**3,432**
Total	**111,952**	**3,764**	**3,189**	**118,905**	**8,288**	**127,193**

1 In addition to the balances in this table, included within reinsurance assets in the statement of condensed consolidated financial position and Note B11 are £13,773 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.
2 Derivative liabilities are included within payables and other financial liabilities on the condensed consolidated statement of financial position.

	Fair value hierarchy			
At 30 June 2015	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement[1]				
Properties occupied by group companies	—	—	**332**	**332**
Total	—	—	**332**	**332**

1 Non-recurring fair value measurements of assets or liabilities are those fair value measurements that other IFRSs permit or require in particular circumstances.

B17 – Fair value continued

At 30 June 2014	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment Property	—	—	8,647	8,647	—	8,647
Loans	—	3,258	15,340	18,598	4,369	22,967
Financial investments measured at fair value						
Fixed maturity securities	75,121	45,078	8,289	128,488	—	128,488
Equity securities	35,919	110	449	36,478	—	36,478
Other investments (including derivatives)	24,367	5,243	3,031	32,641	—	32,641
Financial assets of operations classified as held for sale	23	—	—	23	—	23
Total	135,430	53,689	35,756	224,875	4,369	229,244
Financial liabilities measured at fair value						
Non-participating investment contracts[1]	47,807	244	—	48,051	—	48,051
Net asset value attributable to unit holders	9,376	—	87	9,463	—	9,463
Borrowings	—	852	494	1,346	5,598	6,944
Derivative liabilities[2]	250	1,635	378	2,263	—	2,263
Financial liabilities of operations classified as held for sale	—	—	—	—	—	—
Total	57,433	2,731	959	61,123	5,598	66,721

1 In addition to the balances in this table, included within reinsurance assets in the statement of condensed consolidated financial position and note B11 are £2,279 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.
2 Derivative liabilities are included within payables and other financial liabilities on the condensed consolidated statement of financial position.

At 30 June 2014	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement[1]				
Properties occupied by group companies	—	—	246	246
Total	—	—	246	246

1 Non-recurring fair value measurements of assets or liabilities are those fair value measurements that other IFRSs permit or require in particular circumstances.

At 31 December 2014	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment Property	—	—	8,925	8,925	—	8,925
Loans	—	3,895	17,000	20,895	4,365	25,260
Financial investments measured at fair value						
Fixed maturity securities	75,078	45,274	11,309	131,661	—	131,661
Equity securities	35,460	—	159	35,619	—	35,619
Other investments (including derivatives)	25,139	7,153	3,066	35,358	—	35,358
Total	135,677	56,322	40,459	232,458	4,365	236,823
Financial liabilities measured at fair value						
Non-participating investment contracts[1]	49,791	222	—	50,013	—	50,013
Net asset value attributable to unit holders	9,463	—	19	9,482	—	9,482
Borrowings	—	812	560	1,372	6,006	7,378
Derivative liabilities[2]	180	2,310	991	3,481	—	3,481
Total	59,434	3,344	1,570	64,348	6,006	70,354

1 In addition to the balances in this table, included within reinsurance assets in the statement of condensed consolidated financial position and Note B11 are £2,533 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.
2 Derivative liabilities are included within payables and other financial liabilities on the condensed consolidated statement of financial position.

At 31 December 2014	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement[1]				
Properties occupied by group companies	—	—	316	316
Total	—	—	316	316

1 Non-recurring fair value measurements of assets or liabilities are those fair value measurements that other IFRSs permit or require in particular circumstances.

B17 – Fair value continued

(e) Transfers between Levels of the fair value hierarchy

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Transfers between Level 1 and Level 2

During the six month period ended 30 June 2015, changes in the level of market activity for certain investments funds have resulted in transfers of financial assets from Level 1 to Level 2 of £0.3 billion and transfers from Level 2 to Level 1 of £0.2 billion.

Transfers to/from Level 3

Transfers out of Level 3 of £0.7 billion relate principally to debt securities held by our business in the UK, which were transferred to Level 2, as observable inputs became available.

Transfers into Level 3 of £4.1 billion included:

- £2.9 billion of Primary Healthcare and Private Finance Initiative (PFI) loans. During the period, these loans were valued using a Portfolio Credit Risk Model in place of the previous discounted cash flow model. As the liquidity premium input in this model has been deemed to be non-market observable and significant, the loans have been classified as Level 3 and transferred from Level 2.
- £0.9 billion of debt securities held in the UK and £0.3 billion of other investments were transferred from Level 2 due to the unavailability of significant observable market data or sufficiently significant differences between the valuation provided by the counterparty and broker quotes and the validation models.

(f) Further information on Level 3 assets and liabilities:

The table below shows movement in the Level 3 assets and liabilities measured at fair value:

	Assets								Liabilities
At 30 June 2015	Investment Property £m	Loans £m	Debt securities £m	Equity securities £m	Other investments (including derivatives) £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m
Opening balance at 1 January 2015	**8,925**	**17,000**	**11,309**	**159**	**3,066**	**—**	**(19)**	**(991)**	**(560)**
Total net gains/(losses) recognised in the income statement[1]	**330**	**(476)**	**15**	**34**	**164**	**—**	**(19)**	**146**	**19**
Total net gains/(losses) recognised in other comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Purchases[2]	**3,103**	**376**	**2,723**	**912**	**2,074**	**(1,910)**	**(6)**	**(35)**	**—**
Issuances	**—**	**828**	**19**	**—**	**—**	**—**	**(2)**	**—**	**—**
Disposals	**(593)**	**(49)**	**(405)**	**(26)**	**(669)**	**—**	**—**	**97**	**1**
Settlements[3]	**—**	**(772)**	**(88)**	**—**	**—**	**—**	**—**	**—**	**88**
Transfers into Level 3	**—**	**2,868**	**927**	**1**	**312**	**—**	**—**	**—**	**—**
Transfers out of Level 3	**—**	**—**	**(670)**	**(2)**	**(42)**	**—**	**—**	**—**	**—**
Foreign exchange rate movements	**(198)**	**—**	**(672)**	**(12)**	**(101)**	**—**	**—**	**2**	**—**
Balance at 30 June 2015	**11,567**	**19,775**	**13,158**	**1,066**	**4,804**	**(1,910)**	**(46)**	**(781)**	**(452)**

1 Total net gains / (losses) recognised in the income statement includes realised gains/(losses) on disposals.
2 Purchases include Friends Life's Level 3 assets and liabilities at the date of acquisition.
3 Settlements include effective settlements of Group holdings.

B17 – Fair value continued

						Assets				Liabilities
At 30 June 2014	Investment Property £m	Loans £m	Debt securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets of operations classified as held for sale £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m
Opening balance at 1 January 2014	9,451	15,362	8,879	441	3,017	148	—	—	(201)	(482)
Total net gains/(losses) recognised in the income statement[1]	270	217	98	16	(47)	—	—	—	(26)	(7)
Total net gains/(losses) recognised in other comprehensive income	—	—	—	—	—	—	—	—	—	—
Purchases	331	586	266	13	689	—	—	—	(74)	—
Disposals	(1,340)	(825)	(679)	(5)	(577)	(148)	—	—	—	—
Transfers into Level 3	—	—	303	—	17	—	—	(87)	(77)	(5)
Transfers out of Level 3	—	—	(287)	—	—	—	—	—	—	—
Foreign exchange movements	(65)	—	(291)	(16)	(68)	—	—	—	—	—
Balance at 30 June 2014	8,647	15,340	8,289	449	3,031	—	—	(87)	(378)	(494)

1 Total net (losses)/gains recognised in the income statement includes realised gains/(losses) on disposals.

						Assets				Liabilities
At 31 December 2014	Investment Property £m	Loans £m	Debt securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets of operations classified as held for sale £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m
Opening balance at 1 January 2014	9,451	15,362	8,879	441	3,017	148	—	—	(201)	(482)
Total net gains/(losses) recognised in the income statement[1]	727	829	209	(2)	74	—	—	—	(135)	(92)
Total net gains/(losses) recognised in other comprehensive income	—	—	—	—	—	—	—	—	—	—
Purchases	725	1,675	1,550	28	1,017	—	—	—	(400)	—
Issuances	—	—	—	—	—	—	—	—	(20)	—
Disposals	(1,811)	(1,049)	(1,482)	(292)	(998)	(148)	—	—	56	12
Transfers into Level 3	—	183	3,169	2	19	—	—	(19)	(292)	—
Transfers out of Level 3	—	—	(469)	—	—	—	—	—	—	2
Foreign exchange rate movements	(167)	—	(547)	(18)	(63)	—	—	—	1	—
Balance at 31 December 2014	8,925	17,000	11,309	159	3,066	—	—	(19)	(991)	(560)

1 Total net (losses)/gains recognised in the income statement includes realised gains/(losses) on disposals.

Total net gains recognised in the income statement in the first half of 2015 in respect of Level 3 assets measured at fair value amounted to £67 million (*HY14: net gains of £554 million)* with net gains in respect of liabilities of £146 million *(HY14: net losses of £33 million)*. Included in this balance are £6 million of net losses *(HY14: net gains of £497 million)* attributable to those assets and £142 million net gains *(HY14: net losses of £32 million)* attributable to those liabilities still held at the end of the period.

The principal assets classified as Level 3, and the valuation techniques applied to them, are:

- Commercial mortgage loans, Primary Healthcare and PFI loans held by our UK Life business amounting to £13.0 billion *(FY14: £10.4 billion)*, were valued using a Portfolio Credit Risk Model (PCRM). This model calculates a Credit Risk Adjusted Value (CRAV) for each loan. The risk adjusted cash flows are discounted using a yield curve, taking into account the term dependent gilt yield curve, and global assumptions for the liquidity premium. Loans valued using this model have been classified as Level 3 as the liquidity premium is deemed to be non-market observable. The liquidity premium used in the discount rate ranges between 140 bps to 250 bps.
- Equity release and securitised mortgage loans held by our UK Life business amounting to £6.2 billion *(FY14: £5.9 billion)* comprise:
  - £3.8 billion *(FY14: £3.6 billion)* of equity release mortgages held by our UK Life annuity business valued using an internal model. Inputs to the model include property growth rates, mortality and morbidity assumptions, cost of capital and liquidity premium which are not deemed to be market observable. The assumed property growth is approximately 2% per annum.
  - £2.4 billion *(FY14: £2.3 billion)* of securitised and equity release mortgages are valued using a discounted cash flow model. The inputs include liquidity risk and property risk premium which are deemed unobservable. The liquidity premium used ranges between 130 bps to 155 bps.

B17 – Fair value continued

- Investment property amounting to £11.6 billion *(FY14: £8.9 billion)*. In the UK, investment property is valued at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors, and using estimates during the intervening period. Outside the UK, valuations are produced by local qualified staff of the Group or external qualified professional appraisers in the countries concerned. Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable.
- Structured bond-type and non-standard debt products held by our business in France amounting to £6.2 billion *(FY14: £7.4 billion)* and bonds held by our UK business of £1.7 billion *(FY14: £1.0 billion),* for which there is no active market. These debt securities are valued either using counterparty or broker quotes and validated against internal or third-party models. These bonds have been classified as Level 3 because either (i) the third-party models included a significant unobservable liquidity adjustment, or (ii) differences between the valuation provided by the counterparty and broker quotes and the validation model were sufficiently significant to result in a Level 3 classification.
- Privately placed notes held by our UK Life business of £2.9 billion *(FY14: £1.8 billion)* have been valued using broker quotes or a discounted cash flow model using discount factors including the yield on a sovereign gilt of similar maturity, plus internally derived spreads for credit risk. As these spreads have been deemed to be unobservable, these notes have been classified as Level 3.
- The following valuations are based on external valuation reports received from fund managers:
  (i) Private equity investment funds amounting to £0.9 billion *(FY14: £1.0 billion);*
  (ii) Other investment funds including property funds amounting to £0.8 billion *(FY14: £0.5 billion);*
  (iii) External hedge funds held principally by businesses in the UK and France amounting to £0.9 billion *(FY14: £1.2 billion)*; and
  (iv) Discretionary managed funds held in Asia amounting to £1.4 billion *(FY14: £nil)*;
  Where these valuations are at a date other than balance sheet date, as in the case of some private equity funds, we make adjustments for items such as subsequent draw-downs and distributions and the fund manager's carried interest.
- Level 3 investments including a collateralised loan obligation of £0.4 billion *(FY14: £0.4 billion) and* UK non-recourse loans of £0.5 billion *(FY14: £0.5 billion)* have been valued using internally developed discounted cash flow models incorporating a significant number of modelling assumptions and unobservable market data including a probability of default and illiquidity premium.
- Investments including debt securities held by our French business of £0.9 billion *(FY14: £0.3 billion)* and asset backed securities of £1 billion held by our UK business *(FY14: £nil)* which are not traded in an active market have been valued using third party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transactions.
- Private equity holdings of £0.9 billion (*FY14: £0.1 billion*) held in the UK are valued by a number of third party specialists. These are valued using a range of techniques, including earnings multiples, forecast cash flows and price/earnings ratios which are deemed to be unobservable.
- Other Level 3 investments amount to £1.1 billion *(FY14: £1.1 billion*) and relate to a diverse range of different types of securities held by a number of businesses throughout the Group.

Where possible, the Group tests the sensitivity of the fair values of Level 3 investments to changes in unobservable inputs to reasonable alternatives. Valuations for Level 3 investments are sourced from independent third parties when available and, where appropriate, validated against internally-modelled valuations, third-party models or broker quotes. Where third-party pricing sources are unwilling to provide a sensitivity analysis for their valuations, the Group undertakes, where feasible, sensitivity analysis on the following basis:

- For third-party valuations validated against internally-modelled valuations using significant unobservable inputs, the sensitivity of the internally modelled valuation to changes in unobservable inputs to a reasonable alternative is determined.
- For third-party valuations either not validated or validated against a third-party model or broker quote, the third-party valuation in its entirety is considered an unobservable input. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation. For example, for a fixed income security the implied yield would be the rate of return which discounts the security's contractual cash flows to equal the third-party valuation.

On the basis of the methodology outlined above, the Group is able to perform sensitivity analysis for £49.4 billion of the Group's Level 3 assets. For these Level 3 assets, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by + £1.8 billion / – £1.9 billion. Of the £1.0 billion Level 3 assets for which sensitivity analysis is not provided, it is estimated that a 10% change in valuation assumptions downwards of these assets would result in a change in fair value of approximately £0.1 billion.

The principal liabilities classified as Level 3, and the valuation techniques applied to them, are:

- £0.5 billion (*FY14: £0.6 billion*) of securitised mortgage loan notes are valued using a similar technique to the related Level 3 securitised mortgage assets.
- Derivative liabilities of £0.8 billion *(FY14: £1.0 billion)* comprising over the counter derivatives such as credit default swaps and inflation swaps. These swaps are valued using either discounted cash flow models or other valuation models. Cash flows within these models may be adjusted based on assumptions reflecting the underlying credit risk and liquidity risk and these assumptions are deemed to be not market observable.

B17 – Fair value continued

- £1.9 billion of non-participating investment contract liabilities are valued by reference to the fair value of the underlying unit funds which are not traded in an active market, plus additional non-unit adjustments based on a discounted cash flow analysis. These liabilities have been classified as Level 3 because either the underlying unit funds are classified as Level 3 assets consistent with the approach described above or the valuations are subject to a significant non-unit adjustment which is based on unobservable market data and assumptions.

Where possible, the Group tests the sensitivity of the fair values of Level 3 liabilities to changes in unobservable inputs to reasonable alternatives. Sensitivities are determined by flexing inputs of internal models to a reasonable alternative, including the yield, NAV multiple or other suitable valuation multiples of the financial instrument implied by the third-party valuation.

On the basis of the methodology outlined above, the Group is able to perform sensitivity analysis for £0.6 billion of the Group's Level 3 liabilities. For these Level 3 liabilities, changing unobservable valuation inputs to a reasonable alternative would result in a change in fair value by approximately ± £30 million. Of the £2.6 billion Level 3 liabilities for which sensitivity analysis is not provided it is estimated that a 10% change in valuation assumptions downwards of these liabilities would result in a change in fair value of approximately £0.3 billion.

B18 – Risk management

As a global insurance group, risk management is at the heart of what we do and is the source of value creation as well as a vital form of control. It is an integral part of managing and maintaining financial strength and stability for our customers, shareholders and other stakeholders.

Our sustainability and financial strength are underpinned by an effective risk management process which helps us identify major risks to which we may be exposed, establish appropriate controls and take mitigating actions for the benefit of our customers and investors. The Group's risk strategy is to invest its available capital to optimise the balance between return and risk while maintaining an appropriate level of economic (i.e. risk-based) capital and regulatory capital. Consequently, our risk management goals are to:

- Embed rigorous risk management throughout the business, based on setting clear risk appetites and staying within these;
- Allocate capital where it will make the highest returns on a risk-adjusted basis; and
- Meet the expectations of our customers, investors and regulators that we will maintain sufficient capital surpluses to meet our liabilities even if a number of extreme risks materialise.

Aviva's risk management framework has been designed and implemented to support these objectives. The key elements of our risk management framework comprise our risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles & responsibilities; and the processes we use to identify, measure, manage, monitor and report (IMMMR) risks, including the use of our risk models and stress and scenario testing.

Risk environment

The first six months of 2015 have seen strengthening economic growth in Europe, benefitting from accommodative monetary policy, a weak Euro and continued low oil prices. Economic growth in the UK remained robust, while growth in the US temporarily slowed in the first quarter, principally due to weather related factors. Up until April, a combination of a positive macroeconomic outlook and the launch of the European Central Bank's (ECB) quantitative easing programme in March led to global equity markets reaching all-time highs, a weakening Euro against the US dollar and pound sterling, and reduced yields on Eurozone sovereign bonds. Since April a repricing of inflation expectations and concerns over the possible exit of Greece from the Eurozone (Gr-exit) have partially reversed some of these trends by 30 June 2015 with global equity markets falling back and increasing yields on peripheral Eurozone sovereign debt, albeit the market reaction to date has been relatively benign compared to the 2010-12 sovereign crisis (Greek sovereigns excepted). UK Gilt and US treasury yields fell up to April, but had recovered by 30 June 2015 reflecting changing market sentiment over the immediacy of an initial upward move in interest rates.

Looking forward, the remainder of 2015, with the immediate risk of Gr-exit reduced (albeit not eliminated), is likely to see further divergence in monetary policy amongst developed economies with the Eurozone continuing its programme of quantitative easing and a possible first increase in the US Federal Reserve rate since the 2008 financial crisis. This may lead to further strengthening of the US dollar and pound sterling against the Euro and exacerbate macroeconomic imbalances in the global economy. Further significant falls in Chinese equity markets, continuing the falls experienced since June, and any knock-on effect on China's economy is another risk to the global economy in the second half of 2015.

The first half of 2015 saw further changes in UK public policy over long term savings and pension provision with the announcement that annuitants will in the future have the option of selling their annuity income to a third party for a cash lump sum. Further significant changes are likely in the next few years, including to personal tax incentives, which will impact the demand for our products and the types of products we offer our customers. Despite the conclusion of the UK General Election without a hung parliament, as many predicted, general elections in the latter half of the year in Poland, Canada and Spain will exacerbate uncertainty over public policy, as will uncertainty over the UK's continued membership of the European Union following the UK government's commitment to hold a referendum by the end of 2017.

The European insurance industry will adopt Solvency II on 1 January 2016. Good progress has been made on the implementation of Solvency II and we continue to work closely with our regulators during the application process for the Group to use a partial internal model to calculate its capital requirements, expected to conclude in December 2015. Future capital requirements of the Group will also be affected by the finalisation of the Solvency II rules. Our reported economic capital surplus and composition may differ under Solvency II, including the use of transitional measures on our back book.

The International Association of Insurance Supervisors (IAIS) continues to develop the higher loss absorbency capital requirements, which will apply from January 2019, should the Group remain a Global Systemically Important Insurer (G-SII).

Risk profile

We continue to manage our risk profile to reflect Aviva's objective of maintaining financial strength and reducing capital volatility. During the first half of 2015 we completed the acquisition of Friends Life. The principal impact of the acquisition on the Group's risk profile has been to increase our exposure to equity price risk and UK life insurance risks, in particular lapse risk, as well as reduce the Group's external leverage.

Going forward, the Group will continue to focus on maintaining a strong balance sheet and cash-flow position, decreasing balance sheet volatility and internal leverage, and maintaining external leverage at a level commensurate with a AA financial strength rating.

Material risks and uncertainties

In accordance with the requirements of the FCA Handbook (DTR 4.2.7) we provide an update here on the material risks and uncertainties facing the Group. The types of risks to which the Group is exposed have not changed significantly over the half-year to 30 June 2015 and remain credit, market, life insurance, general insurance (including health insurance), liquidity, asset management, operational and reputational risks. These risks are described below. Further detail on these risks is given within note 58 of the Aviva plc Annual Report and Accounts 2014.

B18 – Risk management continued

(a) Credit risk

Aviva has a strong record of managing credit risk and we see credit as an area where we can make a good return for the benefit of both our policyholders and shareholders. During the first half of 2015 we continued to limit our sovereign and corporate debt exposure to Greece, Italy, Portugal and Spain. We have in place a comprehensive group-wide reporting system that consolidates credit exposures across geographies, business lines and exposure types. We have a robust framework of limits and controls to diversify the portfolio and enable the early identification of potential issues. Refer to section D.3.3.5 of this report for details of our sovereign exposures to Greece, Ireland, Portugal, Spain and Italy.

During the first half of 2015 the credit rating profile of our debt securities portfolio has remained strong, and the average rating has risen slightly in line with the general market's rating agency upgrades. At 30 June 2015, the proportion of our shareholder debt securities that are investment grade has increased slightly to 92.3% *(31 December 2014: 91.3%)*.

The Group continues to hold a series of macro credit hedges to reduce the overall credit risk exposure.

(b) Market risk

We continue to limit our direct equity exposure. A rolling central equity hedging programme remains in place to help control the Group's overall direct and indirect exposure to equities. At 30 June 2015 the Group's shareholder funds held £3 billion notional of equity hedge put spreads, with twelve months to maturity and an average strike of 83%-62% of the prevailing market levels on 30 June 2015.

We have a limited appetite for interest rate risk as we do not believe it is adequately rewarded. Our conservative and disciplined approach to asset and liability management and pricing limit our exposure to interest rate and guarantee risk. Asset and liability durations across the Group are generally well matched and actions have been taken to manage guarantee risk in the current low interest rate environment. In particular, a key objective is to match the duration of our annuity liabilities with assets of the same duration. These assets include corporate bonds, residential mortgages and commercial mortgages. Should they default before maturity, it is assumed that the Group can reinvest in assets of a similar risk and return profile, which is subject to market conditions. Interest rate hedges are used to manage asymmetric interest rate exposures in some of our life insurance businesses as well as an efficient way to manage cash flow and duration matching (the most material examples relate to guaranteed annuity exposures in both UK and Ireland). These hedges are used to protect against interest rate falls and are sufficient in scale to materially reduce the Group's interest rate exposure.

At a Group level we actively seek to manage currency risk primarily by matching assets and liabilities in functional currencies at the business unit level. Foreign currency dividends from subsidiaries are hedged using foreign exchange forwards to provide certainty regarding the sterling value to be received by the Group. Hedges have also been used to protect the Group's capital against a significant depreciation in local currency versus sterling. At 30 June 2015 the Group had in place Euro and Canadian dollar hedges with notional values of £3.25 billion and £0.6 billion respectively.

(c) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form or that can easily be turned into cash.

The relatively illiquid nature of insurance liabilities is a potential source of additional investment return by allowing us to invest in higher yielding, but less liquid assets such as commercial mortgages. The Group seeks to ensure that it maintains sufficient liquid financial resources to meet its obligations as they fall due through the application of a Group liquidity risk policy and business standard. At Group and business unit level, there is a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. The Company's main sources of liquidity are liquid assets held within the Company and Aviva Group Holdings Limited (AGH), as well as Friends Life Group Limited and Friends Life Holdings plc, and dividends received from the Group's insurance and asset management businesses. Sources of liquidity in normal markets also include a variety of short and long-term instruments including commercial papers and medium and long-term debt. In addition to the existing liquid resources and expected inflows, the Group and Company maintain significant undrawn committed borrowing facilities (30 June 2015: £1.65 billion) from a range of leading international banks to further mitigate this risk.

(d) Life insurance risk

Adjusting for the impact of the Friends Life acquisition, the profile of our life insurance risks, primarily longevity, persistency, mortality and expense risk, has remained stable in the first half of 2015. The reduction in individual annuity new business volumes as a result of the 2014 UK budget changes to compulsory annuitisation will reduce our longevity risks exposure over the longer term to the extent not offset by increased bulk purchase annuity volumes. However, despite this longevity risk remains the Group's most significant life insurance risk due to the Group's existing annuity portfolio. Persistency risk remains significant and continues to have a volatile outlook, with underlying performance linked to economic conditions. Businesses across the Group mitigate this risk through a range of customer retention activities. The Group has continued to write substantial volumes of life protection business, and to utilise reinsurance to reduce exposure to potential mortality losses. All life insurance risks benefit from significant diversification against other risks in the portfolio, limiting the impact on the Group's aggregate risk profile.

Provisions made for insurance liabilities are inherently uncertain. Due to this uncertainty, life insurance reserves are regularly reviewed by qualified and experienced actuaries at the business unit and Group level in accordance with the Group's reserving framework. This and other risks are subject to an overarching risk management framework and various mechanisms to govern and control our risks and exposures.

B18 – Risk management continued

(e) General insurance and health insurance risk

The Group writes a balanced portfolio of general insurance risk (including personal motor, household, commercial motor, property and liability) across a geographically diversified spread of markets, including UK, Ireland, Canada, France, Italy and Poland. This risk is taken on, in line with our underwriting and pricing expertise, to provide an appropriate level of return for an acceptable level of risk. Underwriting discipline and a robust governance process is at the core of the Group's underwriting strategy.

The Group's health insurance business (including private health insurance, critical illness cover, income protection and personal accident insurance, as well as a range of corporate healthcare products) exposes the Group to morbidity risk (the proportion of our customers falling sick) and medical expense inflation.

Provisions made for insurance liabilities are inherently uncertain. Due to this uncertainty, general and health insurance reserves are regularly reviewed by qualified and experienced actuaries at the business unit and Group level in accordance with the Group's reserving framework. These and other key risks, including the occurrence of unexpected claims from a single source or cause and inadequate reinsurance protection/risk transfer, are subject to an overarching risk management framework and various mechanisms to govern and control our risks and exposures.

During the first half of 2015, Aviva's general insurance and health insurance risk profile has remained stable. As with life insurance risks, general and health insurance risks also benefit from the significant diversification that arises from being part of a large and diverse portfolio, limiting the impact on the Group's aggregate risk profile.

Aviva successfully completed the renewal of its group-wide catastrophe protection on 1 April 2015. Aviva has maintained the level of reinsurance it purchases which includes both event and aggregate catastrophe protection on a group-wide basis. Processes are in place to manage catastrophe risk in individual business units and at a group level.

(f) Asset management risk

Asset management risk arises through exposure to negative investment performance, fund liquidity, and factors that influence franchise value such as product development appropriateness and capability, and client retention.

Aviva is directly exposed to the risks associated with operating an asset management business through its ownership of Aviva Investors. The underlying risk profile of our asset management risk is derived from investment performance, specialist investment professionals and leadership, product development capabilities, fund liquidity, margin, client retention, regulatory developments, fiduciary and contractual responsibilities. These key risks are monitored on an on-going basis with issues escalated to the appropriate governance committee.

(g) Operational risk

The Group continues to operate, validate and enhance its key operational controls and purchase insurance to minimise losses arising from inadequate or ineffective internal processes, people and systems or from external events. The Group maintains constructive relationships with its regulators around the world and developments in relation to key regulatory changes, such as requirements for Global Systemically Important Insurers (G-SII), are monitored closely. We continue to implement the necessary business changes for Solvency II and monitor the development of IFRS 4 Phase 2.

(h) Brand and reputation risk

Our success and results are, to a certain extent, dependent on the strength of our brands, the brands of our partners and our reputation with customers, agents, regulators, rating agencies, investors and analysts. While we are well recognised, we are vulnerable to adverse market and customer perception. Any of our brands or our reputation could also be affected if products or services recommended by us or any of our intermediaries do not perform as expected whether or not the expectations are founded, or the customer's expectations for the product have changed. We monitor this risk and have controls in place to limit our exposure.

B19 – Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows at 30 June/31 December comprised:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Cash and cash equivalents	**33,186**	23,584	23,105
Cash and cash equivalents of operations classified as held for sale	**9**	64	9
Bank overdrafts	**(506)**	(843)	(550)
Net cash and cash equivalents at 30 June/31 December	**32,689**	22,805	22,564

B20 – Contingent liabilities and other risk factors

Except for the matter outlined below, during the period, there have been no material changes in the nature of the contingent liabilities and other risk factors from those described in note 53 of the Group's 2014 Annual report and accounts.

During the period the Group acquired Sesame Bankhall Group ("SBG") as part of the Friends Life acquisition. SBG is currently undergoing a restructure to focus on its chosen strategic markets. Due to potential liabilities from future advice related claims, SBG is reliant on the financial support of the Group to be able to continue to trade. Any costs associated with future claims are not expected to have a material adverse impact on the Group.

B21 – Acquired value of in-force business and intangible assets

Acquired value of in-force business and intangible assets presented in the statement of financial position is comprised of:

	30 June 2015 £m	30 June 2014 £m	31 December 2014 £m
Acquired value of in-force business	**4,718**	112	92
Intangible assets	**1,361**	853	936
Total	**6,079**	965	1,028

The increase in the acquired value of in-force business and intangible assets is due to the Friends Life acquisition. The acquired value of in-force business and intangible assets balances relating to Friends Life at 30 June 2015 are £4,640 million and £469 million respectively.

Directors' responsibility statement

The directors confirm that these condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and as issued by the IASB and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

Information on the current directors responsible for providing this statement can be found on the Company's website at: http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/

By order of the Board

Mark Wilson
Group chief executive officer
5 August 2015

Thomas D. Stoddard
Chief financial officer

Independent review report to Aviva plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the half year report of Aviva plc for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and as issued by the International Accounting Standards Board, and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Aviva plc, comprise:

- the condensed consolidated statement of financial position as at 30 June 2015;
- the condensed consolidated income statement and statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note B1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements included in the half year report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The half year report, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
5 August 2015
London

Notes:

(a) The maintenance and integrity of the Aviva plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Capital & liquidity

C1 – Capital performance

(a) Capital required to write new business, internal rate of return and payback period

The Group generates a significant amount of capital each year, which supports both shareholder distribution and reinvestment in new business. The new business written requires up-front capital investment, due to set-up costs and capital requirements.

The internal rate of return (IRR) is a measure of the shareholder return expected on this capital investment. It is equivalent to the discount rate at which the present value of the post-tax cash flows expected to be earned over the life time of the business written, including allowance for the time value of options and guarantees, is equal to the total invested capital to support the writing of the business. The capital included in the calculation of the IRR is the initial capital required to pay acquisition costs and set up statutory reserves in excess of premiums received ('initial capital'), plus required capital at the same level as for the calculation of the value of new business.

The payback period shows how quickly shareholders can expect the total capital to be repaid. The payback period has been calculated based on undiscounted cash flows and allows for the initial and required capital.

The projected investment returns in both the IRR and payback period calculations assume that equities, properties and bonds earn a return in excess of risk-free consistent with the long-term rate of return assumed in operating earnings.

The internal rates of return on new business written during the period are set out below.

	6 months 2015			6 months 2014			Full Year 2014		
	Internal rate of return[1] %	**New business impact on free surplus[2] £m**	**Payback period years[1]**	Internal rate of return[1] %	New business impact on free surplus[2] £m	Payback period years[1]	Internal rate of return[1] %	New business impact on free surplus[2] £m	Payback period years[1]
United Kingdom[3]	**27%**	**40**	**7**	13%	35	7	44%	(20)	3
Ireland	**5%**	**12**	**12**	5%	17	11	5%	35	13
United Kingdom & Ireland	**24%**	**52**	**7**	12%	52	8	33%	15	6
France	**10%**	**75**	**9**	12%	77	8	12%	144	8
Poland	**20%**	**16**	**4**	23%	15	4	23%	30	4
Italy	**13%**	**35**	**6**	13%	34	6	13%	52	6
Spain	**12%**	**11**	**5**	13%	17	5	16%	30	4
Other Europe	**33%**	**9**	**3**	45%	10	2	44%	16	2
Europe	**14%**	**146**	**7**	15%	153	6	16%	272	6
Asia[4]	**17%**	**42**	**15**	20%	32	8	17%	58	10
Other[5]	**56%**	**3**	**2**	—	—	—	56%	5	2
Total	**17.5%**	**243**	**8**	14.6%	237	7	19.9%	350	6

1 Gross of non-controlling interests.
2 Net of non-controlling interests.
3 United Kingdom includes Friends UK from 10 April 2015. Excluding Friends UK HY15 IRR% is 43% which increased from HY14 due to the strong performance of the equity release product.
4 Asia includes FPI from 10 April 2015.
5 Other includes Aviva Investors. The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

C1 – Capital performance continued

(b) Analysis of return on equity – IFRS basis

6 months 2015	Operating return[1] Before tax £m	After tax £m	Weighted average shareholders' funds including non-controlling interests[1] £m	Return on equity %[1]
United Kingdom & Ireland Life	**569**	**421**	**6,968**	**14.6%**
United Kingdom & Ireland General Insurance and Health[2]	**228**	**183**	**4,192**	**8.7%**
Europe	**431**	**291**	**4,791**	**12.1%**
Canada	**131**	**96**	**977**	**19.7%**
Asia	**75**	**67**	**992**	**21.2%**
Fund management	**33**	**24**	**299**	**17.4%**
Corporate and Other Business[3]	**(134)**	**(86)**	**1,390**	**n/a**
Return on total capital employed	**1,333**	**996**	**19,609**	**11.6%**
Subordinated debt	**(153)**	**(122)**	**(5,128)**	**5.0%**
Senior debt	**(10)**	**(8)**	**(699)**	**2.3%**
Return on total equity	**1,170**	**866**	**13,782**	**14.6%**
Less: Non-controlling interests		**(82)**	**(1,196)**	**12.4%**
Direct capital instruments and fixed rate tier 1 notes		**(14)**	**(892)**	**7.8%**
Preference capital		**(9)**	**(200)**	**8.5%**
Return on equity shareholders' funds		**761**	**11,494**	**15.5%**

1 Return on equity is based on an annualised net operating return. The operating return is based upon Group adjusted operating profit, which is stated before integration and restructuring costs, impairment of goodwill, amortisation of intangibles and AVIF, exceptional items and investment variances. Following the acquisition of Friends Life, management has changed the calculation of return on equity which is now calculated as net operating return on an IFRS basis expressed as a percentage of weighted average ordinary shareholders' equity (rather than opening ordinary shareholders' equity).
2 The operating return for United Kingdom & Ireland general insurance and health is presented net of £11 million of investment return, which is allocated to Corporate and Other Business. The £11 million represents the return on capital supporting Pillar II ICA risks deemed not to be supporting the ongoing general insurance operation.
3 The 'Corporate' and 'Other Business' loss before tax of £134 million comprises corporate costs of £79 million, interest on internal lending arrangements of £53 million, other business operating loss (net of investment return) of £48 million, partly offset by finance income on the main UK pension scheme of £46 million.

Full Year 2014	Operating return[1] Restated[2] Before tax £m	Restated[2] After tax £m	Weighted average shareholders' funds including non-controlling interests[1] £m	Restated[1,2] Return on equity %
United Kingdom & Ireland Life	1,049	925	5,763	16.1%
United Kingdom & Ireland General Insurance and Health[3]	468	371	4,124	9.0%
Europe	995	682	5,263	13.0%
Canada	189	139	976	14.2%
Asia	85	71	752	9.4%
Fund management	86	58	250	23.2%
Corporate and Other Business[4]	(349)	(353)	(503)	n/a
Return on total capital employed	2,523	1,893	16,625	11.4%
Subordinated debt	(289)	(227)	(4,277)	5.3%
Senior debt	(21)	(16)	(748)	2.1%
Return on total equity	2,213	1,650	11,600	14.2%
Less: Non-controlling interests		(143)	(1,366)	10.5%
Direct capital instruments and fixed rate tier 1 notes		(69)	(1,260)	5.5%
Preference capital		(17)	(200)	8.5%
Return on equity shareholders' funds		1,421	8,774	16.2%

1 The operating return is based upon Group adjusted operating profit, which is stated before integration and restructuring costs, impairment of goodwill, amortisation of intangibles, exceptional items and investment variances. Following the acquisition of Friends Life, management has changed the calculation of return on equity which is now calculated as net operating return on an IFRS basis expressed as a percentage of weighted average ordinary shareholders' equity (rather than opening ordinary shareholders' equity). Comparatives have been restated accordingly.
2 Operating profit has been restated to exclude amortisation and impairment of acquired value of in-force business, which is now shown as a non-operating item. See note B2 for further details. There is no impact on total equity for any period presented as a result of this restatement. The combined impact of the operating profit restatement and the change to the calculation of return on equity has decreased the FY14 return on equity shareholders funds from 17.4% to 16.2%.
3 The operating return for United Kingdom & Ireland general insurance and health is presented net of £31 million of investment return, which is allocated to Corporate and Other Business. The £31 million represents the return on capital supporting Pillar II ICA risks deemed not to be supporting the ongoing general insurance operation.
4 The 'Corporate' and 'Other Business' loss before tax of £349 million comprises corporate costs of £132 million, interest on internal lending arrangements of £186 million, other business operating loss (net of investment return) of £64 million, partly offset by finance income on the main UK pension scheme of £33 million.

C1 – Capital performance continued

(c) Group capital structure

The table below shows how our capital, on both an IFRS and MCEV basis, is deployed by products and services segments and how that capital is funded.

			30 June 2015 Capital employed			31 December 2014 Capital employed
	IFRS basis £m	Internally generated AVIF £m	MCEV[2] basis £m	IFRS basis £m	Internally generated AVIF £m	MCEV[2] basis £m
Life business						
United Kingdom & Ireland	**10,722**	**2,190**	**12,912**	5,668	2,681	8,349
France	**1,943**	**1,609**	**3,552**	2,234	1,393	3,627
Poland	**276**	**960**	**1,236**	318	1,059	1,377
Italy	**828**	**288**	**1,116**	929	351	1,280
Spain	**531**	**199**	**730**	557	210	767
Other Europe	**72**	**72**	**144**	82	77	159
Europe	**3,650**	**3,128**	**6,778**	4,120	3,090	7,210
Asia	**1,371**	**394**	**1,765**	791	358	1,149
	15,743	**5,712**	**21,455**	10,579	6,129	16,708
General insurance & health						
United Kingdom & Ireland	**4,214**	**(111)**	**4,103**	4,145	(115)	4,030
France	**505**	**—**	**505**	556	—	556
Italy	**224**	**—**	**224**	276	—	276
Other Europe	**56**	**—**	**56**	32	—	32
Europe	**785**	**—**	**785**	864	—	864
Canada	**978**	**—**	**978**	969	—	969
Asia	**25**	**—**	**25**	29	—	29
	6,002	**(111)**	**5,891**	6,007	(115)	5,892
Fund Management	**299**	**(41)**	**258**	298	(31)	267
Corporate & Other Business[1]	**3,367**	**156**	**3,523**	702	137	839
Total capital employed	**25,411**	**5,716**	**31,127**	17,586	6,120	23,706
Financed by						
Equity shareholders' funds	**15,390**	**5,165**	**20,555**	10,018	5,529	15,547
Non-controlling interests[3]	**1,336**	**551**	**1,887**	1,166	591	1,757
Direct capital instruments & fixed rate tier 1 notes	**892**	**—**	**892**	892	—	892
Preference shares	**200**	**—**	**200**	200	—	200
Subordinated debt[4]	**6,950**	**—**	**6,950**	4,594	—	4,594
Senior debt[4]	**643**	**—**	**643**	716	—	716
Total capital employed	**25,411**	**5,716**	**31,127**	17,586	6,120	23,706

1 'Corporate' and 'other Business' includes centrally held tangible net assets, the main UK staff pension scheme surplus and also reflects internal lending arrangements. These internal lending arrangements, which net out on consolidation, include the formal loan arrangement between Aviva Group Holdings Limited and Aviva Insurance Limited (AIL). Internal capital management in place allocated a majority of the total capital of AIL to the UK general insurance operations with the remaining capital deemed to be supporting residual (non-operational) Pillar II ICA risks.
2 In preparing the MCEV information, the directors have done so in accordance with the European Insurance CFO Forum MCEV Principles.
3 Step Up Tier 1 Insurance Capital Securities of £231 million is included within non controlling interest as they are held by a Group subsidiary.
4 Subordinated debt and Senior debt exclude amounts held by Group companies of £49 million and £7 million respectively.

Total capital employed is financed by a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings. At HY15 we had £25.4 billion (*FY14: £17.6 billion*) of total capital employed in our businesses measured on an IFRS basis and £31.1 billion (*FY14: £23.7 billion)* of total capital employed on an MCEV basis. The increase in capital employed is driven mainly by the acquisition of Friends Life (see Note B4) which was funded by a share issue with a value of £6.0 billion and has added £1.8 billion to non-controlling interests and subordinated debt.

At HY15 the market value of our external debt, subordinated debt, preference shares (including both Aviva plc preference shares of £200 million and General Accident plc preference shares, within non-controlling interests, of £250 million), and direct capital instruments and fixed rate tier 1 notes was £9,758 million *(FY14: £7,511 million*).

C1 – Capital performance continued

(d) Equity sensitivity analysis

The sensitivity of the group's total equity on an IFRS basis and MCEV basis at 30 June 2015 to a 10% fall in global equity markets, a rise of 1% in global interest rates or a 0.5% increase in credit spreads is as follows:

31 December 2014 £bn	IFRS basis	30 June 2015 £bn	Equities down 10% £bn	Interest rates up 1% £bn	0.5% increased credit spread £bn
10.6	Long-term savings	**15.7**	**—**	**(0.3)**	**(0.3)**
7.0	General insurance and other	**9.7**	**—**	**(0.5)**	**0.5**
(5.3)	Borrowings	**(7.6)**	**—**	**—**	**—**
12.3	**Total equity**	**17.8**	**—**	**(0.8)**	**0.2**

31 December 2014 £bn	MCEV basis	30 June 2015 £bn	Equities down 10% £bn	Interest rates up 1% £bn	0.5% increased credit spread £bn
16.7	Long-term savings	**21.4**	**(0.6)**	**(0.5)**	**(1.5)**
7.0	General insurance and other	**9.7**	**—**	**(0.5)**	**0.5**
(5.3)	Borrowings	**(7.6)**	**—**	**—**	**—**
18.4	**Total equity**	**23.5**	**(0.6)**	**(1.0)**	**(1.0)**

These sensitivities assume a full tax charge/credit on market value assumptions. The interest rate sensitivity also assumes an equivalent movement in both inflation and discount rate (i.e. no change to real interest rates) and therefore incorporates the offsetting effects of these items on the pension scheme liabilities. A 1% increase in the real interest rate has the effect of reducing the pension scheme liability in the main UK pension scheme by £1.8 billion (before any associated tax impact).

The 0.5% increased credit spread sensitivities for IFRS and MCEV do not make an allowance for any adjustment to risk-free interest rates. MCEV sensitivities assume that the credit spread movement relates to credit risk and not liquidity risk; in practice, credit spread movements may be partially offset due to changes in liquidity risk. Life IFRS sensitivities provide for any impact of credit spread movements on liability valuations. The IFRS and MCEV sensitivities also include the allocation of staff pension scheme sensitivities, which assume inflation rates and government bond yields remain constant. In practice, the sensitivity of the business to changes in credit spreads is subject to a number of complex interactions. The impact of the credit spread movements will be related to individual portfolio composition and may be driven by changes in credit or liquidity risk; hence, the actual impact may differ substantially from applying spread movements implied by various published credit spread indices to these sensitivities.

C2 – Regulatory capital

Individual regulated subsidiaries measure and report solvency based on applicable local regulations, including in the UK the regulations established by the Prudential Regulatory Authority (PRA). These measures are also consolidated under the European Insurance Groups Directive (IGD) to calculate regulatory capital adequacy at an aggregate Group level, where Aviva has a regulatory obligation to have a positive position at all times. This measure represents the excess of the aggregate value of regulatory capital employed in our business over the aggregate minimum solvency requirements imposed by local regulators, excluding the surplus held in the UK and Ireland with-profit life funds. The minimum solvency requirement for our European businesses is based on the Solvency 1 Directive. In broad terms, for EU operations, this is set at 4% and 1% of non-linked and unit-linked life reserves respectively and for our general insurance portfolio of business is the higher of 18% of gross premiums or 26% of gross claims, in both cases adjusted to reflect the level of reinsurance recoveries. For our businesses in Canada a risk charge on assets and liabilities approach is used.

(a) Regulatory capital – Group: European Insurance Groups Directive (IGD)

	UK life funds £bn	Other business £bn	30 June 2015 £bn	31 December 2014 £bn
Insurance Groups Directive (IGD) capital resources	**12.5**	**9.9**	**22.4**	14.4
Less: capital resources requirement	**(12.5)**	**(4.7)**	**(17.2)**	(11.2)
Insurance Group Directive (IGD) excess solvency	**—**	**5.2**	**5.2**	3.2
Cover over EU minimum (calculated excluding UK life funds)			**2.1 times**	1.6 times

The EU Insurance Groups Directive (IGD) regulatory capital solvency surplus has increased by £2.0 billion since 31 December 2014 to £5.2 billion. The key drivers of the increase are the acquisition of Friends Life which has increased IGD capital by £1.6 billion and the net issue of hybrid debt which has increased IGD capital by £0.4 billion.

The key movements over the period are set out in the following table:

	£bn
IGD solvency surplus at 31 December 2014	**3.2**
Operating profits net of other income and expenses	**0.6**
Net hybrid debt issue[1]	**0.4**
Pension scheme funding	**(0.2)**
Acquisition of Friends Life	**1.6**
CRR increase	**(0.1)**
Other regulatory adjustments	**(0.3)**
Estimated IGD solvency surplus at 30 June 2015	**5.2**

1 Net hybrid debt issue includes £1 billion benefit of two new Tier 2 subordinated debt instruments issued on 4 June 2015; offset by £(0.6) billion derecognition of two instruments with first call dates in the second half of 2015.

C2 – Regulatory capital continued

(b) Regulatory capital – UK Life with-profits funds

The available capital of the with-profit funds is represented by the realistic inherited estate. The estate represents the assets of the long-term with-profit funds less the realistic liabilities for non-profit policies within the funds, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs, guarantees and promises. Realistic balance sheet information is shown below for the four main UK with-profit funds: New With-Profit Sub-Fund (NWPSF), Old With-Profit Sub-Fund (OWPSF), With-Profit Sub-Fund (WPSF) and Friends UK FP With-Profit Fund (FP WPF). Realistic balance sheet information for the five Friends UK with-profit funds that are closed to new business have been disclosed as 'Other Friends UK WPF' including: FPLAL With-Profit Fund (FPLAL WPF), FLC New With-Profits Fund (FLC New WPF), FLC Old With-Profit Fund (FLC Old WPF), FLAS With-Profit Fund (FLAS WPF) and WL With-Profit Fund (WL WPF). These realistic liabilities have been included within the long-term business provision and the liability for insurance and investment contracts on the Group's IFRS balance sheet at 30 June 2015, with comparatives at 31 December 2014 including NWPSF, OWPSF and WPSF only.

	30 June 2015						31 December 2014
	Estimated realistic assets £bn	Estimated realistic liabilities[1] £bn	Estimated realistic inherited estate[2] £bn	Capital support arrangement[3] £bn	Estimated risk capital margin £bn	Estimated excess available capital £bn	Estimated excess available capital £bn
NWPSF	**14.4**	**(14.4)**	**—**	**2.0**	**(0.2)**	**1.8**	1.9
OWPSF	**2.7**	**(2.5)**	**0.2**	**—**	**—**	**0.2**	0.2
WPSF[4]	**16.5**	**(15.0)**	**1.5**	**—**	**(0.2)**	**1.3**	1.3
FP WPF	**8.0**	**(7.9)**	**0.1**	**—**	**(0.1)**	**—**	—
Other Friends UK WPF[5]	**11.5**	**(11.3)**	**0.2**	**—**	**—**	**0.2**	—
Aggregate	**53.1**	**(51.1)**	**2.0**	**2.0**	**(0.5)**	**3.5**	3.4

1 These realistic liabilities include the shareholders' share of accrued bonuses of £0.4 billion *(31 December 2014: £(0.2) billion)*. Realistic liabilities adjusted to eliminate the shareholders' share of accrued bonuses are £50.7 billion *(31 December 2014: £33.0 billion)*. These realistic liabilities make provision for guarantees, options and promises on a market consistent stochastic basis. The value of the provision included within realistic liabilities is £1.3 billion, £0.3 billion, £2.9 billion, and £0.8 billion for NWPSF, OWPSF, WPSF and FP WPF respectively *(31 December 2014: £1.4 billion, £0.3 billion and £3.0 billion for NWPSF, OWPSF and WPSF respectively)*.
2 Estimated realistic inherited estate at 31 December 2014 was £nil, £0.3 billion and £1.6 billion for NWPSF, OWPSF and WPSF respectively.
3 The support arrangement represents the reattributed estate (RIEESA) of £2.0 billion at 30 June 2015 *(31 December 2014: £2.1 billion)*.
4 The WPSF fund includes the Provident Mutual (PM) fund which has realistic assets and liabilities of £1.5 billion and therefore does not contribute to the realistic inherited estate.
5 Includes FPLAL WPF, FLC New WPF, FLC Old WPF, FLAS WPF and WL WPF.

(c) Investment mix

The aggregate investment mix of the assets in the four main with-profit funds at 30 June 2015 and three main with-profit funds at 31 December 2014 was:

	30 June 2015 %	31 December 2014 %
Equity	**28%**	24%
Property	**9%**	10%
Fixed interest	**58%**	59%
Other	**5%**	7%

The equity backing ratios, including property, supporting with-profit asset shares are 66% in NWPSF, OWPSF, and WPSF and 44% in FP WPF.

Overview
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MCEV
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C3 – IFRS Sensitivity analysis

The Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Primarily, MCEV, ICA, and scenario analysis are used. Sensitivities to economic and operating experience are regularly produced on all of the Group's financial performance measurements to inform the Group's decision making and planning processes, and as part of the framework for identifying and quantifying the risks that each of its business units, and the Group as a whole are exposed to.

For long-term business in particular, sensitivities of MCEV performance indicators to changes in both economic and non-economic experience are continually used to manage the business and to inform the decision making process. More information on MCEV sensitivities can be found in the presentation of results on an MCEV basis in section F of this report.

(a) Life insurance and investment contracts

The nature of long-term business is such that a number of assumptions are made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality rates, and persistency in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business. A number of the key assumptions for the Group's central scenario are disclosed elsewhere in these statements for both IFRS reporting and reporting under the MCEV methodology.

(b) General insurance and health business

General insurance and health claim liabilities are estimated by using standard actuarial claims projection techniques.

These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims.

(c) Sensitivity test results

Illustrative results of sensitivity testing for long-term business, general insurance and health and fund management business and other operations are set out below. For each sensitivity test the impact of a reasonably possible change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied
Interest rate and investment return	The impact of a change in market interest rates by a 1% increase or decrease. The test allows consistently for similar changes to investment returns and movements in the market value of backing fixed interest securities.
Credit Spreads	The impact of a 0.5% increase in credit spreads over risk-free interest rates on corporate bonds and other non-sovereign credit assets. The test allows for any consequential impact on liability valuations.
Equity/property market values	The impact of a change in equity/property market values by ± 10%.
Expenses	The impact of an increase in maintenance expenses by 10%.
Assurance mortality/morbidity (life insurance only)	The impact of an increase in mortality/morbidity rates for assurance contracts by 5%.
Annuitant mortality (life insurance only)	The impact of a reduction in mortality rates for annuity contracts by 5%.
Gross loss ratios (non-life insurance only)	The impact of an increase in gross loss ratios for general insurance and health business by 5%.

(d) Long-term businesses

30 June 2015 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	**15**	**(95)**	**(30)**	**(120)**	**100**	**(25)**	**(5)**	**(60)**
Insurance non-participating	**(65)**	**50**	**(580)**	**45**	**(45)**	**(185)**	**(95)**	**(675)**
Investment participating	**—**	**(20)**	**—**	**—**	**—**	**(5)**	**—**	**—**
Investment non-participating	**(30)**	**30**	**(5)**	**55**	**(55)**	**(35)**	**—**	**—**
Assets backing life shareholders' funds	**(110)**	**80**	**(100)**	**25**	**(25)**	**—**	**—**	**—**
Total	**(190)**	**45**	**(715)**	**5**	**(25)**	**(250)**	**(100)**	**(735)**

30 June 2015 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	**15**	**(95)**	**(30)**	**(120)**	**100**	**(25)**	**(5)**	**(60)**
Insurance non-participating	**(65)**	**50**	**(580)**	**45**	**(45)**	**(185)**	**(95)**	**(675)**
Investment participating	**—**	**(20)**	**—**	**—**	**—**	**(5)**	**—**	**—**
Investment non-participating	**(30)**	**30**	**(5)**	**55**	**(55)**	**(35)**	**—**	**—**
Assets backing life shareholders' funds	**(145)**	**115**	**(105)**	**25**	**(25)**	**—**	**—**	**—**
Total	**(225)**	**80**	**(720)**	**5**	**(25)**	**(250)**	**(100)**	**(735)**

C3 – IFRS Sensitivity analysis continued

(d) Long-term businesses continued

31 December 2014 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance Participating	(10)	(60)	(20)	(175)	70	(25)	(5)	(45)
Insurance non-participating	(155)	130	(425)	40	(40)	(80)	(50)	(590)
Investment participating	(15)	—	(10)	—	—	(5)	—	—
Investment non-participating	(40)	30	(10)	55	(60)	(35)	—	—
Assets backing life shareholders' funds	(75)	45	(60)	20	(20)	—	—	—
Total	(295)	145	(525)	(60)	(50)	(145)	(55)	(635)

31 December 2014 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance Participating	(10)	(60)	(20)	(175)	70	(25)	(5)	(45)
Insurance non-participating	(155)	130	(425)	40	(40)	(80)	(50)	(590)
Investment participating	(15)	—	(10)	—	—	(5)	—	—
Investment non-participating	(40)	30	(10)	55	(60)	(35)	—	—
Assets backing life shareholders' funds	(115)	80	(65)	20	(20)	—	—	—
Total	(335)	180	(530)	(60)	(50)	(145)	(55)	(635)

Changes in sensitivities between HY15 and FY14 reflect the acquisition of Friends Life, in addition to underlying movements in market interest rates, portfolio growth, changes to asset mix and the relative durations of assets and liabilities and asset liability management actions. The sensitivities to economic movements relate mainly to business in the UK. In general, a fall in market interest rates has a beneficial impact on non-participating business, due to the increase in market value of fixed interest securities and the relative durations of assets and liabilities; similarly a rise in interest rates has a negative impact. Mortality and expense sensitivities also relate primarily to the UK.

(e) General insurance and health businesses

30 June 2015 Impact on profit before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**	**Expenses +10%**	**Gross loss ratios +5%**
Gross of reinsurance	**(270)**	**270**	**(145)**	**65**	**(65)**	**(60)**	**(130)**
Net of reinsurance	**(310)**	**315**	**(145)**	**65**	**(65)**	**(60)**	**(130)**

30 June 2015 Impact on shareholders' equity before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**	**Expenses +10%**	**Gross loss ratios +5%**
Gross of reinsurance	**(270)**	**270**	**(145)**	**70**	**(70)**	**(20)**	**(130)**
Net of reinsurance	**(310)**	**315**	**(145)**	**70**	**(70)**	**(20)**	**(130)**

31 December 2014 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(260)	250	(130)	55	(55)	(105)	(280)
Net of reinsurance	(305)	295	(130)	55	(55)	(105)	(270)

31 December 2014 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(260)	250	(130)	60	(60)	(20)	(280)
Net of reinsurance	(305)	295	(130)	60	(60)	(20)	(270)

For general insurance, the impact of the expense sensitivity on profit also includes the increase in ongoing administration expenses, in addition to the increase in the claims handling expense provision.

C3 – IFRS Sensitivity analysis continued

(f) Fund management and other operations businesses

30 June 2015 Impact on profit before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**
Total	**—**	**—**	**5**	**(20)**	**35**

30 June 2015 Impact on shareholders' equity before tax £m	**Interest rates +1%**	**Interest rates -1%**	**Credit spreads +0.5%**	**Equity/ property +10%**	**Equity/ property -10%**
Total	**—**	**—**	**5**	**(20)**	**35**

31 December 2014 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	5	(15)	25

31 December 2014 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	5	(15)	25

(g) Limitations of sensitivity analysis

The previous tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations.

As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation, adjusting bonuses credited to policyholders, and taking other protective action.

A number of the business units use passive assumptions to calculate their long-term business liabilities. Consequently, a change in the underlying assumptions may not have any impact on the liabilities, whereas assets held at market value in the statement of financial position will be affected. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholders' equity. Similarly, for general insurance liabilities, the interest rate sensitivities only affect profit and equity where explicit assumptions are made regarding interest (discount) rates or future inflation.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

Analysis of assets

D1 – Total assets

As an insurance business, Aviva Group holds a variety of assets to match the characteristics and duration of its insurance liabilities. Appropriate and effective asset liability matching (on an economic basis) is the principal way in which Aviva manages its investments. In addition, to support this, Aviva also uses a variety of hedging and other risk management strategies to diversify away any residual mis-match risk that is outside of Group's risk appetite.

30 June 2015	Policyholder assets £m	Participating fund assets £m	Shareholder assets £m	Total assets analysed £m	Less assets of operations classified as held for sale £m	Balance sheet total £m
Goodwill and acquired value of in-force business and intangible assets	**—**	**—**	**8,002**	**8,002**	**—**	**8,002**
Interests in joint ventures and associates	**105**	**989**	**511**	**1,605**	**—**	**1,605**
Property and equipment	**—**	**144**	**246**	**390**	**—**	**390**
Investment property	**6,325**	**4,810**	**432**	**11,567**	**—**	**11,567**
Loans	**318**	**3,388**	**20,415**	**24,121**	**—**	**24,121**
Financial investments						
Debt securities	**26,137**	**88,648**	**47,361**	**162,146**	**—**	**162,146**
Equity securities	**48,385**	**16,115**	**557**	**65,057**	**—**	**65,057**
Other investments	**39,638**	**5,883**	**2,087**	**47,608**	**—**	**47,608**
Reinsurance assets	**13,821**	**1,757**	**4,854**	**20,432**	**—**	**20,432**
Deferred tax assets	**—**	**—**	**74**	**74**	**—**	**74**
Current tax assets	**—**	**—**	**18**	**18**	**—**	**18**
Receivables and other financial assets	**1,025**	**2,042**	**5,507**	**8,574**	**—**	**8,574**
Deferred acquisition costs and other assets	**59**	**774**	**4,050**	**4,883**	**—**	**4,883**
Prepayments and accrued income	**228**	**1,380**	**1,380**	**2,988**	**—**	**2,988**
Cash and cash equivalents	**6,345**	**17,714**	**9,136**	**33,195**	**(9)**	**33,186**
Assets of operations classified as held for sale	**—**	**—**	**—**	**—**	**9**	**9**
Total	**142,386**	**143,644**	**104,630**	**390,660**	**—**	**390,660**
Total %	**36.4%**	**36.8%**	**26.8%**	**100.0%**	**—**	**100.0%**
FY14	78,081	124,574	83,064	285,719	—	285,719
FY14 Total %	27.3%	43.6%	29.1%	100.0%	—	100.0%

As at 30 June 2015, 26.8% of Aviva's total asset base was shareholder assets, 36.8% participating assets where Aviva shareholders have partial exposure, and 36.4% policyholder assets where Aviva shareholders have no exposure. Of the total assets (excluding assets held for sale), investment property, loans and financial investments comprise £310.5 billion *(FY14: £236.8 billion)*. The increase in total assets by £105.0 billion to £390.7 billion (*FY14: £285.7 billion*) is primarily driven by the acquisition of Friends Life and this is also the main driver of the increased proportion of policyholder assets, compared with FY14.

D2 – Total assets – Valuation bases/fair value hierarchy

Total assets – 30 June 2015	Fair value £m	Amortised cost £m	Equity accounted/ tax assets[1] £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	8,002	—	8,002
Interests in joint ventures and associates	—	—	1,605	1,605
Property and equipment	333	57	—	390
Investment property	11,567	—	—	11,567
Loans	20,763	3,358	—	24,121
Financial investments				
Debt securities	162,146	—	—	162,146
Equity securities	65,057	—	—	65,057
Other investments	47,608	—	—	47,608
Reinsurance assets	13,773	6,659	—	20,432
Deferred tax assets	—	—	74	74
Current tax assets	—	—	18	18
Receivables and other financial assets	—	8,574	—	8,574
Deferred acquisition costs and other assets	—	4,883	—	4,883
Prepayments and accrued income	—	2,988	—	2,988
Cash and cash equivalents	33,195	—	—	33,195
Total	**354,442**	**34,521**	**1,697**	**390,660**
Total %	**90.8%**	**8.8%**	**0.4%**	**100.0%**
Assets of operations classified as held for sale	9	—	—	9
Total (excluding assets held for sale)	**354,433**	**34,521**	**1,697**	**390,651**
Total % (excluding assets held for sale)	**90.8%**	**8.8%**	**0.4%**	**100.0%**
FY14 Total	258,421	25,651	1,647	285,719
FY14 Total %	90.4%	9.0%	0.6%	100.0%

1 Within the Group's statement of financial position, assets are recognised for deferred tax and current tax. The valuation basis of these assets does not directly fall within any of the categories outlined above. As such, these assets have been reported together with equity accounted items within the analysis of the Group's assets.

Total assets – Policyholder assets 30 June 2015	Fair value £m	Amortised cost £m	Equity accounted/ tax assets[1] £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	—	—	—
Interests in joint ventures and associates	—	—	105	105
Property and equipment	—	—	—	—
Investment property	6,325	—	—	6,325
Loans	—	318	—	318
Financial investments				
Debt securities	26,137	—	—	26,137
Equity securities	48,385	—	—	48,385
Other investments	39,638	—	—	39,638
Reinsurance assets	13,766	55	—	13,821
Deferred tax assets	—	—	—	—
Current tax assets	—	—	—	—
Receivables and other financial assets	—	1,025	—	1,025
Deferred acquisition costs and other assets	—	59	—	59
Prepayments and accrued income	—	228	—	228
Cash and cash equivalents	6,345	—	—	6,345
Total	**140,596**	**1,685**	**105**	**142,386**
Total %	**98.7%**	**1.2%**	**0.1%**	**100.0%**
FY14 Total	77,196	785	100	78,081
FY14 Total %	98.9%	1.0%	0.1%	100.0%

1 Within the Group's statement of financial position, assets are recognised for deferred tax and current tax. The valuation basis of these assets does not directly fall within any of the categories outlined above. As such, these assets have been reported together with equity accounted items within the analysis of the Group's assets.

D2 – Total assets – Valuation bases/fair value hierarchy continued

Total assets – Participating fund assets 30 June 2015	Fair value £m	Amortised cost £m	Equity accounted/ tax assets[1] £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	—	—	—
Interests in joint ventures and associates	—	—	**989**	**989**
Property and equipment	**142**	**2**	—	**144**
Investment property	**4,810**	—	—	**4,810**
Loans	**571**	**2,817**	—	**3,388**
Financial investments				
Debt securities	**88,648**	—	—	**88,648**
Equity securities	**16,115**	—	—	**16,115**
Other investments	**5,883**	—	—	**5,883**
Reinsurance assets	—	**1,757**	—	**1,757**
Deferred tax assets	—	—	—	—
Current tax assets	—	—	—	—
Receivables and other financial assets	—	**2,042**	—	**2,042**
Deferred acquisition costs and other assets	—	**774**	—	**774**
Prepayments and accrued income	—	**1,380**	—	**1,380**
Cash and cash equivalents	**17,714**	—	—	**17,714**
Total	**133,883**	**8,772**	**989**	**143,644**
Total %	**93.2%**	**6.1%**	**0.7%**	**100.0%**
FY14 Total	115,320	8,234	1,020	124,574
FY14 Total %	92.6%	6.6%	0.8%	100.0%

1 Within the Group's statement of financial position, assets are recognised for deferred tax and current tax. The valuation basis of these assets does not directly fall within any of the categories outlined above. As such, these assets have been reported together with equity accounted items within the analysis of the Group's assets.

Total assets – Shareholders assets 30 June 2015	Fair value £m	Amortised cost £m	Equity accounted/ tax assets[1] £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	**8,002**	—	**8,002**
Interests in joint ventures and associates	—	—	**511**	**511**
Property and equipment	**191**	**55**	—	**246**
Investment property	**432**	—	—	**432**
Loans	**20,192**	**223**	—	**20,415**
Financial investments				
Debt securities	**47,361**	—	—	**47,361**
Equity securities	**557**	—	—	**557**
Other investments	**2,087**	—	—	**2,087**
Reinsurance assets	**7**	**4,847**	—	**4,854**
Deferred tax assets	—	—	**74**	**74**
Current tax assets	—	—	**18**	**18**
Receivables and other financial assets	—	**5,507**	—	**5,507**
Deferred acquisition costs and other assets	—	**4,050**	—	**4,050**
Prepayments and accrued income	—	**1,380**	—	**1,380**
Cash and cash equivalents	**9,136**	—	—	**9,136**
Total	**79,963**	**24,064**	**603**	**104,630**
Total %	**76.4%**	**23.0%**	**0.6%**	**100.0%**
Assets of operations classified as held for sale	**9**	—	—	**9**
Total (excluding assets held for sale)	**79,954**	**24,064**	**603**	**104,621**
Total % (excluding assets held for sale)	**76.4%**	**23.0%**	**0.6%**	**100.0%**
FY14 Total	65,905	16,632	527	83,064
FY14 Total %	79.4%	20.0%	0.6%	100.0%

1 Within the Group's statement of financial position, assets are recognised for deferred tax and current tax. The valuation basis of these assets does not directly fall within any of the categories outlined above. As such, these assets have been reported together with equity accounted items within the analysis of the Group's assets.

D2 – Total assets – Valuation bases/fair value hierarchy continued

Financial instruments (including investment property, derivatives and loans) – fair value hierarchy

The table below categorises the measurement basis for assets carried at fair value into a 'fair value hierarchy' in accordance with fair value methodology disclosed in Note B17 in the condensed consolidated financial statements (IFRS section).

Investment property and financial assets – Total 30 June 2015	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Amortised cost £m	Less: Assets of operations classified as held for sale £m	Balance sheet total £m
Investment property	—	—	**11,567**	**11,567**	—	—	**11,567**
Loans	—	**988**	**19,775**	**20,763**	**3,358**	—	**24,121**
Debt securities	**86,371**	**62,617**	**13,158**	**162,146**	—	—	**162,146**
Equity securities	**63,991**	—	**1,066**	**65,057**	—	—	**65,057**
Other investments (including derivatives)	**36,859**	**5,945**	**4,804**	**47,608**	—	—	**47,608**
Total	**187,221**	**69,550**	**50,370**	**307,141**	**3,358**	—	**310,499**
Total %	**60.3%**	**22.4%**	**16.2%**	**98.9%**	**1.1%**	—	**100.0%**
FY14 Total	135,677	56,322	40,459	232,458	4,365	—	236,823
FY14 Total %	57.3%	23.8%	17.1%	98.2%	1.8%	—	100.0%

At 30 June 2015, the proportion of total investment property, financial investments and loans classified as Level 1 in the fair value hierarchy increased to 60.3% *(FY14: 57.3%),* mainly driven by the acquisition of Friends Life which had a higher proportion of Level 1 assets. The proportion of Level 2 financial investments was 22.4% *(FY14: 23.8%)*, while those classified as Level 3 represented 16.2% *(FY14: 17.1%)*.

D3 – Analysis of asset quality

The analysis of assets that follows provides information about the assets held by the Group.

D3.1 – Investment property

	30 June 2015				31 December 2014			
	Fair value hierarchy				Fair value hierarchy			
Investment property – Shareholder assets	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Lease to third parties under operating leases	—	—	432	432	—	—	296	296
Vacant investment property/held for capital appreciation	—	—	—	—	—	—	—	—
Total	—	—	432	432	—	—	296	296
Total %	—	—	100.0%	100.0%	—	—	100.0%	100.0%

96.3% *(FY14: 96.7%)* of total investment property by value is held in unit-linked or participating funds. Shareholder exposure to investment properties is principally through investments in UK and French property.

Investment properties are stated at their market values as assessed by qualified external independent valuers or by local qualified staff of the Group, all with recent relevant experience. The investment properties are valued on an income basis that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated value of the property. This uplift and the discount rate are derived from rates implied by recent market transactions on similar property. These inputs are deemed unobservable.

100% *(FY14: 100%)* of shareholder exposure to investment property is leased to third parties under operating leases.

D3 – Analysis of asset quality continued

D3.2 – Loans

The Group loan portfolio is principally made up of:

- Policy loans which are generally collateralised by a lien or charge over the underlying policy;
- Loans and advances to banks, which primarily relate to loans of cash collateral received in stock lending transactions. These loans are fully collateralised by other securities;
- Mortgage loans collateralised by property assets; and
- Other loans, which include loans to brokers and intermediaries.

Loans with fixed maturities, including policy loans, mortgage loans (at amortised cost) and loans and advances to banks, are recognised when cash is advanced to borrowers. These loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method.

For certain mortgage loans, the Group has taken advantage of the fair value option under IAS 39 to present the mortgages, associated borrowings, other liabilities and derivative financial instruments at fair value, since they are managed together on a fair value basis. The mortgage loans are not traded in active markets. These investments are classified as level 3 as the assumptions used to derive the credit risk, liquidity premium and property risk are not deemed to be market observable.

Loans – Total 30 June 2015	United Kingdom & Ireland £m	Europe £m	Canada £m	Asia £m	Total £m
Policy loans	**18**	**691**	**—**	**29**	**738**
Loans and advances to banks	**2,763**	**29**	**—**	**—**	**2,792**
Mortgage loans	**20,252**	**1**	**—**	**—**	**20,253**
Other loans	**202**	**9**	**127**	**—**	**338**
Total	**23,235**	**730**	**127**	**29**	**24,121**
Total %	**96.4%**	**3.0%**	**0.5%**	**0.1%**	**100.0%**
FY14 Total	24,262	846	122	30	25,260
FY14 Total %	96.0%	3.4%	0.5%	0.1%	100.0%

Loans – Shareholder assets 30 June 2015	United Kingdom & Ireland £m	Europe £m	Canada £m	Asia £m	Total £m
Policy loans	**4**	**7**	**—**	**2**	**13**
Loans and advances to banks	**549**	**29**	**—**	**—**	**578**
Mortgage loans	**19,682**	**—**	**—**	**—**	**19,682**
Other loans	**7**	**8**	**127**	**—**	**142**
Total	**20,242**	**44**	**127**	**2**	**20,415**
Total %	**99.2%**	**0.2%**	**0.6%**	**0.0%**	**100.0%**
FY14 Total	20,481	65	122	2	20,670
FY14 Total %	99.1%	0.3%	0.6%	0.0%	100.0%

The value of the Group's loan portfolio (including Policyholder, Participating Fund and Shareholder assets), at 30 June 2015 stood at £24.1 billion *(FY14: £25.3 billion)*, a decrease of £1.2 billion.

The total shareholder exposure to loans was £20.4 billion *(FY14: £20.7 billion)*, and represented 85% of the total loan portfolio, with the remaining 15% split between participating funds £3.4 billion *(FY14: £4.3 billion)* and policyholder assets £0.3 billion *(FY14: £0.3 billion)*.

Of the Group's total loan portfolio (including Policyholder, Participating Fund and Shareholder assets), 84% *(FY14: 81%)* is invested in mortgage loans.

D3 – Analysis of asset quality continued

D3.2 – Loans continued

Mortgage loans – Shareholder assets

30 June 2015	Total £m
Non-securitised mortgage loans	
– Residential (Equity release)	**4,465**
– Commercial	**8,395**
– Healthcare	**4,414**
	17,274
Securitised mortgage loans	**2,408**
Total	**19,682**
FY14 Total	19,918

The Group's mortgage loan portfolio is mainly focused in the UK, across various sectors, including residential loans, commercial loans and government supported healthcare loans. Aviva's shareholder exposure to mortgage loans accounts for 96% of total shareholder asset loans. This section focuses on explaining the shareholder risk within these exposures.

United Kingdom & Ireland
(Non-securitised mortgage loans)

Residential

The UK non-securitised residential mortgage portfolio has a total current value of £4.5 billion *(FY14: £4.1 billion)*. The movement since FY14 is due to £0.5 billion of new loans and accrued interest (net of redemptions), and £0.1 billion of fair value losses. These mortgages are all in the form of equity release, whereby homeowners mortgage their property to release cash equity. Due to the structure of equity release mortgages, whereby interest amounts due are not paid in cash but instead rolled into the amount outstanding, they predominantly have a Loan to Value ("LTV") of below 70%. The average LTV across the portfolio is approximately 27.2% *(FY14: 27.2%)*.

Healthcare

Primary Healthcare & PFI businesses loans included within shareholder assets are £4.4 billion *(FY14: £4.6 billion)* of which £3.3 billion are secured against primary health care premises (including General Practitioner surgeries), education, social housing and emergency services related premises. A further £1.1 billion are secured against the income from healthcare and educational related premises. For all such loans, government support is provided through either direct funding or reimbursement of rental payments to the tenants to meet income service and provide for the debt to be reduced substantially over the term of the loan. Although the loan principal is not Government guaranteed, the nature of these businesses and premises provides considerable comfort of an ongoing business model and low risk of default.

On a market value basis, we estimate the average LTV of these mortgages to be 82% *(FY14: 92%)*, although as explained above, we do not consider this to be a key risk indicator. Income support from the Government bodies and the social need for these premises provide sustained income stability. Aviva therefore considers these loans to be lower risk.

Commercial

Gross exposure by loan to value and arrears is shown in the table below.

Shareholder assets

30 June 2015	>120% £m	115–120% £m	110–115% £m	105–110% £m	100–105% £m	95–100% £m	90–95% £m	80–90% £m	70–80% £m	<70% £m	Total £m
Not in arrears	**39**	**7**	**23**	**104**	**603**	**387**	**392**	**1,664**	**1,221**	**3,159**	**7,599**
0 – 3 months	**—**	**—**	**—**	**—**	**—**	**75**	**—**	**—**	**—**	**—**	**75**
3 – 6 months	**—**	**—**	**—**	**—**	**—**	**11**	**—**	**—**	**—**	**—**	**11**
6 – 12 months	**—**	**—**	**—**	**—**	**—**	**368**	**—**	**—**	**—**	**—**	**368**
> 12 months	**—**	**—**	**—**	**—**	**—**	**342**	**—**	**—**	**—**	**—**	**342**
Total	**39**	**7**	**23**	**104**	**603**	**1,183**	**392**	**1,664**	**1,221**	**3,159**	**8,395**

Of the total £8.4 billion of UK non-securitised commercial mortgage loans in the shareholder fund, £8.3 billion are held by our UK Life business, of which £7.5 billion back annuity liabilities, and are stated on a fair value basis. Aviva UK General Insurance hold the remaining £0.1 billion of loans which are stated on an amortised cost basis and are subject to impairment review, using a fair value methodology calibrated to the UK Life approach, adjusted for specific portfolio characteristics. The loan exposures for our UK Life business are calculated on a discounted cash flow basis, and include a risk adjustment through the use of Credit Risk Adjusted Value ("CRAV") methods.

D3 – Analysis of asset quality continued

D3.2 – Loans continued

For the commercial mortgages held by the UK Life and UK General Insurance businesses, loan service collection ratios, a key indicator of mortgage portfolio performance, improved to 1.41x *(FY14: 1.31x)*. Loan Interest Cover ("LIC"), which is defined as the annual net rental income (including rental deposits and less ground rent) divided by the annual loan interest service, also improved to 1.61x *(FY14: 1.47x)*. Average mortgage LTV decreased by 12 percentage points compared to FY14 from 85% to 73% (CRAV) primarily driven by an increase in property values of c6.6% during the period.

Of the £796 million *(FY14: £1,492 million)* value of loans in arrears included within our shareholder assets, the interest and capital amount in arrears is £119 million.

Commercial mortgages are held at fair value on the asset side of the statement of financial position. Insurance liabilities are valued using a discount rate derived from gross yield on assets, with adjustments to allow for risk. At HY15 this allowance within the liabilities amounted to £0.9 billion *(FY14: £0.9 billion)*.

Of the £7.5 billion mortgages backing annuity liabilities, £0.5 billion of non-performing loans have been treated as property on a look-through basis in arriving at an appropriate valuation discount rate. For the remainder, and the £4.4 billion of Healthcare and PFI mortgages held by Aviva Annuity UK Limited, the valuation allowance (including supplementary allowances) of £0.9 billion equates to 93bps at 30 June 2015 *(FY14: 87bps)*. The total valuation allowance held by Aviva Annuity UK Limited in respect of corporate bonds and mortgages, including Healthcare and PFI mortgages is £1.9 billion *(FY14: £1.9 billion)* over the remaining term of the UK Life corporate bond and mortgage portfolio. In addition, we hold £47 million *(FY14: £56 million)* of impairment provisions in our UK General Insurance mortgage portfolio, which is carried at amortised cost.

The UK portfolio remains well diversified in terms of property type, location and tenants as well as the spread of loans written over time. The risks in commercial mortgages are addressed through several layers of protection with the mortgage risk profile being primarily driven by the ability of the underlying tenant rental income to cover loan interest and amortisation. Should any single tenant default on their rental payment, rental from other tenants backing the same loan often ensures the loan interest cover does not fall below 1.0x. Where there are multiple loans to a single borrower further protection may be achieved through cross-charging (or pooling) such that any single loan is also supported by rents received within other pool loans. Additionally, there may be support provided by the borrower of the loan itself and further loss mitigation from any general floating charge held over assets within the borrower companies.

If the LIC cover falls below 1.0x and the borrower defaults then Aviva still retains the option of selling the security or restructuring the loans and benefiting from the protection of the collateral. A combination of these benefits and the high recovery levels afforded by property collateral (compared to corporate debt or other uncollateralised credit exposures) results in the economic exposure being significantly lower than the gross exposure reported above. We will continue to actively manage this position.

Securitised mortgage loans

Funding for the securitised residential mortgage assets of £2.4 billion *(FY14: £2.4 billion)* was obtained by issuing loan note securities. Of these loan notes approximately £299 million *(FY14: £210 million)* are held by Group companies. The remainder is held by third parties external to Aviva. As any cash shortfall arising once all mortgages have redeemed is borne by the loan note holders, the majority of the credit risk of these mortgages is borne by third parties. Securitised residential mortgages held are predominantly issued through vehicles in the UK.

D3.3 – Financial investments

	30 June 2015				31 December 2014			
Financial Investments – Total	**Cost/ amortised cost £m**	**Unrealised gains £m**	**Impairment and unrealised losses £m**	**Fair value £m**	Cost/ amortised cost £m	Unrealised gains £m	Impairment and unrealised losses £m	Fair value £m
Debt securities	153,779	12,025	(3,658)	162,146	118,245	14,130	(714)	131,661
Equity securities	61,699	8,601	(5,243)	65,057	29,701	7,114	(1,196)	35,619
Other investments	42,716	6,457	(1,565)	47,608	29,845	5,954	(441)	35,358
Total	**258,194**	**27,083**	**(10,466)**	**274,811**	177,791	27,198	(2,351)	202,638

During the period, total financial investments increased by £72.2 billion to £274.8 billion (*FY14: £202.6 billion*), mainly as a result of the acquisition of Friends Life (see note B4) which contributed £81.2 billion to total financial investments as at 30 June 2015, partially offset by negative market and foreign exchange movements. Aviva holds large quantities of high quality bonds, primarily to match our liability to make guaranteed payments to policyholders. Some credit risk is taken, partly to increase returns to policyholders and partly to optimise the risk/return profile for shareholders. The risks are consistent with the products we offer and the related investment mandates, and are in line with our risk appetite.

The Group also holds equities, the majority of which are held in participating funds and policyholder funds, where they form an integral part of the investment expectations of policyholders and follow well-defined investment mandates. Some equities are also held in shareholder funds. The vast majority of equity investments are valued at quoted market prices.

D3 – Analysis of asset quality continued
D3.3 – Financial investments continued
D3.3.1 – Debt securities

Debt securities – Shareholder assets 30 June 2015	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total £m
UK Government	7,341	855	56	8,252
Non-UK Government	2,634	6,156	702	9,492
Europe	2,592	3,380	543	6,515
North America	25	2,142	158	2,325
Asia Pacific & Other	17	634	1	652
Corporate bonds – Public utilities	201	5,324	309	5,834
Corporate convertible bonds	—	43	—	43
Other corporate bonds	1,285	16,717	2,811	20,813
Other	287	1,951	689	2,927
Total	**11,748**	**31,046**	**4,567**	**47,361**
Total %	**24.8%**	**65.6%**	**9.6%**	**100.0%**
FY14	10,090	22,865	2,848	35,803
FY14 %	28.2%	63.8%	8.0%	100.0%

9.6% *(FY14: 8.0%)* of shareholder exposure to debt securities is fair valued using models with significant unobservable market parameters (classified as fair value Level 3). Where estimates are used, these are based on a combination of independent third party evidence and internally developed models, calibrated to market observable data where possible.

24.8% *(FY14: 28.2%)* of shareholder exposure to debt securities is based on quoted prices in an active market and are therefore classified as fair value Level 1. This decrease largely reflects the acquisition of Friends Life which had a higher proportion of Level 2 shareholder debt securities.

Debt securities – Shareholder assets 30 June 2015	External ratings AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Non-rated £m	Total £m
Government							
UK Government	—	8,085	51	—	—	109	8,245
UK local authorities	—	—	—	—	—	7	7
Non-UK Government	4,139	3,582	880	885	3	3	9,492
	4,139	11,667	931	885	3	119	17,744
Corporate							
Public utilities	—	170	3,725	1,635	30	274	5,834
Convertibles and bonds with warrants	—	—	43	—	—	—	43
Other corporate bonds	2,136	3,124	7,869	4,880	586	2,218	20,813
	2,136	3,294	11,637	6,515	616	2,492	26,690
Certificates of deposits	—	—	12	8	44	—	64
Structured							
RMBS[1] non-agency ALT A	1	31	4	1	—	—	37
RMBS[1] non-agency prime	60	28	33	—	—	—	121
RMBS[1] agency	—	—	—	—	—	—	—
	61	59	37	1	—	—	158
CMBS[2]	205	195	76	43	29	1	549
ABS[3]	136	294	283	51	18	10	792
CDO (including CLO)[4]	13	10	—	—	—	—	23
ABCP[5]	—	—	—	—	—	—	—
	354	499	359	94	47	11	1,364
Wrapped credit	—	14	409	59	43	46	571
Other	13	91	114	323	92	137	770
Total	**6,703**	**15,624**	**13,499**	**7,885**	**845**	**2,805**	**47,361**
Total %	**14.2%**	**33.0%**	**28.5%**	**16.6%**	**1.8%**	**5.9%**	**100.0%**
FY14	6,031	11,341	9,792	5,537	291	2,811	35,803
FY14 %	16.8%	31.7%	27.3%	15.5%	0.8%	7.9%	100.0%

1 RMBS – Residential Mortgage Backed Security.
2 CMBS – Commercial Mortgage Backed Security.
3 ABS – Asset Backed Security.
4 CDO – Collateralised Debt Obligation, CLO – Collateralised Loan Obligation.
5 ABCP – Asset Backed Commercial Paper.

D3 – Analysis of asset quality continued

D3.3 – Financial investments continued

D3.3.1 – Debt securities continued

During the period, shareholder exposure to debt securities increased by £11.6 billion to £47.4 billion (*FY14: £35.8 billion*), with the movement mainly driven by the acquisition of Friends Life (see note B4) which contributed £14.1 billion to total debt securities in shareholders' assets as at 30 June 2015, partially offset by negative market and foreign exchange movements. The overall quality of the book remains strong. 37% of shareholder exposure to debt securities is in government holdings *(FY14: 46%)*. Our corporate debt securities portfolio represents 56% *(FY14: 49%)* of total shareholder debt securities.

The majority of non-rated corporate bonds are held by our businesses in the UK.

At 30 June 2015, the proportion of our shareholder debt securities that are investment grade increased to 92.3% *(FY14: 91.3%)*. The remaining 7.7% of shareholder debt securities that do not have an external rating of BBB or higher can be split as follows:

- 1.8% are debt securities that are rated as below investment grade;
- 5.9% are not rated by the major rating agencies.

Of the securities not rated by an external agency most are allocated an internal rating using a methodology largely consistent with that adopted by an external rating agency, and are considered to be of investment grade credit quality; these include £2.6 billion of debt securities held in our UK Life business, predominantly made up of private placements and other corporate bonds, which have been internally rated as investment grade (*FY14: £2.5 billion*).

The Group has limited shareholder exposure to CDOs, CLOs and 'Sub-prime' debt securities.

Out of the total shareholder asset backed securities (ABS), £765 million (*FY14: £611 million)* are held by the UK Life business. 96.5% of the Group's shareholder holdings in ABS are investment grade (*FY14: 89.6%).* ABS which either have a rating below BBB or are not rated represents approximately 0.1% of shareholder exposure to debt securities (*FY14: 0.2%).*

D3.3.2 – Equity securities

	30 June 2015				31 December 2014			
	Fair value hierarchy				Fair value hierarchy			
Equity securities – Shareholder assets	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Public utilities	**23**	**—**	**—**	**23**	3	—	—	3
Banks, trusts and insurance companies	**107**	**—**	**33**	**140**	95	—	38	133
Industrial miscellaneous and all other	**199**	**—**	**11**	**210**	135	—	12	147
Non-redeemable preferred shares	**184**	**—**	**—**	**184**	199	—	—	199
Total	**513**	**—**	**44**	**557**	432	—	50	482
Total %	**92.1%**	**—**	**7.9%**	**100.0%**	89.6%	—	10.4%	100.0%

92.1% of our shareholder exposure to equity securities is based on quoted prices in an active market and as such is classified as Level 1 *(FY14: 89.6%)*.

D3.3.3 – Other investments

	30 June 2015				31 December 2014			
	Fair value hierarchy				Fair value hierarchy			
Other investments – Shareholders assets	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Unit trusts and other investment vehicles	**413**	**4**	**68**	**485**	294	4	201	499
Derivative financial instruments	**74**	**1,201**	**13**	**1,288**	2	1,233	38	1,273
Deposits with credit institutions	**93**	**—**	**—**	**93**	107	3	—	110
Minority holdings in property management undertakings	**—**	**12**	**204**	**216**	1	29	115	145
Other	**5**	**—**	**—**	**5**	5	—	—	5
Total	**585**	**1,217**	**285**	**2,087**	409	1,269	354	2,032
Total %	**28.0%**	**58.3%**	**13.7%**	**100.0%**	20.1%	62.5%	17.4%	100.0%

In total 86.3% *(FY14: 82.6%)* of shareholder other investments are classified as Level 1 or 2 in the fair value hierarchy. Unit trusts and other investment vehicles invest in a variety of assets, which can include cash equivalents, debt, equity and property securities.

D3.3.4 – Available for sale investments – Impairments and duration and amount of unrealised losses

There was no impairment expense for the six months to 30 June 2015 for AFS securities *(HY14: £nil)*.

Total unrealised losses on AFS debt securities, equity securities and other investments at 30 June 2015 were £1 million *(HY14: £2 million)*, £nil *(HY14: £nil)* and £nil *(HY14: £nil)* respectively.

D3 – Analysis of asset quality continued

D3.3 – Financial investments continued

D3.3.5 – Exposures to peripheral European countries

Included in our debt securities and other financial assets are exposures to peripheral European countries. All of these assets are valued on a mark to market basis under IAS 39, and therefore our statement of financial position and income statement already reflect any reduction in value between the date of purchase and the balance sheet date. The significant majority of these holdings are within our participating funds where the risk to our shareholders is governed by the nature and extent of our participation within those funds.

Net of non-controlling interests, our direct shareholder and participating fund asset exposure to the government (and local authorities and agencies) of Italy is £4.3 billion *(FY14: £4.9 billion)*. Gross of non-controlling interests, 94% (*FY14: 98%)* of our shareholder asset exposure to Italy arises from the investment exposure of our Italian business.

Direct sovereign exposures to Greece, Ireland, Portugal, Italy and Spain (net of non-controlling interests, excluding policyholder assets)

	Participating		Shareholder		Total	
	30 June 2015 £bn	31 December 2014 £bn	**30 June 2015 £bn**	31 December 2014 £bn	**30 June 2015 £bn**	31 December 2014 £bn
Greece	**—**	—	**—**	—	**—**	—
Ireland	**0.6**	0.6	**0.1**	0.2	**0.7**	0.8
Portugal	**0.1**	0.2	**—**	—	**0.1**	0.2
Italy	**4.0**	4.8	**0.3**	0.1	**4.3**	4.9
Spain	**0.8**	0.9	**0.4**	0.4	**1.2**	1.3
Total Greece, Ireland, Portugal, Italy and Spain	**5.5**	6.5	**0.8**	0.7	**6.3**	7.2

Direct sovereign exposures to Greece, Ireland, Portugal, Italy and Spain (gross of non-controlling interests, excluding policyholder assets)

	Participating		Shareholder		Total	
	30 June 2015 £bn	31 December 2014 £bn	**30 June 2015 £bn**	31 December 2014 £bn	**30 June 2015 £bn**	31 December 2014 £bn
Greece	**—**	—	**—**	—	**—**	—
Ireland	**0.6**	0.6	**0.1**	0.2	**0.7**	0.8
Portugal	**0.1**	0.2	**—**	—	**0.1**	0.2
Italy	**5.7**	6.7	**0.4**	0.5	**6.1**	7.2
Spain	**1.1**	1.2	**0.5**	0.6	**1.6**	1.8
Total Greece, Ireland, Portugal, Italy and Spain	**7.5**	8.7	**1.0**	1.3	**8.5**	10.0

D3 – Analysis of asset quality continued

D3.3 – Financial investments continued

D3.3.6 – Non-UK Government debt securities (gross of non-controlling interests)

Non-UK Government Debt Securities	Policyholder 30 June 2015 £m	Policyholder 31 December 2014 £m	Participating 30 June 2015 £m	Participating 31 December 2014 £m	Shareholder 30 June 2015 £m	Shareholder 31 December 2014 £m	Total 30 June 2015 £m	Total 31 December 2014 £m
Austria	**8**	11	**737**	705	**149**	107	**894**	823
Belgium	**39**	28	**1,208**	1,368	**207**	165	**1,454**	1,561
France	**136**	103	**10,010**	11,182	**1,778**	1,950	**11,924**	13,235
Germany	**184**	142	**1,556**	1,590	**620**	591	**2,360**	2,323
Greece	**—**	—	**—**	—	**—**	—	**—**	—
Ireland	**6**	5	**543**	613	**113**	155	**662**	773
Italy	**282**	330	**5,704**	6,666	**387**	485	**6,373**	7,481
Netherlands	**47**	43	**1,171**	1,336	**320**	414	**1,538**	1,793
Poland	**539**	571	**739**	823	**379**	443	**1,657**	1,837
Portugal	**1**	6	**121**	173	**—**	—	**122**	179
Spain	**117**	104	**1,093**	1,263	**492**	694	**1,702**	2,061
European Supranational debt	**52**	61	**2,476**	2,952	**1,579**	1,826	**4,107**	4,839
Other European countries	**153**	133	**1,215**	1,040	**491**	473	**1,859**	1,646
Europe	**1,564**	1,537	**26,573**	29,711	**6,515**	7,303	**34,652**	38,551
Canada	**55**	16	**179**	164	**1,936**	2,376	**2,170**	2,556
United States	**294**	94	**80**	48	**389**	347	**763**	489
North America	**349**	110	**259**	212	**2,325**	2,723	**2,933**	3,045
Singapore	**15**	11	**643**	598	**276**	277	**934**	886
Other	**675**	493	**2,185**	1,917	**376**	63	**3,236**	2,473
Asia Pacific and other	**690**	504	**2,828**	2,515	**652**	340	**4,170**	3,359
Total	**2,603**	2,151	**29,660**	32,438	**9,492**	10,366	**41,755**	44,955

At 30 June 2015, the Group's total non-UK government debt securities stood at £41.8 billion *(FY14: £45.0 billion)*. The significant majority of these holdings are within our participating funds where the risk to our shareholders is governed by the nature and extent of our participation within those funds.

Within the overall movement in the period, there was an increase in non-UK government securities (gross of non-controlling interests) of £2.3 billion as a result of the Friends Life acquisition. This was more than offset by adverse movements in market values and foreign exchange rates to give a net reduction of £3.2 billion at the half year.

Our direct shareholder asset exposure to non-UK government debt securities amounts to £9.5 billion *(FY14: £10.4 billion)*. The primary exposures, relative to total shareholder non-UK government debt exposure, are to Canadian (20%), French (19%), German (7%), Spanish (5%), and Italian (4%) government debt securities.

The participating funds exposure to non-UK government debt amounts to £29.7 billion *(FY14: £32.4 billion)*. The primary exposures, relative to total non-UK government debt exposures included within our participating funds, are to the government debt securities of France (34%), Italy (19%), Germany (5%), Belgium (4%), Netherlands (4%) and Spain (4%).

D3 – Analysis of asset quality continued

D3.3 – Financial investments continued

D3.3.7 – Exposure to worldwide bank debt securities

Direct shareholder and participating fund assets exposures to worldwide bank debt securities (net of non-controlling interests, excluding policyholder assets)

30 June 2015	Shareholder assets			Participating fund assets		
	Total senior debt £bn	Total subordinated debt £bn	Total debt £bn	Total senior debt £bn	Total subordinated debt £bn	Total debt £bn
Austria	—	—	—	0.1	—	0.1
France	0.2	—	0.2	2.9	0.7	3.6
Germany	—	—	—	0.6	0.5	1.1
Ireland	—	—	—	—	—	—
Italy	0.1	—	0.1	0.3	—	0.3
Netherlands	0.3	0.2	0.5	1.2	0.3	1.5
Spain	0.6	—	0.6	0.6	0.1	0.7
United Kingdom	1.7	0.7	2.4	1.2	1.0	2.2
United States	0.9	0.2	1.1	1.3	0.1	1.4
Other	0.7	0.2	0.9	3.2	0.4	3.6
Total	**4.5**	**1.3**	**5.8**	**11.4**	**3.1**	**14.5**
FY14 Total	2.9	0.8	3.7	10.4	2.9	13.3

Net of non-controlling interests, our direct shareholder exposure to worldwide debt bank securities increased by £2.1 billion, with the movement principally driven by the Friends Life acquisition.

Net of non-controlling interests, our direct shareholder assets exposure to worldwide bank debt securities is £5.8 billion. The majority of our holding (78%) is in senior debt. The primary exposures are to UK (41%), US (19%) and Spanish (10%) banks.

Net of non-controlling interests, the participating fund exposures to worldwide bank debt securities, where the risk to our shareholders is governed by the nature and extent of our participation within those funds, is £14.5 billion. The majority of the exposure (79%) is in senior debt. Participating funds are the most exposed to French (25%), UK (15%), Dutch (10%) and US (10%) banks.

Direct shareholder and participating fund assets exposures to worldwide bank debt securities (gross of non-controlling interests, excluding policyholder assets)

30 June 2015	Shareholder assets			Participating fund assets		
	Total senior debt £bn	Total subordinated debt £bn	Total debt £bn	Total senior debt £bn	Total subordinated debt £bn	Total debt £bn
Austria	—	—	—	0.1	—	0.1
France	0.2	0.1	0.3	3.3	0.7	4.0
Germany	—	—	—	0.6	0.5	1.1
Ireland	—	—	—	—	—	—
Italy	0.1	—	0.1	0.4	—	0.4
Netherlands	0.3	0.2	0.5	1.3	0.3	1.6
Spain	0.8	—	0.8	0.8	0.1	0.9
United Kingdom	1.7	0.7	2.4	1.3	1.0	2.3
United States	1.0	0.2	1.2	1.4	0.1	1.5
Other	0.8	0.2	1.0	3.5	0.5	4.0
Total	**4.9**	**1.4**	**6.3**	**12.7**	**3.2**	**15.9**
FY14 Total	3.1	0.8	3.9	11.8	3.1	14.9

Gross of non-controlling interests, our direct shareholder exposure to worldwide bank debt securities increased by £2.4 billion, with the movement principally driven by the Friends Life acquisition.

Gross of non-controlling interests, our direct shareholder assets exposure to worldwide bank debt securities is £6.3 billion. The majority of our holding (78%) is in senior debt. The primary exposures are to UK (38%), US (19%) and Spanish (13%) banks.

Gross of non-controlling interests, the participating fund exposures to worldwide bank debt securities, where the risk to our shareholders is governed by the nature and extent of our participation within those funds, is £15.9 billion. The majority of the exposure (80%) is in senior debt. Participating funds are the most exposed to French (25%), UK (14%), Dutch (10%) and US (9%) banks.

D4 – Pension fund assets

In addition to the assets recognised directly on the Group's statement of financial position outlined in the disclosures above, the Group is also exposed to the "Scheme assets" that are shown net of the present value of scheme liabilities within the IAS 19 net pension surplus. Pension surpluses are included within other assets and pension deficits are recognised within provisions in the Group's consolidated statement of financial position. Refer to Note B15 for details on the schemes' surpluses and deficits.

Scheme assets are stated at their fair values. Total scheme assets in the UK, Ireland and Canada are comprised as follows:

	30 June 2015				31 December 2014			
	UK £m	**Ireland £m**	**Canada £m**	**Total £m**	UK £m	Ireland £m	Canada £m	Total £m
Bonds								
Fixed interest	**5,210**	**198**	**127**	**5,535**	5,519	213	130	5,862
Index-linked	**6,033**	**108**	**—**	**6,141**	5,568	122	—	5,690
Equities	**270**	**—**	**—**	**270**	98	—	—	98
Property	**342**	**9**	**—**	**351**	328	9	—	337
Pooled investment vehicles	**2,759**	**139**	**110**	**3,008**	2,010	137	110	2,257
Derivatives	**202**	**—**	**—**	**202**	584	1	—	585
Cash and other[1]	**1,542**	**—**	**13**	**1,555**	626	1	18	645
Total fair value of scheme assets	**16,358**	**454**	**250**	**17,062**	14,733	483	258	15,474
Less: consolidation elimination for non-transferable Group insurance policy[2]	**(606)**	**—**	**—**	**(606)**	—	—	—	—
Total IAS 19 fair value of scheme assets	**15,752**	**454**	**250**	**16,456**	14,733	483	258	15,474

Total scheme assets are analysed by those that have a quoted market price in an active market and those that do not as follows:

	30 June 2015			31 December 2014		
	Total Quoted £m	**Total Unquoted £m**	**Total £m**	Total Quoted £m	Total Unquoted £m	Total £m
Bonds						
Fixed interest	**2,510**	**3,025**	**5,535**	2,907	2,955	5,862
Index-linked	**5,669**	**472**	**6,141**	5,240	450	5,690
Equities	**246**	**24**	**270**	74	24	98
Property	**—**	**351**	**351**	—	337	337
Pooled investment vehicles	**132**	**2,876**	**3,008**	130	2,127	2,257
Derivatives	**14**	**188**	**202**	(22)	607	585
Cash and other[1]	**671**	**884**	**1,555**	432	213	645
Total fair value of scheme assets	**9,242**	**7,820**	**17,062**	8,761	6,713	15,474
Less: consolidation elimination for non-transferable Group insurance policy[2]	**—**	**(606)**	**(606)**	—	—	—
Total IAS 19 fair value of scheme assets	**9,242**	**7,214**	**16,456**	8,761	6,713	15,474

1 Cash and other assets comprise cash at bank, insurance policies, receivables and payables.
2 Friends Provident Pension Scheme assets are included in the UK balances. As at 30 June 2015, the Friends Provident Pension Scheme's cash and other balance includes an insurance policy of £606 million issued by a Group company that is not transferable under IAS 19 and is consequently eliminated from the Group's IAS 19 scheme assets.

Risk management and asset allocation strategy

The long-term investment objectives of the trustees and the employers are to limit the risk of the assets failing to meet the liabilities of the schemes over the long term, and to maximise returns consistent with an acceptable level of risk so as to control the long-term costs of these schemes. To meet these objectives, each scheme's assets are invested in a portfolio, which for the UK schemes consist primarily (approximately 70%) of debt securities. The investment strategy will continue to evolve over time and is expected to match the liability profile increasingly closely with swap overlays to improve interest rate and inflation matching. The schemes are generally matched to interest rate on the funding basis.

Main UK Scheme

The Company works closely with the trustee, who is required to consult it on the investment strategy.

Interest rate and inflation risks are managed using a combination of liability-matching assets and swaps. Exposure to equity risk has been reducing over time and credit risk is managed within risk appetite. Currency risk is relatively small and is largely hedged. The other principal risk is longevity risk. In 2014, the Aviva Staff Pension Scheme entered into a longevity swap covering approximately £5 billion of pensioner in payment scheme liabilities transferring longevity risk to external reinsurers.

Other schemes

The other schemes are considerably less material but their risks are managed in a similar way to those in the main UK scheme.

D5 – Available funds

To ensure access to liquidity as and when needed, the Group maintains £1.7 billion of undrawn committed central borrowing facilities with various highly rated banks, £0.75 billion of which is allocated to support the credit ratings of Aviva plc's commercial paper programmes. The expiry profile of the undrawn committed central borrowing facilities is as follows:

	30 June 2015 £m	31 December 2014 £m
Expiring within one year	**700**	350
Expiring beyond one year	**950**	1,100
Total	**1,650**	1,550

D6 – Guarantees

As a normal part of their operating activities, various Group companies have given guarantees and options, including investment return guarantees, in respect of certain long-term insurance and fund management products.

For the UK Life with-profit business, provisions in respect of these guarantees and options are calculated on a market consistent basis, in which stochastic models are used to evaluate the level of risk (and additional cost) under a number of economic scenarios, which allow for the impact of volatility in both interest rates and equity prices. For UK Life non-profit business, provisions are generally calculated on a deterministic basis but do not materially differ from those determined on a market consistent basis.

In all other businesses, provisions for guarantees and options are calculated on a local basis with sensitivity analysis undertaken where appropriate to assess the impact on provisioning levels of a movement in interest rates and equity levels (typically a 1% decrease in interest rates and 10% decline in equity markets).

VNB & sales analysis

In this section

E1 – Trend analysis of VNB – cumulative

Gross of tax and non-controlling interests	1Q14 YTD £m	2Q14 YTD £m	3Q14 YTD £m	4Q14 YTD £m	1Q15 YTD £m	**2Q15 YTD £m**	**Growth[1] on 2Q14 Sterling %**	**Growth[1] on 2Q14 Constant currency %**
United Kingdom[2]	89	177	297	473	103	**253**	**43%**	**43%**
Ireland	3	6	6	9	3	**7**	**5%**	**17%**
United Kingdom & Ireland	92	183	303	482	106	**260**	**42%**	**42%**
France	54	110	156	205	56	**98**	**(11%)**	**(1%)**
Poland[3]	21	34	46	64	15	**30**	**(11%)**	**(1%)**
Italy – excluding Eurovita	15	26	41	63	19	**39**	**49%**	**66%**
Spain – excluding CxG	6	14	19	30	6	**13**	**(12%)**	**(2%)**
Turkey[4]	6	14	23	30	6	**12**	**(14%)**	**(6%)**
Europe	102	198	285	392	102	**192**	**(4%)**	**7%**
Asia[5] – excluding South Korea	29	61	92	122	36	**76**	**24%**	**18%**
Aviva Investors[6]	—	2	5	9	3	**6**	**—**	**—**
Value of new business – excluding Eurovita, CxG & South Korea	223	444	685	1,005	247	**534**	**20%**	**25%**
Eurovita, CxG & South Korea	1	—	1	4	—	**—**	**—**	**—**
Total value of new business	224	444	686	1,009	247	**534**	**20%**	**25%**

1 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
2 United Kingdom includes Friends UK from 10 April 2015.
3 Poland includes Lithuania.
4 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
5 Asia includes FPI from 10 April 2015.
6 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E2 – Trend analysis of VNB – discrete

Gross of tax and non-controlling interests	1Q14 Discrete £m	2Q14 Discrete £m	3Q14 Discrete £m	4Q14 Discrete £m	1Q15 Discrete £m	**2Q15 Discrete £m**	**Growth[1] on 2Q14 Sterling %**	**Growth[1] on 2Q14 Constant currency %**
United Kingdom[2]	89	88	120	176	103	**150**	**71%**	**71%**
Ireland	3	3	—	3	3	**4**	**17%**	**30%**
United Kingdom & Ireland	92	91	120	179	106	**154**	**69%**	**70%**
France	54	56	46	49	56	**42**	**(25%)**	**(17%)**
Poland[3]	21	13	12	18	15	**15**	**19%**	**31%**
Italy – excluding Eurovita	15	11	15	22	19	**20**	**75%**	**93%**
Spain – excluding CxG	6	8	5	11	6	**7**	**(22%)**	**(14%)**
Turkey[4]	6	8	9	7	6	**6**	**(26%)**	**(19%)**
Europe	102	96	87	107	102	**90**	**(7%)**	**2%**
Asia[5] – excluding South Korea	29	32	31	30	36	**40**	**27%**	**21%**
Aviva Investors[6]	—	2	3	4	3	**3**	**—**	**—**
Value of new business – excluding Eurovita, CxG & South Korea	223	221	241	320	247	**287**	**30%**	**35%**
Eurovita, CxG & South Korea	1	(1)	1	3	—	**—**	**—**	**—**
Total value of new business	224	220	242	323	247	**287**	**31%**	**35%**

1 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
2 United Kingdom includes Friends UK from 10 April 2015.
3 Poland includes Lithuania.
4 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
5 Asia includes FPI from 10 April 2015.
6 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E3 – Trend analysis of PVNBP – cumulative

Present value of new business premiums[1]	1Q14 YTD £m	2Q14 YTD £m	3Q14 YTD £m	4Q14 YTD £m	1Q15 YTD £m	**2Q15 YTD £m**	Growth[2] on 2Q14 Sterling %	Growth[2] on 2Q14 Constant currency %
United Kingdom[3]	2,931	6,052	9,098	12,009	2,445	**7,071**	**17%**	**17%**
Ireland	105	196	291	435	132	**270**	**38%**	**54%**
United Kingdom & Ireland	3,036	6,248	9,389	12,444	2,577	**7,341**	**18%**	**18%**
France	1,310	2,427	3,538	4,633	1,319	**2,553**	**5%**	**17%**
Poland[4]	234	332	429	573	110	**218**	**(34%)**	**(27%)**
Italy – excluding Eurovita	698	1,440	2,060	2,473	603	**1,116**	**(23%)**	**(14%)**
Spain – excluding CxG	270	536	743	1,054	224	**363**	**(32%)**	**(25%)**
Turkey[5]	110	231	348	495	134	**251**	**8%**	**18%**
Europe	2,622	4,966	7,118	9,228	2,390	**4,501**	**(9%)**	**1%**
Asia[6] – excluding South Korea	421	867	1,357	1,854	623	**1,449**	**67%**	**61%**
Aviva Investors[7]	5	257	562	881	366	**761**	**195%**	**195%**
Total – excluding Eurovita, CxG & South Korea	6,084	12,338	18,426	24,407	5,956	**14,052**	**14%**	**19%**
Eurovita, CxG & South Korea	136	292	307	321	—	**—**	**—**	**—**
Total	6,220	12,630	18,733	24,728	5,956	**14,052**	**11%**	**16%**

1 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 United Kingdom includes Friends UK from 10 April 2015.
4 Poland includes Lithuania.
5 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
6 Asia includes FPI from 10 April 2015.
7 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E4 – Trend analysis of PVNBP – discrete

Present value of new business premiums[1]	1Q14 Discrete £m	2Q14 Discrete £m	3Q14 Discrete £m	4Q14 Discrete £m	1Q15 Discrete £m	**2Q15 Discrete £m**	Growth[2] on 2Q14 Sterling %	Growth[2] on 2Q14 Constant currency %
United Kingdom[3]	2,931	3,121	3,046	2,911	2,445	**4,626**	**48%**	**48%**
Ireland	105	91	95	144	132	**138**	**53%**	**69%**
United Kingdom & Ireland	3,036	3,212	3,141	3,055	2,577	**4,764**	**48%**	**49%**
France	1,310	1,117	1,111	1,095	1,319	**1,234**	**11%**	**22%**
Poland[4]	234	98	97	144	110	**108**	**10%**	**20%**
Italy – excluding Eurovita	698	742	620	413	603	**513**	**(31%)**	**(24%)**
Spain – excluding CxG	270	266	207	311	224	**139**	**(48%)**	**(42%)**
Turkey[5]	110	121	117	147	134	**117**	**(4%)**	**6%**
Europe	2,622	2,344	2,152	2,110	2,390	**2,111**	**(10%)**	**(1%)**
Asia[6] – excluding South Korea	421	446	490	497	623	**826**	**85%**	**77%**
Aviva Investors[7]	5	252	305	319	366	**395**	**56%**	**56%**
Total – excluding Eurovita, CxG & South Korea	6,084	6,254	6,088	5,981	5,956	**8,096**	**29%**	**34%**
Eurovita, CxG & South Korea	136	156	15	14	—	**—**	**—**	**—**
Total	6,220	6,410	6,103	5,995	5,956	**8,096**	**26%**	**31%**

1 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 United Kingdom includes Friends UK from 10 April 2015.
4 Poland includes Lithuania.
5 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
6 Asia includes FPI from 10 April 2015.
7 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E5 – Trend analysis of PVNBP by product – cumulative

Present value of new business premiums[1]	1Q14 YTD £m	2Q14 YTD £m	3Q14 YTD £m	4Q14 YTD £m	1Q15 YTD £m	**2Q15 YTD £m**	Growth[2] on 2Q14 Sterling %	Growth[2] on 2Q14 Constant currency %
Pensions	1,328	2,794	4,081	5,803	1,319	**3,897**	**39%**	**39%**
Annuities	500	935	1,656	1,948	136	**777**	**(17%)**	**(17%)**
Bonds	45	87	135	174	39	**80**	**(7%)**	**(7%)**
Protection	297	568	862	1,103	268	**712**	**25%**	**25%**
Equity release	117	257	462	696	206	**458**	**78%**	**78%**
Other[3]	644	1,411	1,902	2,285	477	**1,147**	**(19%)**	**(19%)**
United Kingdom[4]	2,931	6,052	9,098	12,009	2,445	**7,071**	**17%**	**17%**
Ireland	105	196	291	435	132	**270**	**38%**	**54%**
United Kingdom & Ireland	3,036	6,248	9,389	12,444	2,577	**7,341**	**18%**	**18%**
Savings	1,232	2,278	3,347	4,368	1,224	**2,389**	**5%**	**17%**
Protection	78	149	191	265	95	**164**	**10%**	**22%**
France	1,310	2,427	3,538	4,633	1,319	**2,553**	**5%**	**17%**
Pensions	302	465	631	904	192	**356**	**(24%)**	**(16%)**
Savings	890	1,819	2,583	3,182	754	**1,330**	**(27%)**	**(18%)**
Annuities	2	2	3	5	—	**1**	**(77%)**	**(75%)**
Protection	118	253	363	504	125	**261**	**3%**	**15%**
Poland[5], Italy[5], Spain[5] and Turkey[6]	1,312	2,539	3,580	4,595	1,071	**1,948**	**(23%)**	**(15%)**
Europe	2,622	4,966	7,118	9,228	2,390	**4,501**	**(9%)**	**1%**
Asia[5]	421	867	1,357	1,854	623	**1,449**	**67%**	**61%**
Aviva Investors[7]	5	257	562	881	366	**761**	**195%**	**195%**
Total – excluding Eurovita, CxG & South Korea	6,084	12,338	18,426	24,407	5,956	**14,052**	**14%**	**19%**
Eurovita, CxG & South Korea	136	292	307	321	—	**—**	**—**	**—**
Total	6,220	12,630	18,733	24,728	5,956	**14,052**	**11%**	**16%**

1 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Other UK business includes UK Retail Fund Management and UK long term health business. UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.
4 United Kingdom includes Friends UK from 10 April 2015.
5 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG. Asia includes FPI from 10 April 2015 and excludes South Korea.
6 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
7 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E6 – Trend analysis of PVNBP by product – discrete

Present value of new business premiums[1]	1Q14 Discrete £m	2Q14 Discrete £m	3Q14 Discrete £m	4Q14 Discrete £m	1Q15 Discrete £m	**2Q15 Discrete £m**	Growth[2] on 2Q14 Sterling %	Growth[2] on 2Q14 Constant currency %
Pensions	1,328	1,466	1,287	1,722	1,319	**2,578**	**76%**	**76%**
Annuities	500	435	721	292	136	**641**	**47%**	**47%**
Bonds	45	42	48	39	39	**41**	**(2%)**	**(2%)**
Protection	297	271	294	241	268	**444**	**64%**	**64%**
Equity release	117	140	205	234	206	**252**	**80%**	**80%**
Other[3]	644	767	491	383	477	**670**	**(13%)**	**(13%)**
United Kingdom[4]	2,931	3,121	3,046	2,911	2,445	**4,626**	**48%**	**48%**
Ireland	105	91	95	144	132	**138**	**53%**	**69%**
United Kingdom & Ireland	3,036	3,212	3,141	3,055	2,577	**4,764**	**48%**	**49%**
Savings	1,232	1,046	1,069	1,021	1,224	**1,165**	**11%**	**23%**
Protection	78	71	42	74	95	**69**	**(4%)**	**6%**
France	1,310	1,117	1,111	1,095	1,319	**1,234**	**11%**	**22%**
Pensions	302	163	166	273	192	**164**	**—**	**9%**
Savings	890	929	764	599	754	**576**	**(38%)**	**(31%)**
Annuities	2	—	1	2	—	**1**	**—**	**—**
Protection	118	135	110	141	125	**136**	**2%**	**12%**
Poland[5], Italy[5], Spain[5] and Turkey[6]	1,312	1,227	1,041	1,015	1,071	**877**	**(29%)**	**(21%)**
Europe	2,622	2,344	2,152	2,110	2,390	**2,111**	**(10%)**	**(1%)**
Asia[5]	421	446	490	497	623	**826**	**85%**	**77%**
Aviva Investors[7]	5	252	305	319	366	**395**	**56%**	**56%**
Total – excluding Eurovita, CxG & South Korea	6,084	6,254	6,088	5,981	5,956	**8,096**	**29%**	**34%**
Eurovita, CxG & South Korea	136	156	15	14	—	**—**	**—**	**—**
Total	6,220	6,410	6,103	5,995	5,956	**8,096**	**26%**	**31%**

1 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Other UK business includes UK Retail Fund Management and UK long term health business. UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.
4 United Kingdom includes Friends UK from 10 April 2015.
5 Poland includes Lithuania, Italy excludes Eurovita, Spain excludes CxG. Asia includes FPI from 10 April 2015 and excludes South Korea.
6 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
7 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E7 – Geographical analysis of regular and single premiums

	Regular premiums							Single premiums		
	6 months 2015 £m	**Constant currency growth[1]**	**WACF**	**Present value £m**	6 months 2014 £m	WACF	Present value £m	**6 months 2015 £m**	6 months 2014 £m	**Constant currency growth[1]**
United Kingdom[2]	**633**	**27%**	**5.5**	**3,462**	499	5.0	2,513	**3,609**	3,539	**2%**
Ireland	**12**	**7%**	**6.4**	**77**	13	5.2	67	**193**	129	**67%**
United Kingdom & Ireland	**645**	**27%**	**5.5**	**3,539**	512	5.0	2,580	**3,802**	3,668	**4%**
France	**45**	**6%**	**9.1**	**409**	47	8.1	383	**2,144**	2,044	**17%**
Poland[3]	**20**	**(26%)**	**7.5**	**149**	29	9.5	275	**69**	57	**34%**
Italy – excluding Eurovita	**7**	**(73%)**	**6.7**	**47**	27	5.3	143	**1,069**	1,297	**(8%)**
Spain – excluding CxG	**17**	**(5%)**	**6.4**	**108**	20	5.7	113	**255**	423	**(33%)**
Turkey[4]	**51**	**3%**	**4.0**	**203**	54	3.7	201	**48**	30	**76%**
Europe	**140**	**(13%)**	**6.5**	**916**	177	6.3	1,115	**3,585**	3,851	**4%**
Asia[5] – excluding South Korea	**155**	**39%**	**6.7**	**1,035**	106	6.6	699	**414**	168	**138%**
Aviva Investors[6]	**—**	**—**	**—**	**—**	—	—	—	**761**	257	**195%**
Total – excluding Eurovita, CxG & South Korea	**940**	**20%**	**5.8**	**5,490**	795	5.5	4,394	**8,562**	7,944	**14%**
Eurovita, CxG & South Korea	**—**	**—**	**—**	**—**	32	3.9	124	**—**	168	**—**
Total	**940**	**15%**	**5.8**	**5,490**	827	5.5	4,518	**8,562**	8,112	**11%**

1 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
2 United Kingdom includes Friends UK from 10 April 2015.
3 Poland includes Lithuania.
4 The shareholding of Aviva's minority interest in our Turkish joint venture reduced from 49.8% to 41.3% on 13 November 2014 through an initial public offering.
5 Asia includes FPI from 10 April 2015.
6 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014.

E8 – Trend analysis of investment sales – cumulative

							Growth[2] on 2Q14	
Investment sales[1]	1Q14 YTD £m	2Q14 YTD £m	3Q14 YTD £m	4Q14 YTD £m	1Q15 YTD £m	**2Q15 YTD £m**	**Sterling %**	**Constant currency %**
United Kingdom & Ireland[3]	486	1,043	1,405	1,742	271	**710**	**(32%)**	**(32%)**
Aviva Investors[4]	730	1,616	2,195	3,089	1,073	**2,102**	**30%**	**40%**
Asia[5]	36	75	110	146	41	**78**	**5%**	**2%**
Total investment sales	1,252	2,734	3,710	4,977	1,385	**2,890**	**6%**	**10%**

1 Investment sales are calculated as new single premiums plus the annualised value of new regular premiums.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Some of UK & Ireland investment sales are also reported in UK Life PVNBP following the extension of MCEV covered business in 2014. 2014 Investment sales are included at the same amount in UK Life 2014 PVNBP. 2Q15 YTD investment sales of £710 million are equivalent to £774 million on a PVNBP basis following a change in the capitalisation factor of regular premiums.
4 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014. YTD investment sales of £250 million for 2Q14, £549 million for 3Q14, £864 million for 4Q14, £362 million for 1Q15 and £755 million for 2Q15 are also included in Aviva Investors' PVNBP at the same level following the extension of MCEV covered business.
5 Some of Asia investment sales are also reported in Asia PVNBP following an extension of MCEV covered business in 2015.

E9 – Trend analysis of investment sales – discrete

							Growth[2] on 2Q14	
Investment sales[1]	1Q14 Discrete £m	2Q14 Discrete £m	3Q14 Discrete £m	4Q14 Discrete £m	1Q15 Discrete £m	**2Q15 Discrete £m**	**Sterling %**	**Constant currency %**
United Kingdom & Ireland[3]	486	557	362	337	271	**439**	**(21%)**	**(21%)**
Aviva Investors[4]	730	886	579	894	1,073	**1,029**	**16%**	**23%**
Asia[5]	36	39	35	36	41	**37**	**(6%)**	**(9%)**
Total investment sales	1,252	1,482	976	1,267	1,385	**1,505**	**2%**	**5%**

1 Investment sales are calculated as new single premiums plus the annualised value of new regular premiums.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Some of UK & Ireland investment sales are also reported in UK Life PVNBP following the extension of MCEV covered business in 2014. 2014 Investment sales are included at the same amount in UK Life 2014 PVNBP. 1Q15 investment sales of £271 million and Q215 investment sales of £439 million are equivalent to £295 million and £479 million respectively on a PVNBP basis following a change in the capitalisation factor of regular premiums.
4 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014. Discrete investment sales of £250 million for 2Q14, £299 million for 3Q14, £315 million for 4Q14, £362 million for 1Q15 and £393 million for 2Q15 are also included in Aviva Investors' PVNBP at the same level following the extension of MCEV covered business.
5 Some of Asia investment sales are also reported in Asia PVNBP following an extension of MCEV covered business in 2015.

E10 – Geographical analysis of regular and single premiums – investment sales

	Regular			Single			PVNBP
Investment sales[1]	**6 months 2015 £m**	6 months 2014 £m	**Constant currency growth[2]**	**6 months 2015 £m**	6 months 2014 £m	**Constant currency growth[2]**	**Constant currency growth[2]**
United Kingdom & Ireland[3]	**13**	12	**5%**	**697**	1,031	**(32%)**	**(32%)**
Aviva Investors[4]	**3**	3	**4%**	**2,099**	1,613	**40%**	**40%**
Asia[5]	**—**	—	**—**	**78**	75	**2%**	**2%**
Total investment sales	**16**	15	**5%**	**2,874**	2,719	**10%**	**10%**

1 Investment sales are calculated as new single premiums plus the annualised value of new regular premiums.
2 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
3 Some of UK & Ireland investment sales are also reported in UK Life PVNBP following the extension of MCEV covered business in 2014. 2014 Investment sales are included at the same amount in UK Life 2014 PVNBP. 2Q15 YTD investment sales of £710 million are equivalent to £774 million on a PVNBP basis following a change in the capitalisation factor of regular premiums.
4 The UK Retail Fund Management business was transferred from UK Life to Aviva Investors on 9 May 2014. YTD investment sales of £250 million for 2Q14, £549 million for 3Q14, £864 million for 4Q14, £362 million for 1Q15 and £755 million for 2Q15 are also included in Aviva Investors' PVNBP at the same level following the extension of MCEV covered business.
5 Some of Asia investment sales are also reported in Asia PVNBP following an extension of MCEV covered business in 2015.

E11 – Trend analysis of general insurance and health net written premiums – cumulative

	1Q14 YTD £m	2Q14 YTD £m	3Q14 YTD £m	4Q14 YTD £m	1Q15 YTD £m	**2Q15 YTD £m**	Growth[1] on 2Q14 Sterling %	Growth[1] on 2Q14 Constant currency %
General insurance								
United Kingdom	845	1,836	2,742	3,663	855	**1,851**	**1%**	**1%**
Ireland	65	136	205	272	63	**134**	**(1%)**	**10%**
United Kingdom & Ireland	910	1,972	2,947	3,935	918	**1,985**	**1%**	**1%**
Europe	440	747	999	1,313	399	**674**	**(10%)**	**1%**
Canada	426	1,026	1,584	2,104	409	**1,013**	**(1%)**	**1%**
Asia	3	7	10	13	3	**6**	**(8%)**	**(10%)**
Other	4	5	5	7	—	**—**	**(97%)**	**(97%)**
	1,783	3,757	5,545	7,372	1,729	**3,678**	**(2%)**	**1%**
Health insurance								
United Kingdom[2]	144	302	394	518	158	**315**	**4%**	**4%**
Ireland	33	47	65	93	28	**42**	**(10%)**	**—**
United Kingdom & Ireland	177	349	459	611	186	**357**	**2%**	**4%**
Europe	94	138	182	243	89	**128**	**(8%)**	**3%**
Asia[3]	29	45	61	74	33	**55**	**21%**	**19%**
	300	532	702	928	308	**540**	**1%**	**5%**
Total	2,083	4,289	6,247	8,300	2,037	**4,218**	**(2%)**	**2%**

1 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
2 These premiums are also reported in UK Life PVNBP following the extension of MCEV covered business in 2014. 1Q14 NWP of £144 million, 2Q14 YTD NWP of £302 million, 3Q14 YTD NWP of £394 million, 4Q14 YTD NWP of £518 million, 1Q15 NWP of £158 million and 2Q15 YTD NWP of £315 million are equivalent to £158 million, £368 million, £497 million, £542 million, £182 million and £373 million on a PVNBP basis respectively.
3 Singapore long term health business is also reported in Asia PVNBP following the extension of MCEV covered business in 2014. For Singapore long term health business, 1Q14 NWP of £5 million, 2Q14 YTD NWP of £9 million, 3Q14 YTD NWP of £15 million, 4Q14 YTD NWP of £22 million, 1Q15 NWP of £10 million and 2Q15 YTD NWP of £23 million are equivalent to £37 million, £87 million, £130 million, £183 million, £48 million and £120 million on a PVNBP basis respectively.

E12 – Trend analysis of general insurance and health net written premiums – discrete

	1Q14 Discrete £m	2Q14 Discrete £m	3Q14 Discrete £m	4Q14 Discrete £m	1Q15 Discrete £m	**2Q15 Discrete £m**	Growth[1] on 2Q14 Sterling %	Growth[1] on 2Q14 Constant currency %
General insurance								
United Kingdom	845	991	906	921	855	**996**	**—**	**—**
Ireland	65	71	69	67	63	**71**	**—**	**11%**
United Kingdom & Ireland	910	1,062	975	988	918	**1,067**	**—**	**1%**
Europe	440	307	252	314	399	**275**	**(10%)**	**(1%)**
Canada	426	600	558	520	409	**604**	**1%**	**3%**
Asia	3	4	3	3	3	**3**	**—**	**(3%)**
Other	4	1	—	2	—	**—**	**(86%)**	**(86%)**
	1,783	1,974	1,788	1,827	1,729	**1,949**	**(1%)**	**1%**
Health insurance								
United Kingdom[2]	144	158	92	124	158	**157**	**(1%)**	**(1%)**
Ireland	33	14	18	28	28	**14**	**6%**	**16%**
United Kingdom & Ireland	177	172	110	152	186	**171**	**(1%)**	**—**
Europe	94	44	44	61	89	**39**	**(13%)**	**(5%)**
Asia[3]	29	16	16	13	33	**22**	**34%**	**30%**
	300	232	170	226	308	**232**	**(1%)**	**1%**
Total	2,083	2,206	1,958	2,053	2,037	**2,181**	**(1%)**	**1%**

1 Currency movements are calculated using unrounded numbers so minor rounding differences may exist.
2 These premiums are also reported in UK Life PVNBP following the extension of MCEV covered business in 2014. 1Q14 NWP of £144 million, 2Q14 NWP of £158 million, 3Q14 NWP of £92 million, 4Q14 NWP of £124 million, 1Q15 NWP of £158 million and 2Q15 NWP of £157 million are equivalent to £158 million, £210 million, £129 million, £45 million, £182 million and £191 million on a PVNBP basis respectively.
3 Singapore long term health business is also reported in Asia PVNBP following the extension of MCEV covered business in 2014. For Singapore long term health business, 1Q14 NWP of £5 million, 2Q14 NWP of £4 million, 3Q14 NWP of £6 million, 4Q14 NWP of £7 million, 1Q15 NWP of £10 million and 2Q15 NWP of £13 million are equivalent to £37 million, £50 million, £43 million, £53 million, £48 million and £72 million on a PVNBP basis respectively.

MCEV financial statements

In this section

Reconciliation of IFRS total equity to Life MCEV

As at 30 June 2015

	Reviewed 6 months 2015 £m			Reviewed 6 months 2014 £m			Audited Full Year 2014 £m		
	Life and related businesses[1]	**General business and other**	**Group**	Life and related businesses	General business and other	Group	Life and related businesses	General business and other	Group
Total assets included in the IFRS statement of financial position	**358,364**	**32,296**	**390,660**	249,575	29,286	278,861	255,478	30,241	285,719
Liabilities of the long-term business	**(341,970)**	**—**	**(341,970)**	(238,372)	—	(238,372)	(244,186)	—	(244,186)
Liabilities of the general insurance and other businesses	**—**	**(30,872)**	**(30,872)**	—	(28,936)	(28,936)	—	(29,257)	(29,257)
Total equity on an IFRS basis	**16,394**	**1,424**	**17,818**	11,203	350	11,553	11,292	984	12,276
Equity of general insurance and other businesses included in Life MCEV[2]	**161**	**(161)**	**—**	218	(218)	—	160	(160)	—
Additional value of in-force long-term business	**5,716**	**—**	**5,716**	6,244	—	6,244	6,120	—	6,120
Total equity on a MCEV basis	**22,271**	**1,263**	**23,534**	17,665	132	17,797	17,572	824	18,396
Notional allocation of IAS 19 pension fund surplus to long-term business[3]	**(640)**			(338)			(703)		
Goodwill and intangible assets allocated to long-term business[4]	**(1,494)**			(561)			(476)		
Life MCEV (gross of non-controlling interests)	**20,137**			16,766			16,393		
Non-controlling interests	**(1,044)**			(1,457)			(1,119)		
Life MCEV (net of non-controlling interests)	**19,093**			15,309			15,274		

1 The acquisition of Friends Life in April 2015 increased IFRS and MCEV equity by £5,975 million, of which £1,063 million relates to goodwill and intangible assets allocated to long-term business. Further details can be found in note F1 – Basis of preparation.
2 Refers to the IFRS equity of the UK and Singapore health business and the Aviva Investors and Singapore retail fund management business now included in covered business.
3 The value of the Aviva Staff Pension Scheme surplus has been notionally allocated between segments, based on current funding. Within the long-term business net assets on an MCEV basis, the Life proportion has been included. The pension fund surplus notionally allocated to long-term business is net of the agreed funding borne by the UK with-profit funds.
4 Goodwill and intangible assets includes amounts related to associated undertakings and joint ventures and are after adjustments reflected in the additional value of in-force long-term business above. At HY15, goodwill and intangible assets have been impaired by an additional £4 million compared to IFRS *(HY14: nil, FY14 £14 million)*. In aggregate, the goodwill and intangibles on an MCEV basis is £121 million *(HY14: £120 million, FY14 £130 million)* lower than on an IFRS basis, allowing for exchange rate movements. Refer to the next table for goodwill allocated to long-term business on an IFRS basis.

Reconciliation of IFRS total equity to MCEV net worth

As at 30 June 2015

	Reviewed 30 June 2015 £m	Reviewed 30 June 2014 £m	Audited 31 December 2014 £m
Net assets on a statutory IFRS net basis[1]	**17,818**	11,553	12,276
Adjusting for general business and other net assets on a statutory IFRS net basis	**(1,424)**	(350)	(984)
Life and related businesses net assets on a statutory IFRS net basis	**16,394**	11,203	11,292
Equity of general insurance and other businesses included in Life MCEV	**161**	218	160
Goodwill and other intangibles	**(1,615)**	(681)	(606)
Acquired value of in-force business	**(4,092)**	(112)	(92)
Adjustment for share of joint ventures and associates	**(47)**	13	(9)
Adjustment for assets to regulatory value net of tax	**(531)**	(446)	(566)
Adjustment for DAC and DIR net of tax	**(1,192)**	(1,091)	(1,159)
Adjustment for differences in technical provisions	**356**	41	(47)
Other accounting and tax differences	**1,402**	1,246	990
MCEV net worth (gross of non-controlling interests)[1]	**10,836**	10,391	9,963
MCEV value of in-force (gross of non-controlling interests)[2]	**9,301**	6,375	6,430
MCEV (gross of non-controlling interests)	**20,137**	16,766	16,393
Non-controlling interests	**(1,044)**	(1,457)	(1,119)
MCEV (net of non-controlling interests)	**19,093**	15,309	15,274

1 The acquisition of Friends Life in April 2015 increased IFRS equity and MCEV net worth by £5,975 million and £984 million respectively. Further details can be found in note F1 – Basis of preparation.
2 Comprises PVFP of £12,353 million *(30 June 2014: £8,949 million, 31 December 2014 £9,248 million:)*, FC of £(480) million *(30 June 2014: £(566) million, 31 December 2014 £(389) million*, CNHR of £(1,320) million *(30 June 2014: £(972) million, 31 December 2014 £(970) million)* and TVOG of £(1,252) million *(30 June 2014: £(1,036) million, 31 December 2014 £(1,459) million)*, all of which are gross of tax and non-controlling interests.

Group MCEV analysis of earnings

For the six month period ended 30 June 2015

Net of tax & non-controlling interests Reviewed 30 June 2015	Covered business[1,4] £m A	Non-covered but related to life business[2] £m B	Total life business[3] £m A+B	Non-covered relating to non-life £m C	Total non-covered business[4,5] £m B+C	Total £m A+B+C
Opening Group MCEV	**15,274**	**1,040**	**16,314**	**325**	**1,365**	**16,639**
Operating MCEV earnings	**719**	**—**	**719**	**77**	**77**	**796**
Non-operating MCEV earnings	**(353)**	**(36)**	**(389)**	**(74)**	**(110)**	**(463)**
Total MCEV earnings	**366**	**(36)**	**330**	**3**	**(33)**	**333**
Other movements in IFRS net equity	**—**	**(63)**	**(63)**	**(191)**	**(254)**	**(254)**
Capital and dividend flows	**(640)**	**—**	**(640)**	**6,234**	**6,234**	**5,594**
Foreign exchange variances	**(562)**	**(27)**	**(589)**	**(76)**	**(103)**	**(665)**
Acquired/divested business	**4,655**	**1,098**	**5,753**	**(5,753)**	**(4,655)**	**—**
Closing Group MCEV	**19,093**	**2,012**	**21,105**	**542**	**2,554**	**21,647**
Direct capital instruments and fixed rate tier 1 notes						**(892)**
Equity attributable to shareholders of Aviva plc on an MCEV basis						**20,755**

1 Covered business represents the business that the MCEV calculations cover, as detailed in note F1 – Basis of preparation. The embedded value is presented net of non-controlling interests and tax.
2 Non-covered but related to life business represents the adjustments to the MCEV, including goodwill, to calculate the long-term business net assets on an MCEV basis. An analysis of net assets on an MCEV basis gross of non-controlling interests is provided in the table "Reconciliation of IFRS total equity to Life MCEV" above.
3 Net assets for the total life businesses on an MCEV basis presented net of non-controlling interests.
4 The acquisition of Friends Life in April 2015 increased MCEV equity by £5,975 million at the acquisition balance sheet date with profits in the period also contributing to the closing MCEV. Further details can be found in note F1 – Basis of preparation.
5 Non-covered business reflects £12 million less profit than IFRS reporting, reflecting the inclusion within covered business profits of asset management profits for managing covered business assets, as well as results for fund management and health business treated as short-term business for IFRS reporting.

Net of tax & non-controlling interests Reviewed 30 June 2014	Covered business[1,4] £m A	Non-covered but related to life business[2] £m B	Total life business[3] £m A+B	Non-covered relating to non-life £m C	Total non-covered business[4] £m B+C	Total £m A+B+C
Opening Group MCEV	14,990	599	15,589	(898)	(299)	14,691
Opening Adjustments[5]	766	—	766	(232)	(232)	534
Adjusted opening Group MCEV	15,756	599	16,355	(1,130)	(531)	15,225
Operating MCEV earnings	880	—	880	5	5	885
Non-operating MCEV earnings	(192)	(27)	(219)	101	74	(118)
Total MCEV earnings	688	(27)	661	106	79	767
Other movements in IFRS net equity	—	168	168	159	327	327
Capital and dividend flows	(818)	—	(818)	526	526	(292)
Foreign exchange variances	(281)	(13)	(294)	(63)	(76)	(357)
Acquired/divested business	(36)	26	(10)	13	39	3
Closing Group MCEV	15,309	753	16,062	(389)	364	15,673
Direct capital instruments and fixed rate tier 1 notes						(1,382)
Equity attributable to shareholders of Aviva plc on an MCEV basis						14,291

1 Covered business represents the business that the MCEV calculations cover, as detailed in note F1 – Basis of preparation. The embedded value is presented net of non-controlling interests and tax.
2 Non-covered but related to life business represents the adjustments to the MCEV, including goodwill, to calculate the long-term business net assets on an MCEV basis. An analysis of net assets on an MCEV basis gross of non-controlling interests is provided in the table "Reconciliation of IFRS total equity to Life MCEV" above.
3 Net assets for the total life businesses on an MCEV basis presented net of non-controlling interests.
4 Covered business includes an adjustment for held for sale and disposed operations through the acquired / divested business line which is reflected as non-operating earnings for non-covered business, consistent with where the profit would arise on completion of the sale.
5 Represents a restatement of opening 2014 MCEV relating to a reassessment of liquidity premium and extension in scope of covered business.

Net of tax & non-controlling interests Audited 31 December 2014	Covered business[1,4] £m A	Non-covered but related to life business[2] £m B	Total life business[3] £m A+B	Non-covered relating to non-life £m C	Total non-covered business[4] £m B+C	Total £m A+B+C
Opening Group MCEV	14,990	599	15,589	(898)	(299)	14,691
Opening Adjustments[5]	766	—	766	(232)	(232)	534
Adjusted opening Group MCEV	15,756	599	16,355	(1,130)	(531)	15,225
Operating MCEV earnings	1,950	—	1,950	(34)	(34)	1,916
Non-operating MCEV earnings	(331)	(34)	(365)	107	73	(258)
Total MCEV earnings	1,619	(34)	1,585	73	39	1,658
Other movements in IFRS net equity	—	533	533	794	1,327	1,327
Capital and dividend flows	(1,116)	—	(1,116)	64	64	(1,052)
Foreign exchange variances	(468)	(20)	(488)	(48)	(68)	(536)
Acquired/divested business	(517)	(38)	(555)	572	534	17
Closing Group MCEV	15,274	1,040	16,314	325	1,365	16,639
Direct capital instruments and fixed rate tier 1 notes						(892)
Equity attributable to shareholders of Aviva plc on an MCEV basis						15,747

1 Covered business represents the business that the MCEV calculations cover, as detailed in note F1 – Basis of preparation. The embedded value is presented net of non-controlling interests and tax.
2 Non-covered but related to life business represents the adjustments to the MCEV, including goodwill, to calculate the long-term business net assets on an MCEV basis. An analysis of net assets on an MCEV basis gross of non-controlling interests is provided in the table "Reconciliation of IFRS total equity to Life MCEV" above.
3 Net assets for the total life businesses on an MCEV basis presented net of non-controlling interests.
4 A £490 million decrease to the closing Group MCEV of covered business and increase in the closing Group MCEV of non-covered business is due to the sale of Aviva Life and Pensions Ireland Limited (ALPI) to Aviva Life & Pensions UK Limited (UKLAP) from Aviva Insurance Limited (AIL), as detailed in note F1 – Basis of preparation.
5 Represents a restatement of opening 2014 MCEV relating to a reassessment of liquidity premium and extension in scope of covered business.

F1 – Basis of preparation

The Group MCEV analysis of earnings on page 117 presents the Group's results and financial position for the covered life and related businesses on the Market Consistent Embedded Value (MCEV) basis and for its non-covered businesses and non-covered but related to life businesses on the International Financial Reporting Standards (IFRS) basis.

The MCEV methodology adopted is in accordance with the MCEV Principles© published by the CFO Forum in October 2009. The CFO Forum Guidance is not adopted in a number of respects:

- Guidance 17.3.5 indicates that where covered business includes business in several IFRS segments sufficient disclosure should be made to show both the IFRS and MCEV values by IFRS segment. This is not the case for Aviva Investors and Singapore retail fund management business, UK health business and Singapore guaranteed renewable health business. These product lines are classified as "Fund management" and "General Insurance and health" operating segments as appropriate under IFRS, but are included within other long-term business for MCEV reporting as part of the "Other", "UK & Ireland" and "Asia" operating segments as appropriate.
- Guidance 17.3.29 indicates that changes to models to reflect improvements or rectify errors should be included in the 'other operating variances' line in the analysis of earnings. Where possible, such model refinements have been reported in the analysis of earnings on the line where the impact would have occurred in order to provide better information when considering assumption changes/experience variances over multiple reporting periods.
- Guidance 17.3.32 and 17.3.47 indicate that, when a company has more than one geographical area of operation, the business classifications disclosed should be consistent with those used for the IFRS financial statements. While MCEV results have been aligned with Aviva's management structure the classifications have been presented at a more aggregated level than those segments presented in the Group's IFRS financial statements.

The directors consider that the MCEV methodology gives useful insight into the drivers of financial performance of the Group's life and related businesses. This basis values future cash flows from assets consistently with market prices, including explicit allowance for the impact of uncertainty in future investment returns and other risks. Embedded value is also consistent with the way pricing is assessed and the business is managed.

The results for our half-year report have been reviewed by our auditors, PricewaterhouseCoopers LLP. The PricewaterhouseCoopers LLP report in respect of the half year can be found on page 145.

(a) MCEV methodology

Overview

Under the MCEV methodology, profit is recognised as it is earned over the life of products defined within covered business. The total profit recognised over the lifetime of a policy is the same as under the IFRS basis of reporting, but the timing of recognition is different.

Calculation of the embedded value

The shareholders' interest in the life and related businesses is represented by the embedded value. The embedded value is the total of the net worth of the life and related businesses and the value of in-force covered business. Calculations are performed separately for each business and are based on the cash flows of that business, after allowing for both external and intra-Group reinsurance. Where one life business has an interest in another, the net worth of that business excludes the interest in the dependent company.

The embedded value is calculated on an after-tax basis applying current legislation and practice together with future known changes. Consistent with CFO Forum guidance issued in 2012, no explicit allowance has been made for the future European regulation regime (Solvency II) and associated consequences. It has been assumed that there will be no changes to the methods and bases used to calculate the statutory technical provisions and current surrender values, except where driven by varying future investment conditions under stochastic economic scenarios. Where gross results are presented, these have been calculated by grossing up post-tax results at the full rate of corporation tax for each country based on opening period tax rates, apart from the UK where a 20% tax rate was used for 2015 for grossing up (*HY14: 20%; FY14: 20%)*.

Net Worth

The net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of covered business, determined on a statutory solvency basis and adjusted to add back any non-admissible assets, and consists of the required capital and free surplus.

Required capital is the market value of assets attributed to the covered business over and above that required to back liabilities for covered business, for which distribution to shareholders is restricted. Required capital is reported net of implicit items permitted on a local regulatory basis to cover minimum solvency margins which are assessed at a local entity level. The level of required capital for each business unit is generally set equal to the highest of:

- The level of capital at which the local regulator is empowered to take action;
- The capital requirement of the business unit under the Group's economic capital requirements; and
- The target capital level of the business unit;

where "highest of" is assessed as the basis yielding the lowest level of free assets.

F1 – Basis of preparation continued

This methodology reflects the level of capital considered by the directors to be appropriate to manage the business, and includes any additional shareholder funds not available for distribution, such as some of the reattributed inherited estates in the UK. The remaining reattributed inherited estate is predominantly in the form of the VIF of non-profit business written within the fund, and to the extent that this VIF emerges into cash, may be available to be transferred to the shareholders' fund subject to passing the relevant financial strength tests.

The same definition of required capital is used for both existing and new business except in certain entities in Italy where new business reflects the targeted capital level which better reflects the capital requirements of the new business. The total required capital for the entities in question is still based on the overall biting constraint. There is a true-up within economic variances for the difference between calculating the new business required capital on a target rather than economic capital basis, where the latter is the biting constraint. The level of required capital across the business units expressed as a percentage of the EU minimum solvency margin (or equivalent) can be found in note F2.

Statutory required capital relating to with-profit business is generally assumed to be covered by the surplus within the with-profit funds, with any required capital in excess of this attributed to the shareholder. Where the surplus in the fund is insufficient and additional shareholder support is required, this is included within required capital, including the RIEESA in the UK. Bonus rates on participating business have been set at levels consistent with the economic assumptions. The distribution of profit between policyholders and shareholders within the with-profit funds assumes that the shareholder interest in conventional with-profit business in the UK and Ireland continues at the current rate. For some of the UK business, this rate is one-ninth of the cost of bonus; while in other cases this rate is variable and dependent on scheme rules.

During 2014, two capital management actions were taken in the UK that enable certain shareholder assets to be reflected on the regulatory balance sheet and the economic risk to be hedged more efficiently. The first involved the transfer of certain assets and associated liabilities from the RIEESA to the New With Profits Sub Fund (NWPSF). The second capital management action resulted in future shareholder transfers (that arise as bonuses are paid to policyholders) emerging in the NWPSF rather than the Non Profit Sub Fund (NPSF) and this reduced the present value of in-force covered business with an offsetting increase in required capital and free surplus. These effects are presented within "Other operating variances" in note F5. The total impact at HY14 was an increase in free surplus of £184 million, an increase in required capital of £913 million and a reduction in the present value of in-force covered business of £1,097 million, with no impact on closing MCEV. The equivalent impacts at FY14 are an increase in free surplus of £199 million, an increase in required capital of £851 million and a reduction in the present value of in-force covered business of £1,055 million.

The free surplus is the market value of any assets allocated to, but not required to support, the in-force covered business at the valuation date.

Value of in-force covered business (VIF)

The value of in-force covered business consists of the following components:
- present value of future profits;
- time value of financial options and guarantees;
- frictional costs of required capital; and
- cost of residual non-hedgeable risks.

Present value of future profits (PVFP)

This is the present value of the distributable profits to shareholders arising from the in-force covered business projected on a best estimate basis.

Distributable profits generally arise when they are released following actuarial valuations. These valuations are carried out in accordance with any local statutory requirements designed to ensure and demonstrate solvency in long-term business funds. Future distributable profits will depend on experience in a number of areas such as investment return, discontinuance rates, mortality, administration costs, as well as management and policyholder actions. Releases to shareholders arising in future years from the in-force covered business and associated required capital can be projected using assumptions of future experience.

Future profits are projected using best estimate non-economic assumptions and market consistent economic assumptions. In principle, each cash flow is discounted at a rate that appropriately reflects the riskiness of that cash flow, so higher risk cash flows are discounted at higher rates. In practice, the PVFP is calculated using the "certainty equivalent" approach, under which the reference rate is used for both the investment return and the discount rate. This approach ensures that asset cash flows are valued consistently with the market prices of assets without options and guarantees. Further information on the risk-free rates is given in note F2.

The PVFP includes the capitalised value of profits and losses arising from subsidiary companies providing administration, investment management and other services to the extent that they relate to covered business. This is referred to as the "look through" into service company expenses. In addition, expenses arising in holding companies that relate directly to acquiring or maintaining covered business have been allowed for. Where external companies provide services to the life and related businesses, their charges have been allowed for in the underlying projected cost base.

F1 – Basis of preparation continued

Time value of financial options and guarantees (TVOG)

The PVFP calculation is based on a single (base) economic scenario; however, a single scenario cannot appropriately allow for the effect of certain product features. If an option or guarantee affects shareholder cash flows in the base scenario, the impact is included in the PVFP and is referred to as the intrinsic value of the option or guarantee; however, future investment returns are uncertain and the actual impact on shareholder profits may be higher or lower. The value of in-force business needs to be adjusted for the impact of the range of potential future outcomes. Stochastic modelling techniques can be used to assess the impact of potential future outcomes, and the difference between the intrinsic value and the total stochastic value is referred to as the time value of the option or guarantee.

Stochastic modelling typically involves projecting the future cash flows of the business under thousands of economic scenarios that are representative of the possible future outcomes for market variables such as interest rates and equity returns. Under a market consistent approach, the economic scenarios generated reflect the market's tendency towards risk aversion. Allowance is made, where appropriate, for the effect of management and/or policyholder actions in different economic conditions on future assumptions such as asset mix, bonus rates and surrender rates.

Stochastic models are calibrated to market yield curves and volatility levels at the valuation date. Tests are performed to confirm that the scenarios used produce results that replicate the market price of traded instruments.

Where evidence exists that persistency rates are linked to economic scenarios, dynamic lapse assumptions are set that vary depending on the individual scenarios. This cost is included in the TVOG. Dynamic lapses are modelled for parts of the UK, Italian, French and Spanish businesses. Asymmetries in non-economic assumptions that are linked to economic scenarios, but that have insufficient evidence for credible dynamic assumptions, are allowed for within mean best estimate assumptions.

Frictional costs of required capital

The additional costs to a shareholder of holding the assets backing required capital within an insurance company rather than directly in the market are called frictional costs. They are explicitly deducted from the PVFP. The additional costs allowed for are the taxation costs and any additional investment expenses on the assets backing the required capital. The level of required capital has been set out above in the net worth section.

Frictional costs are calculated by projecting forwards the future levels of required capital in line with drivers of the capital requirement. Tax on investment return and investment expenses are payable on the assets backing required capital, up until the point that they are released to shareholders.

Cost of residual non-hedgeable risk (CNHR)

The cost of residual non-hedgeable risk (CNHR) covers risks not already allowed for in the time value of options and guarantees or the PVFP. The allowance includes the impact of: non-hedgeable financial risks; non-financial risks; and other product level asymmetries. No allowance has been made for symmetrical risks as these are diversifiable by investors.

The most significant category within the CNHR is non-financial risk, which includes insurance, expense, persistency and operational risks. It is assumed that there are no hedgeable non-financial risks. The allowances for non-hedgeable financial risks and product level asymmetries are not material. This is because they are either modelled explicitly and included in the TVOG or are included in the PVFP through the use of appropriate best-estimate assumptions. The asymmetric risks allowed for in the TVOG or PVFP are described earlier in the Basis of preparation.

The CNHR capital charge is calculated such that capital levels are projected to be sufficient to cover non-hedgeable risks at the 99.5% confidence level one-year after the valuation date. The capital is equal to the capital from the ICA results for those risks considered including allowance for management actions consistent with the base MCEV. Diversification benefits are included between non-hedgeable risks of the covered business. No diversification benefit is assumed with hedgeable risks of the covered business or with non-covered business in general. The capital has been projected as running off over the remaining life of the in-force portfolio in line with the drivers of the capital requirement.

(b) Covered business

The MCEV calculations cover the following lines of business unless specifically noted below:

- Life insurance;
- Long-term health and accident insurance
- Short-term health business in the UK and Singapore managed on a long term basis (introduced 1 January 2014);
- Savings and annuity business;
- Managed pension fund business;
- Equity release business in the UK;
- UK retail fund management business (introduced 1 January 2014); and
- Singapore retail fund management business (introduced 1 January 2015)

From 1 January 2014, health business managed as long term business in the UK and Singapore and some retail fund management business in the UK are classified as long-term covered business under MCEV. From 1 January 2015, some retail fund management business in Singapore is also classified as long-term covered business. In the IFRS financial statements these contracts remain classified as short-term business.

Effective 9 May 2014, the UK's retail fund management business was sold to Aviva Investors by UK Life, and the MCEV balance sheet value of this business has since been disclosed in the "Other" operating segment (where Aviva Investors is presented). In the geographical analysis of life MCEV operating earnings, results for the current period are also included in the "Other" operating segment; in the comparative periods the first 4 months profit or loss is included in the "United Kingdom and Ireland" operating segment with the remaining months in the "Other" operating segment.

F1 – Basis of preparation continued

Covered business includes that written by the Group's life insurance subsidiaries as well as the Group's share of certain life and related business written in our associated undertakings and joint ventures, including Indonesia, India, China, Turkey, Taiwan and South Korea (until its disposal in June 2014).

In addition, the results of Group companies providing significant administration, fund management and other services and of Group holding companies have been included to the extent that they relate to covered business. Together these businesses are referred to as "Life and related businesses".

For MCEV reporting, borrowings are valued on an IFRS basis, consistent with the IFRS primary statements. At 30 June 2015 the market value of the Group's external debt, subordinated debt, preference shares (including General Accident plc preference shares classified as non-controlling interests) and direct capital instrument was £9,758 million (*30 June 2014: £7,486 million; 31 December 2014: £7,511 million)*. External debt remains classified as non-covered business, consistent with the approach taken in prior periods. In addition, internal debt between covered and non-covered business within the Group is generally valued on an IFRS basis in both parts of the business to ensure that the Group MCEV is neither positively nor negatively impacted by the existence of such debt.

In addition the Group MCEV includes earnings from non-covered business such as the Group's fund management operations and subsidiaries, where not arising due to the provision of services to our Life business. These earnings are included in the Group MCEV at their IFRS value.

(c) Acquisition of Friends Life

On 10 April 2015, the Group completed the acquisition of 100% of the outstanding ordinary shares of Friends Life Group Limited ("Friends Life") through an all share exchange which gave Friends Life shareholders 0.74 Group shares for every Friends Life share held. In total, 1,086,326,606 Group shares were issued and commenced trading on 13 April 2015. Friends Life is a leading insurance business which provides a range of pension, investment and insurance products and services to both individual customers and corporates. Prior to the acquisition, Friends Life operated through three distinct divisions: the Heritage division which administers products which are no longer actively marketed for new business; the UK division whose main lines of business are corporate benefits, retirement income and protection; and the International division which provides savings, investment and protection products for customers in Asia and the Middle East. The acquisition accelerates the Group's investment thesis of cash flow plus growth and is expected to benefit the Group over time through the realisation of significant incremental capital, financial and revenue synergies as well as supporting the Group to secure its position as a leading insurance and savings business.

Following the acquisition, several key adjustments were made to the Friends Life base MCEV balance sheet to arrive at the final MCEV acquisition balance sheet. These changes include alignments to Aviva for the calculation and application of the liquidity premium, annuitant mortality assumptions, project costs and cost of non-hedgeable risk. Further, a number of adjustments and reclassifications were made to the IFRS and local statutory balance sheets which had a consequential impact on the MCEV acquisition balance sheet. In total, the alignments made had an impact of £(547) million on the life covered MCEV (net of tax and minority interests). In addition, the 2003 and 2005 Step-up Tier One Insurance Capital Securities ("STICS") issuances were reclassified to non-covered business with an impact of £517 million on the life covered MCEV (net of tax and minority interests). The total impact of all adjustments was a reduction in life covered MCEV of £(30) million (net of tax and minority interest) as at the acquisition balance sheet date.

For MCEV reporting, results for Friends UK have been included in the "UK & Ireland" operating segment and results for FPI have been included in the "Asia" operating segment as these are the most appropriate geographical areas of operation for each of these businesses. This classification is consistent with the IFRS financial statements.

The acquisition increased life covered MCEV by £4,650 million and total Group MCEV by £5,975 million (both net of tax and minority interest) as at the acquisition date. In the period from 10 April 2015 to 30 June 2015 the acquired subsidiaries impacted total MCEV operating profit and total MCEV profit by £84 million and £(194) million (both net of tax and minority interest) respectively.

(d) IFRS Restatement of prior period figures

Restatements of IFRS financial statements have been consistently reflected in the Group MCEV financial statements, where applicable. During 2015, management has changed the definition of Group operating profit on an IFRS basis to exclude amortisation and impairment of acquired value of in-force business ("AVIF"), aligning the presentation to the amortisation and impairment of intangible assets as non-operating items. The change in presentation had no impact on the Group MCEV analysis of earnings.

(e) Held for Sale operations

There are no held for sale operations included in life covered business at 30 June 2015, and no operations were sold in the first half of 2015.

Overview
Income & expenses
IFRS
Capital & liquidity
Analysis of assets
VNB & sales analysis
MCEV
Other information

F1 – Basis of preparation continued

Operations sold, held for sale or reclassified in the comparative period

During 2014 several operations were held for sale and sold. Details are as follows:

- The sale of Aviva Corporacion Caixa Galicia de Seguros y Reaseguros S.A. ("CxG"), a Spanish life assurance company, was completed on 11 December 2014.
- The sale of the Italian long-term business Eurovita Assicurazioni S.p.A ("Eurovita") was completed on 30 June 2014.
- The disposal of the Group's Korean joint venture business, Woori Aviva Life Insurance ("WALI") completed on 27 June 2014.
- During 2013, the Group's 60% stake in the Indonesian business "Aviva Indonesia" was classified as held for sale following the intention to structure the business as a joint venture where Aviva's ownership is 50%. The restructure completed on 26 May 2014.
- During the first half of 2014 it was determined that the value of the Group's Taiwan joint venture, First-Aviva Life Insurance Co., Ltd would no longer be recovered principally through a sale. As a result, the business was reclassified out of 'assets of operations held for sale'.

(f) Restructuring

During the first half of 2015, Aviva International Insurance Limited ("AII") increased its shared ownership in Poland's insurance joint ventures (BZ WBK-Aviva Towarzystwo Ubezpieczeń Ogólnych SA and BZ WBK-Aviva Towarzystwo Ubezpieczeń na Życie SA) from 34% to 51%. The result is an increase in closing MCEV of £4 million (net of tax and minority interest).

In 2014 significant restructuring of the Irish, Turkish, Polish and Italian businesses took place. The Irish restructuring continues in 2015. Details are as follows:

- The sale of Aviva Insurance Limited's ("AIL") investment in Aviva Life & Pensions Ireland Limited ("ALPI") to Aviva UK Life & Pensions Limited ("UKLAP") was completed on 31 December 2014. The methodology used to calculate the MCEV in ALPI was unchanged at 31 December 2014 as the entity was still regulated by the CBI and remained an entity in its own right. The total closing MCEV as at 31 December 2014 of the Group was unchanged from this restructuring. The Part VII transfer of the ALPI business to UKLAP took place on 1 January 2015, and an alignment of methodologies and bases results in an increase to closing MCEV of £34 million.
- On 13 November 2014 Aviva and its joint venture partner Sabanci Holdings completed an initial public offering of a minority share of their Turkish life and pensions joint venture AvivaSa Emeklilik ve Hayat A.S ("Aviva SA"), reducing the Group's holdings in Aviva SA from 49.8% to 41.3%. Sabanci and the Group continue to share contractual joint control of Aviva SA.
- On 30 September 2014, Aviva International Insurance Limited ("AII") sold its Polish business, Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK SA ("Poland Pensions") to Aviva Towarzystwo Ubezpieczen na Zycie S.A. ("Poland Life"). The transaction resulted in a reduction in the share of the Poland Pensions business owned by Aviva.
- On 22 December 2014, the Italian long-term business Aviva S.p.A., which was 50% owned by Aviva Italia Holdings ("AIH"), transferred its share in the joint venture Aviva Vita S.p.A. ("Aviva Vita") to AIH. AIH increased its interest in Aviva Vita from 25.5% to 80% and its interest in the joint venture Aviva Assicurazioni Vita S.p.A. from 50% to 80%.

(g) New business premiums

New business premiums include:

- premiums arising from the sale of new contracts during the period;
- non-contractual additional premiums;
- expected renewals on new contracts and expected future contractual alterations to new contracts; and
- payments on recurring single premium policies, except for some existing stakeholder-style pensions business in the UK where, if a regular pattern in the receipt of premiums for individuals has been established, the regular payment is treated as a renewal of an existing policy and not new business.

The Group's definition of new business under MCEV includes contracts that meet the definition of "non-participating investment" contracts under IFRS.

For products sold to individuals, premiums are considered to represent new business where a new contract has been signed, or where underwriting has been performed. Renewal premiums include contractual renewals, non-contractual variations that are reasonably predictable and recurrent single premiums that are pre-defined and reasonably predictable except for some existing stakeholder-style pensions business as set out above.

For group products, new business includes new contracts and increases to aggregate premiums under existing contracts. Renewal premiums are based on the level of premium received during the reporting period and allow for premiums expected to be received beyond the expiry of any guaranteed premium rates.

F1 – Basis of preparation continued

(h) Life and pensions operating earnings

For life and pensions operating earnings, Aviva uses normalised investment returns. The use of asset risk premia reflects management's long-term expectations of asset returns in excess of the swap yield from investing in different asset classes. The normalised investment return on equities and property has been calculated by reference to the ten-year swap rate in the relevant currency plus an appropriate risk premium. The expected return on bonds has been calculated by reference to the swap rate consistent with the duration of the backing assets in the relevant currency plus an appropriate risk premium (expected return is equivalent to the gross redemption yield less an allowance for defaults).

The expected existing business contribution (in excess of reference rate) is calculated using the start of period implied discount rate (IDR). The IDR is the rate of discount such that a traditional embedded value calculation for the covered business equates to the MCEV. As such, the IDR is based on normalised investment returns. The methodology applies the IDR to the Value of In Force (VIF) and Required Capital (RC) components of the MCEV and adds to this the total expected return for Free Surplus (FS) to derive the total expected return, in a manner consistent with that previously used under European Embedded Value reporting.

The total expected return is therefore the total of:

- Expected existing business contribution, based on reference rates;
- Expected existing business contribution, due to returns in excess of reference rates; only this component is impacted by the approach; and
- Expected return on shareholders' net worth (grossed up for tax for pre-tax presentation)

The approach to expected return has no impact on total return or on the closing balance sheet.

(i) Participating business

Future regular bonuses on participating business are projected in a manner consistent with current bonus rates and expected future market-consistent returns on assets deemed to back the policies.

For with-profit funds in the UK and Ireland, for the purpose of recognising the value of the estate, it is assumed that terminal bonuses are increased to exhaust all of the assets in the fund over the future lifetime of the in-force with-profit policies. However, under stochastic modelling there may be some extreme economic scenarios when the total assets in the Group's with-profit funds are not sufficient to pay all policyholder claims. The average additional shareholder cost arising from this shortfall has been included in the TVOG.

For profit-sharing business in continental Europe, where policy benefits and shareholder value depend on the timing of realising gains, the apportionment of unrealised gains between policyholders and shareholders reflect contractual requirements as well as existing practice. Under certain economic scenarios where additional shareholder injections are required to meet policyholder payments, the average additional cost has been included in the TVOG.

(j) Consolidation adjustments

The effect of transactions between the Group's life companies such as loans and reinsurance arrangements have been included in the results split by territory in a consistent manner. No elimination is required on consolidation.

During 2014, UK Annuities (UKA) and UK General Insurance (UK GI) entered into a quota share reinsurance arrangement with Aviva International Insurance Limited (AII). Both treaties have an effective date of 1 January 2014 covering 10% of the UKA business and 5% of the UK GI business and remain in place during HY15. The impact of this arrangement has been reflected within the Group MCEV results.

As the MCEV methodology incorporates the impact of profits and losses arising from subsidiary companies providing administration, investment management and other services to the Group's life companies, the equivalent profits and losses have been removed from the relevant segment (other operations or fund management) and are instead included within the results of life and related businesses. In addition, the underlying basis of calculation for these profits has changed from the IFRS basis to the MCEV basis.

The capitalised value of the future profits and losses from such service companies are included in the embedded value and value of new business calculations for the relevant business, but the net assets (representing historical profits and other amounts) remain under other operations or fund management. In order to reconcile the profits arising in the financial period within each segment with the assets on the opening and closing Group MCEV, a transfer of IFRS profits from life and related business to the appropriate segment is deemed to occur. An equivalent approach has been adopted for expenses within our holding companies.

The assessments of goodwill, intangibles and pension schemes relating to life insurance business utilise the IFRS measurement basis and are included as part of non-covered but related to life business in the Group MCEV.

(k) Exchange rates

The Group's principal life overseas operations during the period were located within the Eurozone, Poland and Singapore. The results and cash flows of these operations have been translated at the average rates for that period and the assets and liabilities have been translated at the period end rates. Please refer to note F2.

F2 – Principal Assumptions

Economic Assumptions – deterministic

(a) Reference rates and expense inflation

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each reporting period.

In setting the risk-free rate we have, wherever possible, used the mid-price swap yield curve for an AA-rated bank. For some businesses, where the impact is immaterial, a flat yield curve has been assumed. For most businesses, the curve is extrapolated beyond the last available market data point to an ultimate forward rate using the Nelson-Siegel functional form if necessary. For markets in which there is no reliable swap yield curve, the risk-free rate is based on relevant government bond yields with adjustments made to reflect the local market environment where necessary. For certain business, swap rates are adjusted for a 'liquidity premium' in deriving the risk free rates, and these adjustments are shown below the reference rate table.

The principal economic assumptions used are as follows:

Reference rate (spot, swap rates) and expense inflation

United Kingdom	6 months 2015	6 months 2014	Full Year 2014	Full Year 2013
Reference Rate				
1 year	**0.7%**	0.8%	0.6%	0.6%
5 years	**1.7%**	2.2%	1.5%	2.2%
10 years	**2.2%**	2.9%	1.9%	3.1%
15 years	**2.4%**	3.2%	2.1%	3.5%
20 years	**2.4%**	3.3%	2.2%	3.6%
Expense inflation[1]	**3.2%**	3.3%	3.0%	3.4%

1 This expense inflation relates to the UK life & pensions business (UKLAP) and the UK annuity business (UKA). The methodology used to set the expense inflation assumption in Friends UK is calculated in a consistent manner and results in an assumption of 4.0% at HY15.

Eurozone	6 months 2015	6 months 2014	Full Year 2014	Full Year 2013
Reference Rate				
1 year	**0.1%**	0.3%	0.2%	0.4%
5 years	**0.5%**	0.7%	0.4%	1.3%
10 years	**1.2%**	1.5%	0.8%	2.2%
15 years	**1.6%**	2.0%	1.2%	2.7%
20 years	**1.7%**	2.2%	1.4%	2.9%
Expense inflation[1]	**1.4%**	2.5%	0.9%	2.5%

1 Based on France, the largest Eurozone business. Inflation is modelled using a real yield curve; the figures disclosed above show the inflation rate at a duration of 10 years.

Poland	6 months 2015	6 months 2014	Full Year 2014	Full Year 2013
Reference Rate				
1 year	**1.8%**	2.4%	1.8%	2.7%
5 years	**2.6%**	2.9%	1.9%	3.7%
10 years	**3.0%**	3.4%	2.2%	4.3%
15 years	**3.2%**	3.6%	2.4%	4.4%
20 years	**3.2%**	3.7%	2.5%	4.3%
Expense inflation	**1.5%**	1.9%	0.7%	3.8%

For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life company.

F2 – Principal Assumptions continued

(b) Liquidity premiums

The following liquidity premium adjustments are made to the swap rate for certain contracts. The risk-free rate is taken as the swap yield curve for the currency of the liability, adjusted by adding the following to each swap rate:

	New business									**Embedded value**
	2Q 2015	**1Q 2015**	4Q 2014	3Q 2014	2Q 2014	1Q 2014	**30 June 2015**	Full Year 2013[1]	30 June 2014	Full Year 2014
UK immediate annuities [2,3]	**1.59%**	**1.59%**	1.31%	0.89%	0.98%	1.05%	**1.09%**	1.10%	1.01%	1.09%
UK deferred annuities [2,4]	**n/a**	**n/a**	n/a	n/a	n/a	n/a	**0.82%**	0.83%	0.35%	0.82%
Ireland immediate annuities	**0.16%**	**0.19%**	0.19%	0.21%	0.24%	0.28%	**0.28%**	0.28%	0.21%	0.19%
France immediate annuities	**0.16%**	**0.19%**	0.19%	0.21%	0.24%	0.28%	**0.28%**	0.28%	0.21%	0.19%
France participating business	**0.12%**	**0.15%**	0.14%	0.16%	0.18%	0.21%	**0.21%**	0.21%	0.16%	0.15%
Italy participating business	**0.12%**	**0.15%**	0.14%	0.16%	0.18%	0.21%	**0.21%**	0.21%	0.16%	0.15%
Spain annuities	**0.16%**	**0.19%**	0.19%	0.21%	0.24%	0.28%	**0.28%**	0.28%	0.21%	0.19%
Spain participating business	**0.12%**	**0.15%**	0.14%	0.16%	0.18%	0.21%	**0.21%**	0.21%	0.16%	0.15%

1 Figures for the comparative period were restated in 2014, as set out below.
2 At FY13 an additional provision of £250 million was set aside by the UK due to the uncertainty in their estimation of future liquidity premium on mark to model assets (commercial, healthcare and equity release mortgages), which was then revised to £230 million at HY14. This additional provision was released at FY14 due to the economic environment at the time and with effect from HY15, the calculation of the liquidity premium has been enhanced rendering the additional provision unnecessary henceforth.
3 Immediate annuities have also been sold in the UK life and pensions business (UKLAP) and Friends UK as well as the UK annuity business (UKA). At HY15, the liquidity premium for Friends UK policies is 65 bps for existing business and 100bps for new business, and for UKLAP policies is 64 bps (*FY14: 61 bps; HY14: 46 bps; FY13: 52 bps*).
4 Deferred annuities and participating business eligible for a liquidity premium have been sold in the Aviva UK life and pensions business (UKLAP) and Friends UK as well as in the UK Annuity business (UKA). The liquidity premium for UKLAP policies at HY15 is 48 bps (*FY14: 46 bps; HY14: 35 bps; FY13: 39 bps*). The approach to estimating the liquidity premium in the UKLAP business was revised during 2014 to be consistent with the approach taken for these products in other businesses. The liquidity premium in Friends UK at HY15 is 49 bps for existing business; volumes of new business sold are not material.

The CEIOPS (now EIOPA) Task Force on Liquidity Premium issued a set of Principles dated 1 March 2010 on the application of the liquidity premium. Principle 2 states that "The liquidity premium should be independent of the investment strategy followed by the company". In agreement with this, from 1 January 2014 Aviva removed the requirement for the liquidity premium to only apply to those liabilities backed by corporate bonds or certain illiquid non-traded assets (notably UK commercial mortgages). As a consequence an optimised notional portfolio is assumed which can include the actual assets backing the liabilities and the matching that exists between them.

For assets valued on a mark to model basis (notably UK commercial mortgages) the liquidity premium continues to be estimated consistently with the underlying valuation model. For all other assets, the formula structure proposed by the CFO / CRO Forum and adopted in the Solvency II Fifth Quantitative Impact Study (QIS 5) is adopted. The formula for the liquidity premium is:

United Kingdom/Europe: 50% of (iBoxx Corporate bond spread – 40bp)

For immediate and bulk purchase annuities, 100% of the full liquidity premium is applied, while 75% liquidity premium is applied to participating business and deferred annuities. No liquidity premium is applied to any other products. The liquidity premium is applied to all components of the MCEV with the exception of the adjustment for the "look-through" into service company expenses.

(c) Risk premium

For life and pensions operating earnings, Aviva uses normalised investment returns. The normalised investment returns are expressed as a swap rate based on the typical duration of the assets held plus an asset risk premium. This risk premium is used for operating profit, Implied Discount Rates (IDR), Internal Rates of Return (IRR) and payback period. More detail is given in note F1 – Basis of preparation.

The use of asset risk premia only impacts operating earnings as expected returns reflect management's long-term expectations of asset returns in excess of the reference rate from investing in different asset classes. This assumption does not impact the embedded value or value of new business as asset risk premia are not recognised until earned. The asset risk premia set out in the table below are added to the ten year swap rate to calculate expected returns.

All territories	**30 June 2015**	30 June 2014	Full Year 2014	Full Year 2013
Equity risk premium	**3.5%**	3.5%	3.5%	3.5%
Property risk premium	**2.0%**	2.0%	2.0%	2.0%

Future returns on fixed interest investments are calculated from prospective yields less an adjustment for credit risk; this includes an adjustment for credit risk on all Eurozone sovereign debt.

Economic Assumptions – stochastic

(a) Methodology used to derive assumptions

The calculation of time value of options and guarantees allows for expected management and policyholder actions in response to varying future investment conditions. The management actions modelled include changes to asset mix, bonus rates and rates of interest and other guarantees granted to policyholders. Modelled policyholder actions are described under 'Non-economic assumptions'.

F2 – Principal assumptions continued

Model – United Kingdom

Swap rates are generated by a model, the LIBOR Market Model Plus (LMM+), which projects a full swap curve at monthly intervals. Forward rates are assumed to have a distribution that lies between the log-normal and normal distributions. Although this does not guarantee non-negative interest rates, it maintains interest rates within a more plausible range than the standard Libor Market Model, and gives a better fit to certain swaption volatility surfaces. The introduction of a liquidity premium results in a parallel shift to the underlying yield curve. After making this adjustment, the model is calibrated to volatilities for swaptions for ten year swaps for a range of option terms and strike rates. Swaption volatilities are taken from SuperDerivatives. Tests have been performed to ensure that sufficient scenarios have been used that the result converges to the stochastic value of the business being valued.

The total annual return on equities is calculated as the return on one-year swaps plus a liquidity premium plus an excess return. A stochastic volatility jump diffusion model is used, which allows for varying levels of volatility over time and across strike prices. Option volatilities are taken from Markit.

The model also generates property total returns and real yield curves, which is a significant asset class for the UK. In the absence of liquid market data, the property volatilities are based on historic data.

Assumptions for correlations between asset classes have been set based on historic data.

Model – Europe and Asia

Swap rates are generated by a model, the LIBOR Market Model (LMM) that projects a full swap curve at monthly intervals. Forward rates are assumed to have a log-normal distribution which guarantees non-negative interest rates. The introduction of a liquidity premium results in a parallel shift in the underlying yield curve. The model is calibrated to at-the-money options of a variety of terms and tenors. Swaption volatilities are taken from SuperDerivatives. Tests have been performed to ensure that sufficient scenarios have been used that the result converges to the stochastic value of the business being valued.

The total annual return on equities is calculated as the return on one-year swaps plus a liquidity premium, where applicable, plus an excess return. This excess return is generally modelled using a log-normal model where volatility varies by time horizon. This allows the model to capture the term structure of implied volatilities. For most business, the model is calibrated to at-the-money options for a variety of terms; the exception is the model in Poland which uses a fixed volatility based on historic data, given the lack of a deep and liquid market for options in Poland. Option volatilities are taken from Markit.

Assumptions for correlations between asset classes have been set based on historic data.

(b) Volatilities

Swaption implied volatilities

The implied volatility is that determined by Black-Scholes' formula to reproduce the market price of the option. The following table sets out the swaption implied volatilities used for the majority of business in each territory.

	30 June 2015 Swap length				30 June 2014 Swap length				Full Year 2014 Swap length			
Option length	**10 years**	**15 years**	**20 years**	**25 years**	10 years	15 years	20 years	25 years	10 years	15 years	20 years	25 years
UK Sterling												
10 years	**27.9%**	**27.4%**	**27.0%**	**26.9%**	18.3%	17.5%	16.8%	16.3%	27.2%	26.0%	25.2%	24.6%
15 years	**27.2%**	**26.4%**	**25.9%**	**25.4%**	16.7%	15.9%	15.2%	14.7%	25.5%	24.5%	23.7%	22.9%
20 years	**26.8%**	**25.8%**	**25.1%**	**24.3%**	16.1%	15.1%	14.2%	13.5%	25.2%	23.9%	22.8%	21.7%
25 years	**26.6%**	**25.7%**	**24.5%**	**23.2%**	15.6%	14.6%	13.5%	12.7%	24.7%	23.4%	22.0%	20.6%
Euro												
10 years	**34.2%**	**33.4%**	**33.0%**	**33.2%**	24.0%	22.6%	21.8%	21.2%	38.4%	34.8%	32.6%	30.9%
15 years	**37.2%**	**35.0%**	**33.0%**	**33.1%**	23.4%	21.6%	20.1%	19.4%	37.4%	33.4%	30.7%	29.4%
20 years	**40.2%**	**36.2%**	**33.7%**	**34.1%**	23.3%	20.7%	18.7%	18.0%	36.2%	31.9%	28.9%	28.0%
25 years	**38.2%**	**35.4%**	**33.7%**	**34.3%**	22.5%	19.4%	17.4%	16.7%	33.8%	29.9%	27.2%	26.3%

F2 – Principal assumptions continued

Equity implied volatilities

The implied volatility is that determined by the Black-Scholes formula to reproduce the market price of the option, except for Poland as noted above, where a fixed volatility based on historic data is used. The following table sets out the equity implied volatilities used for the majority of business in each territory. Where market data is not available (particularly for 15 year options), equity volatilities are based on implied volatilities from modelled returns.

	30 June 2015		30 June 2014		Full Year 2014	
Option length	**UK**	**France**	UK	France	UK	France
5 years	**20.5%**	**21.4%**	17.8%	19.7%	20.3%	20.7%
10 years	**22.5%**[1]	**21.6%**[1]	20.4%	20.7%	22.3%	20.8%
15 years	**23.4%**[1]	**21.9%**[1]	21.8%[1]	21.1%[1]	22.7%[1]	20.9%[1]

1 Based on implied volatilities from modelled returns.

Property implied volatilities

Best estimate levels of volatility have been used in the absence of meaningful option prices from which implied levels of volatility can be derived. Model property implied volatility at HY15 is 15% for the majority of business in the UK and 13% for other markets (*HY14: 15% for all markets; FY14: 15% for the UK and 13% for other markets*).

Non-economic assumptions

(a) Demographic assumptions

Assumed future mortality, morbidity and lapse rates have been derived from an analysis of recent operating experience with a view to giving a best estimate of future experience. We have anticipated future changes in experience where that is appropriate, for example we have allowed for improvements in future policyholder longevity.

We have set the assumptions based on a best estimate of shareholder outcomes. In particular, where the policyholder behaviour varies with economic experience, we have set assumptions which are dynamic, that is, vary depending on the economic assumptions.

For example, surrender and option take up rate assumptions that vary according to the investment scenario under consideration have been used in the calculation of the time value of options and guarantees, based on our assessment of likely policyholder behaviour in different investment scenarios.

Additionally, where demographic experience is not driven by economic scenarios but is asymmetric on a stand-alone basis, the best estimate assumption considers the weighted-average expected experience, not simply the median or most likely outcome.

(b) Expense assumptions

Management expenses and operating expenses of holding companies attributed to life and related businesses have been included in the MCEV calculations and split between expenses relating to the acquisition of new business, the maintenance of business in-force and project expenses. Future expense assumptions include an allowance for maintenance expenses and a proportion of recurring project expenses. Certain expenses of an exceptional nature, when they occur, are identified separately and are generally charged as incurred. No future productivity gains have been anticipated, although in a number of start-up operations an allowance is made for the spreading of fixed costs over a larger volume of business. In the UK maintenance expense assumption changes in the current period are driven by expense savings as a result of reduced property rental charges in UK Life entities.

Where subsidiary companies provide administration, investment management or other services to our life businesses, the value of profits or losses arising from these services have been included in the embedded value and value of new business.

Other assumptions

(a) Poland Pensions legislation change

On 4 September 2013, the Polish government announced a preferred option to change the Pillar II Pensions system (OFE), with the draft law being published on 10 October 2013. The changes were significant and in summary involved the transfer of over 50% of existing pensions assets to the state system along with an additional gradual transfer 10 years before retirement; in addition new premiums will be credited to the state system unless pension scheme members specifically stated otherwise.

The document enacting the change became law on 1 February 2014. At 31 December 2013 MCEV value in force was reduced based on the assumption that 70% of existing customers directed future premiums to the state system. At 30 June 2014 the expectation was revised to 97% based on experience during the first half of the year, which further reduced the value in force by £38 million (net of tax and minority interests). Experience during the second half of 2014 showed that the actual percentage of existing customers directing future premiums to the state system was 73%. Despite a slightly lower percentage of existing customers staying with Aviva than assumed at the start of the year, the average age and premium of those customers was better than expected. Consequently the impact of this at 31 December 2014 was to increase the value in force by £0.5 million (net of tax and minority interests), compared to the opening 31 December 2013 MCEV. Following the legislation change, customers had the opportunity to decide whether to stay with Aviva; this window closed in 2014 and the long-term implications of the regulation change were fully reflected in the MCEV at 31 December 2014, with no impact expected in any future period.

F2 – Principal assumptions continued

(b) UK budget announcement on annuity reform

On 19 March 2014, the UK Chancellor of the Exchequer announced new legislation that removes the requirement for people who are retiring to take their defined contribution pension as an annuity. From April 2015 anyone who is aged 55 or over is able to take their entire pension fund as cash, although only the first 25% will be tax-free. The remaining 75% of the fund will be taxed at the saver's marginal rate.

Following the announcement, Aviva has experienced decreased demand for annuities in the UK, although annuities still play a central role in post-retirement financial planning as a tax efficient method of securing a guaranteed lifetime income. The reforms allow pension savers a greater level of flexibility that is likely to lead to changes in policyholder behaviour that may affect when customers take their retirement benefits and also lapse experience. There is continuing uncertainty within pension markets and an allowance of £90 million (net of tax and minority interest) was made at HY15 (*HY14: £nil; FY14: £50 million*), with the increase since FY14 reflecting the acquisition of Friends Life. This amount was deducted from the value-in-force at FY14 and HY15, thereby reducing the opening and closing MCEV.

(c) Poland regulatory change on surrender charges

During 2015 there has been a regulatory change in Poland whereby surrender charges on unit-linked business have been restricted, with an impact of £(1) million on closing MCEV (net of tax and minority interest) at 30 June 2015.

(d) UK pension scheme charge caps and commission

On 27 March 2014 the Pensions Minister announced that fees on default funds in auto-enrolment schemes would be capped at 0.75% p.a. from April 2015; and both active member discounts and commission payments will not be permitted from April 2016. On 17 October 2014 the Department for Work and Pensions issued a consultation paper containing draft legislation for these changes. This consultation closed on 14 November 2014. These changes were approved by Parliament and became regulation in March 2015.

Aviva's response has been to:

- Apply a cap on annual management charges on default funds of 0.75% p.a.
- Abolish active member discounts and set leaver charges to active member levels.
- Remove initial commission immediately and renewal commission by the regulatory requirement date in April 2016.

At 30 June 2014 the expected impact on Group's MCEV was estimated as £150 million (net of tax and minority interest). This was revised to £165 million (net of tax and minority interest) at 31 December 2014. Of this, £20 million related to new business, and was deducted from the value of new business. The remaining £145 million related to existing business and was included within other non-operating variances, thereby reducing the closing MCEV. The provision for the total Group MCEV has been strengthened to £213 million (net of tax and minority interest) at 30 June 2015 with the increase since FY14 reflecting the acquisition of Friends Life.

(e) Spain pensions legislation change

During 2014 the Spanish government reduced the cap on annual management charges on pensions products from 2% p.a. to 1.5% p.a. The impact of this at 31 December 2014 was to reduce the value in force by £4 million (net of tax and minority interests).

(f) Cost of residual non-hedgeable risk (CNHR)

For the balance sheet and operating profit, a charge of 3.0% *(HY14: 3.9%; FY14: 3.2%)* has been applied to the group-diversified capital required on a 1-in-200 one-year basis over the remaining lifetime of in-force business. The charge is set so as to give an aggregate allowance that is in excess of the expected operational risk costs arising from the in-force covered business over its remaining lifetime. The decrease in the charge since FY14 results from a reassessment of the group diversification benefit.

(g) Economic assumption changes in France

The French business is particularly sensitive to interest rates and swaption volatilities. This is primarily due to the high proportion of guarantees on some of their participating business and a dynamic lapse methodology that assumes policies lapse if the expected crediting rates payable to policyholders become substantially lower than a rate assumed to be payable by the French market in general. Over 2014, the Eurozone saw a significant fall in interest rates and increase in swaption volatilities. At FY14, as part of their usual assumption review, Aviva France made a number of economic assumption changes to reflect the current low interest rate environment. In particular amendments were made to the future crediting rates assumed to be payable in the French market in general as well as the future crediting rates payable to Aviva France's policyholders. The effect of this change was reported within economic variances along with all other economic movements affecting the MCEV over the reporting period and increased the value of in force business by £293 million (net of tax and minority interest) mainly due to the impact of lower expected future lapses.

At HY15, France made a further economic assumption change, with a positive impact of £83 million (net of tax and minority interest), adjusting the split between the income and capital component of equity returns in order to better reflect actual asset holdings and the historic dividend yield on these assets.

F2 – Principal assumptions continued

(h) Calculation of equity release assets and liabilities in the UK

At FY14 the model used to the value the equity release assets held in the UK annuity fund was refined. This model derives a best estimate view on property growth and explicitly calculates the additional return that would be demanded by investors due to uncertainties in the asset cash flows. Additionally there was a change to the methodology for deriving the liquidity premium which is used to discount the asset cash flows. These changes affected both assets and IFRS liabilities by a broadly similar amount. However, there was a negative impact on MCEV as the reduction in yield due to the additional return demanded by investors was not reflected in the MCEV reference rate, meaning that the reduction in asset value was not offset by an increase in VIF. This resulted in an adverse impact of £(312) million which was reflected in the closing MCEV at FY14.

During 2015, further enhancements have been made to refine the impact of future withdrawals from customers utilising the drawdown facility of their mortgage, as well as refinements to the calibration of the residential property stress applied when calculating the cost of capital and refinements to the modelling of mortgage assets held in the UK equity release business. These changes have had an adverse impact of £(110) million (net of tax and minority interest) on the closing MCEV at HY15, and are presented within economic variances.

(i) Required capital and tax

	Tax rates[1]				Required capital (% EU minimum or equivalent)		
	30 June 2015	30 June 2014	Full Year 2014	Full Year 2013	**30 June 2015**	30 June 2014	Full Year 2014
United Kingdom[2,3]	**20.0%**	20.0%	20.0%	20.0%	**100%-200%**	100%/200%	100%/200%
Ireland[4]	**12.5%**	12.5%	12.5%	12.5%	**100%**	180.0%	180.0%
France	**34.4%**	34.4%	34.4%	34.4%	**107.5%**	107.5%	107.5%
Spain[5]	**25.0%**	30.0%	25.0%	30.0%	**149.7%**	192.4%	146.7%
Italy[6]	**34.3%**	33.7%	34.3%	34.3%	**139.9%**	115.7%	115.5%
Poland	**19.0%**	19.0%	19.0%	19.0%	**126.9%**	125.5%	125.5%
Singapore[7]	**17.0%**	17.0%	17.0%	17.0%	**141.4%**	262.9%	146.7%

1 Current tax legislation and rates have been assumed to continue unaltered except where changes in future tax rates are known.
2 For UKA and UKLAP, the required capital under MCEV is 100% for unit-linked and other non-participating business and annuity business with 200% for BPA business. In addition, the reattribution of the inherited estate has led to additional capital being locked in to support the with-profit business, and this has been included within required capital. For Friends UK, the required capital is 150%.
3 For offshore business sold in the Isle of Man by FPI the corporation tax rate is 0%.
4 Required capital in Ireland has reduced following the sale of Aviva Life & Pensions Ireland Limited (ALPI) to Aviva UK Life & Pensions Limited (UKLAP).
5 This is the aggregate required capital for in force business in Spain. A higher percentage at HY14 reflects the economic environment at the time.
6 This is the aggregate required capital level for in force business in Italy. A higher percentage in the current period reflects changes to the economic capital methodology implemented at FY14.
7 Required capital in Singapore reduced during 2014 following a local regulatory change to the capital reporting basis.

The main rate of UK Corporation tax reduced from 21% to 20% at 1 April 2015. This change was considered a known future change for MCEV purposes from 2013 onwards and therefore was already reflected in the opening and closing balances for both the current and comparative periods.

As announced in the Summer Budget on 8 July 2015, the UK corporation tax rate is expected to reduce from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. As this was not a known future change at the balance sheet date the potential impact of the rate reductions is not reflected in the Group's MCEV net assets at 30 June 2015.

In France, the long-term tax rate of 34.43% was temporarily increased to 38% in 2013 and this increase was renewed during 2014. The French government also announced that this temporary increase would remain in force during 2015. The impact of this was to reduce the closing MCEV at 31 December 2014 by £13 million (net of tax and minority interests). There has been no change to the long-term tax rate assumption.

There has been a reduction to the corporation tax rate in Spain, from 30% in 2014 to 28% for 2015 and 25% for 2016 onwards. From 31 December 2014, this reduction was considered a known future change for MCEV purposes and was reflected in the closing MCEV at 31 December 2014 with a positive impact of £8 million (net of tax and minority interests).

In Italy, there was a reduction in the tax rate during the first half of 2014 from 34.3% to 33.7% which was reflected in the calculation of the MCEV results for the period ended 30 June 2014 with an impact of £2 million (net of tax and minority interests). The change was subsequently reversed in the second half of 2014 so that the closing tax rate at 31 December 2014 was 34.3%. At 30 June 2015 the tax rate remains 34.3%.

During 2014 Aviva undertook a review to ensure that dividend withholding taxes across the territories in which it does business are consistently treated in its results. As a result, the MCEV of Aviva's Turkish joint venture business was adjusted at 30 June 2014 to reflect withholding tax of 15%, payable on distribution of profits to its Aviva Group UK shareholder, with an adverse impact of £(19) million net of tax and minority interest on the opening MCEV. Similarly, at 31 December 2014, the MCEV of Aviva's Chinese joint venture business was adjusted to reflect withholding tax of 5%, with an adverse impact of £(6) million net of tax and minority interest on the opening MCEV. The adjustments made to the opening MCEV were presented within economic variances in the comparative periods in note F4. Components of MCEV profit during 2014 and 2015 reflect the additional withholding tax due.

F2 – Principal assumptions continued

(j) Exchange rates

The Group's principal life overseas operations during the period were located within the Eurozone, Poland and Singapore. The results and cash flows of these operations have been translated into sterling at the average rates for the period and the assets and liabilities have been translated at the period end rates as follows:

	30 June 2015	30 June 2014	Full Year 2014
Eurozone			
Average rate (€1 equals)	**£0.74**	£0.82	£0.81
Period end rate (€1 equals)	**£0.71**	£0.80	£0.78
Poland			
Average rate (PLN1 equals)	**£0.18**	£0.20	£0.19
Period end rate (PLN1 equals)	**£0.17**	£0.19	£0.18
Singapore			
Average rate ($SGD1 equals)	**£0.49**	£0.47	£0.48
Period end rate ($SGD 1 equals)	**£0.47**	£0.47	£0.48

F3 – Development of MCEV

The tables below present the key life and pension MCEV results for 30 June 2015 on both a gross of tax and gross of non-controlling interest basis, and on a net of tax and net of non-controlling interest basis.

	6 months 2015 £m	Reviewed 6 months 2014 £m	Audited Full Year 2014 £m
Present value of new business premiums (gross of tax & non-controlling interests)	**14,052**	12,630	24,728
New business margins (gross of tax & non-controlling interests)	**3.8%**	3.5%	4.1%
Value of new business[1]	**534**	444	1,009
Expected returns	**606**	632	1,246
Experience variances	**(41)**	6	38
Operating assumption changes	**21**	109	448
Other operating variances	**(149)**	81	6
Operating earnings (gross of tax & non-controlling interests)	**971**	1,272	2,747
Economic variances	**(240)**	113	(152)
Other non-operating variances	**(90)**	(248)	(258)
Non-operating earnings (gross of tax & non-controlling interests)	**(330)**	(135)	(410)

1 The value of new business includes Eurovita, CxG and South Korea.

	6 months 2015 £m	Reviewed 6 months 2014 £m	Audited Full Year 2014 £m
Present value of new business premiums (net of tax & non-controlling interests)	**13,183**	11,008	22,504
New business margins (net of tax & non-controlling interests)	**2.9%**	2.8%	3.2%
Value of new business[1]	**386**	313	712
Expected returns	**435**	432	854
Experience variances	**(38)**	—	26
Operating assumption changes	**17**	87	353
Other operating variances	**(81)**	48	5
Operating earnings (net of tax & non-controlling interests)	**719**	880	1,950
Economic variances	**(282)**	4	(125)
Other non-operating variances	**(71)**	(196)	(206)
Non-operating earnings (net of tax & non-controlling interests)	**(353)**	(192)	(331)

1 The value of new business includes Eurovita, CxG and South Korea.

All commentary below is on a net of tax and net of non-controlling interest basis.

Profitability
Operating earnings for HY15 are £719 million *(HY14: £880 million)*. These are offset by £(353) million *(HY14: £(192) million)* non-operating earnings to give total MCEV earnings of £366 million *(HY14: £688 million)*.

New Business
VNB has increased 23% to £386 million (*HY14: £313 million*), primarily driven by strong performances in the UK, Italy and Asia. Friends Life contributed a total of £19 million to VNB at HY15. In the UK, the increase in VNB mainly reflects higher margins on pension and health business, together with increased sales of bulk purchase annuities and equity release products. This increase was partly offset by the lower level of individual annuity volumes compared to the prior period following the announcements made in the 2014 UK budget.

In Italy, increased VNB was mainly driven by higher margins on with-profits products following management actions to reduce the cost of guarantees, together with an improved mix on protection business. VNB in France has fallen, mostly due to lower margins on with-profits business as lower risk-free rates have increased the cost of guarantees, although this was partly offset by volume growth on protection business. In Poland, VNB has fallen as the prior period benefitted from a £6 million one-off from regulatory pension changes in Lithuania. Excluding this, Polish VNB benefitted from increased sales of higher margin protection business. In Spain, the decrease in VNB is mainly driven by reduced sales of with-profits business following management actions to reduce guarantees available and reduced margins on such products following a fall in risk-free rates. The decline in VNB in Turkey was mostly the result of a reduction in our share of the business following the partial IPO, partly offset by higher sales of pension products.

In Asia, increases in VNB reflect a continued focus on sales of protection products in China and Singapore as well as retail health business in Singapore.

F3 – Development of MCEV continued

Expected Return

The total expected return was £435 million *(HY14: £432 million).* Expected return for existing business was £374 million *(HY14: £363 million)* and expected return on shareholder net worth was £61 million *(HY14: £69 million)*. The increase from HY14 was driven by the UK, partially offset by a reduction in the European businesses. In the UK, this increase was principally due to the acquisition of Friends UK. In France, the reduction in expected return was due to a lower opening MCEV at the start of 2015 compared to the start of 2014, driven by the negative impact of falling risk-free rates on the costs of guarantees. In Poland, Spain and Italy, falling risk-free rates and narrowing bond spreads led to a reduction in IDR at the end of 2014 and therefore a reduction in expected return in HY15 compared to HY14. In Italy this has been offset by an increase in Aviva's share of ownership of the business at the end of 2014, and the inclusion of previously unmodelled business.

Experience Variances

Experience variances of £(38) million *(HY14: £nil)* are driven by negative variances in the UK, partially offset by small positive variances in Europe. In the UK, negative variances are driven by project costs related to development of systems and processes, a reduction in margin on a number of healthcare scheme renewals, adverse experience variances on commission and the adverse impact of a number of model refinements. This is partially offset by positive lapse, maintenance expense and mortality variances. The positive variances in Europe include favourable lapse experience in France.

Operating Assumption Changes

Operating assumption changes of £17 million *(HY14: £87 million)* mainly arise in the UK, as a result of reduced property rental charges in UK Life entities.

Other Operating Variances

Other operating variances of £(81) million *(HY14: £48 million)* include the adverse impact in France of a modelling change to allow for policyholder actions to transfer funds between unit-linked and with-profits contracts. This was partially offset by a number of management actions in Ireland to align bases and methodology following the Part VII transfer of the Irish business into UKLAP. Positive variances in Asia are primarily a result of a local statutory reserving methodology change, partly offset by cessation of a quota share reinsurance arrangement in Singapore, and the inclusion of Singapore's retail fund management business as covered business in 2015.

Non-operating earnings

Non-operating earnings in the period were £(353) million *(HY14: £(192) million).*

Economic variances of £(282) million *(HY14: £4 million)*, are primarily due to negative variances in the UK, partially offset by positive variances in France. In the UK, there is an adverse impact from increased risk-free rates and widening corporate bond and mortgage spreads on annuity business, as well as the adverse impact of refinements to the model used to value the equity release business. The positive impact in France is due to an increase in risk-free rates and falling swaption volatilities resulting in a reduction in the cost of guarantees. France also benefits from a strong equity performance increasing future fees on unit-linked business, and the economic assumption change to adjust the split between the income and capital component of equity returns (see note F2(g) for further details).

Other non-operating variances were £(71) million *(HY14: £(196) million)*, mainly reflecting integration costs following the acquisition of Friends Life and the costs associated with the Group's Solvency II programme. At HY14, other non-operating variances included the impact of pension legislation changes in the UK and Poland, resulting in lower future management fees on UK business, and the reduction of future pension contributions in Poland.

Total Life MCEV

The life covered MCEV is £19,093 million, an increase of £3,819 million in the period from the opening MCEV of £15,274 million. This movement comprises of operating earnings of £719 million in the year, economic variances of £(282) million and other non-operating variances of £(71) million, resulting in total MCEV earnings of £366 million. Dividend and capital flows from covered business reduce MCEV by £640 million. The increase in acquired/divested business of £4,655 million is primarily due to the acquisition of Friends Life on 10 April 2015. Exchange rate impacts also reduced closing MCEV by £562 million.

F4 – Geographical analysis of life MCEV operating earnings

The table below presents the components of the life and pensions MCEV earnings. The components of operating profit are calculated using economic assumptions as at the start of the year (in-force business) or start of the quarter or more frequently (new business) and operating (demographic and expenses) assumptions as at the end of the period.

Net of tax and non-controlling interests 6 months 2015	UK & Ireland £m	Europe £m	Asia £m	Other £m	Total £m
Value of new business	208	111	62	5	386
Earnings from existing business					
– expected existing business contribution (reference rate)	66	29	8	1	104
– expected existing business contribution (in excess of reference rate)	161	96	12	1	270
	227	125	20	2	374
Experience variances					
– maintenance expense	8	(1)	(1)	1	7
– project and other related expenses	(26)	—	(3)	—	(29)
– mortality/morbidity	6	2	—	—	8
– lapses	12	4	(5)	—	11
– other	(52)	9	7	1	(35)
	(52)	14	(2)	2	(38)
Operating assumption changes:					
– maintenance expense	18	—	—	—	18
– project and other related expenses	—	—	—	—	—
– mortality/morbidity	—	—	—	—	—
– lapses	—	—	1	—	1
– other	—	—	(2)	—	(2)
	18	—	(1)	—	17
Expected return on shareholders' net worth	32	23	6	—	61
Other operating variances	29	(145)	35	—	(81)
Operating earnings after tax and non-controlling interests	462	128	120	9	719
Economic variances					(282)
Other non-operating variances					(71)
Earnings after tax and non-controlling interests					366

Please refer to F3 for analysis of the components of MCEV earnings

F4 – Geographical analysis of life MCEV operating earnings continued

Net of tax and non-controlling interests 6 months 2014	UK & Ireland £m	Europe £m	Asia £m	Other £m	Total £m
Value of new business	147	112	53	1	313
Earnings from existing business					
– expected existing business contribution (reference rate)	73	44	8	—	125
– expected existing business contribution (in excess of reference rate)	123	105	10	—	238
	196	149	18	—	363
Experience variances					
– maintenance expense	9	2	(1)	—	10
– project and other related expenses[1]	(23)	—	—	—	(23)
– mortality/morbidity	(7)	3	(2)	—	(6)
– lapses	(13)	2	—	—	(11)
– other [2]	27	1	3	(1)	30
	(7)	8	—	(1)	—
Operating assumption changes:					
– maintenance expenses[3]	80	5	2	—	87
– project and other related expenses	—	—	—	—	—
– mortality/morbidity	—	1	—	—	1
– lapses	—	3	—	—	3
– other	(4)	—	—	—	(4)
	76	9	2	—	87
Expected return on shareholders' net worth	28	36	4	1	69
Other operating variances[4]	(3)	34	17	—	48
Operating earnings after tax and non-controlling interests	437	348	94	1	880
Economic variances[5]					4
Other non-operating variances[6]					(196)
Earnings after tax and non-controlling interests					688

1 Within the UK, project and other related expenses reflect higher than expected expenditure on development of systems and processes.
2 There are a number of items impacting other experience variances in the UK, most notably a reduction in reserves arising from a review of systems and processes.
3 Positive maintenance expense operating assumption changes in the UK are driven by continuing restructuring and process improvements, reducing the current and long-term cost base.
4 Other operating variances include management actions taken to change terms and conditions on some of Asia's healthcare business in Singapore. In Europe, other operating variances are driven by prior period adjustments in France.
5 Economic variances, driven by overall favourable impacts in the Eurozone and Poland offset by negative impacts in Asia, and to a lesser extent, UK.
6 Other non-operating variances are driven by the impact of pension legislation changes in both the UK and Poland, resulting in lower future management charges levied on UK auto-enrolment pension funds, and a reduction in expected future pension contributions in Poland.

F4 – Geographical analysis of life MCEV operating earnings continued

Net of tax and non-controlling interests Full Year 2014	UK & Ireland £m	Europe £m	Asia £m	Other £m	Total £m
Value of new business	386	217	101	8	712
Earnings from existing business					
– expected existing business contribution (reference rate)	114	81	16	2	213
– expected existing business contribution (in excess of reference rate)	275	218	14	3	510
	389	299	30	5	723
Experience variances					
– maintenance expense	9	(3)	(2)	(3)	1
– project and other related expenses[1]	(81)	(1)	(1)	—	(83)
– mortality/morbidity	(12)	1	1	—	(10)
– lapses	(24)	26	(1)	1	2
– other[2]	91	18	5	2	116
	(17)	41	2	—	26
Operating assumption changes:					
– maintenance expenses[3]	110	38	(6)	—	142
– project and other related expenses	(33)	—	—	—	(33)
– mortality/morbidity[4]	158	4	12	—	174
– lapses	(26)	17	(5)	11	(3)
– other[5]	71	—	2	—	73
	280	59	3	11	353
Expected return on shareholders' net worth	60	62	9	—	131
Other operating variances[6]	(76)	(15)	50	46	5
Operating earnings after tax and non-controlling interests	1,022	663	195	70	1,950
Economic variances[7]					(125)
Other non-operating variances[8]					(206)
Earnings after tax and non-controlling interests					1,619

1 Within the UK, project and other related expenses reflect higher than expected expenditure on development of systems and processes.
2 Other experience variances in the UK are most notably due to the impact of changes to the pattern of required capital releases as a result of capital management transactions and a reduction in reserves arising from improvements to valuation data.
3 Maintenance expense operating assumption changes in the UK are driven by continuing restructuring and process improvements reducing the current and long-term cost base. In Europe the positive impact of expense assumption changes relate to all territories.
4 In the UK, mortality/morbidity assumption changes primarily relate to annuitant mortality assumption changes.
5 Other assumption changes in the UK include the impact of including age related premium increases on healthcare business and the impact of increased annual management charges following enhancements to unitised with profit asset shares in NWPSF.
6 Other operating variances include management actions taken to change terms and conditions on some of Asia's healthcare business in Singapore, as well as the impact of refinements to the CNHR calculation in Singapore. There is an impact from prior period adjustments in Aviva Investors (reported in the 'Other' operating segment). In the UK, this partly reflects the impact on frictional costs of capital restrictions as a result of two reinsurance transactions undertaken in 2014.
7 Economic variances are materially driven by negative variances in France and Asia partly offset by positive variances in the UK, Spain and Poland. In particular in France there is a significant adverse impact, partly mitigated by a number of economic assumption changes (see note F2(g) for further details).
8 Other non-operating variances are primarily driven by the impact of pension legislation changes in the UK, resulting in lower future management charges levied on auto-enrolment pension funds, and the extension of the temporary corporate tax rate to 2015 in France.

F5 – Analysis of life and pension earnings

The following table provides an analysis of the movement in embedded value for covered business. The analysis is shown separately for free surplus, required capital and the value of in-force covered business, and includes amounts transferred between these categories.

Net of tax and non-controlling interests 6 months 2015	Free surplus £m	Required capital[1] £m	VIF £m	Total MCEV £m
Opening MCEV	**1,918**	**7,450**	**5,906**	**15,274**
Opening Adjustments	—	—	—	—
Adjusted Opening MCEV	1,918	7,450	5,906	15,274
New business value	(243)	147	482	386
Expected existing business contribution (reference rate)	—	—	104	104
Expected existing business contribution (in excess of reference rate)	—	—	270	270
Expected return on shareholders' net worth	11	50	—	61
Transfers from VIF and required capital to the free surplus	699	(184)	(515)	—
Experience variances[2]	(32)	(61)	55	(38)
Assumption changes[3]	23	—	(6)	17
Other operating variances[4]	221	(104)	(198)	(81)
	212	(165)	(149)	(102)
Operating MCEV earnings	679	(152)	192	719
Economic variances[5]	296	110	(688)	(282)
Other non-operating variances[6]	(140)	70	(1)	(71)
Total MCEV earnings	835	28	(497)	366
Capital & dividend flows[7]	(640)	—	—	(640)
Foreign exchange variances	(61)	(252)	(249)	(562)
Acquired/divested business[8]	(110)	1,098	3,667	4,655
Closing MCEV	**1,942**	**8,324**	**8,827**	**19,093**

1 Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margin.
2 Experience variances include the impact of negative variances in the UK, driven by project costs related to development of systems and processes, and a reduction in margin on a number of healthcare scheme renewals.
3 Assumption changes primarily relate to maintenance expense assumption changes in the UK.
4 Other operating variances include the negative impact of a model change in France to allow for policyholder actions to transfer funds between unit-linked and with-profits business, and the impact of management actions relating to alignment of bases and methodology following the Part VII transfer of ALPI to UKLAP.
5 The reduction in VIF is primarily driven by the UK due to the adverse impact of increased risk-free rates and widening mortgage and corporate bond spreads on the annuity book, and the impact of equity release model refinements. This is partially offset by France, where increased risk-free rates and falling swaption volatilities have reduced the cost of guarantees and where strong equity performance has increased future charges on unit-linked business and the economic assumption change to adjust the split between the income and capital component of equity returns.
6 Other non-operating variances includes the impact of an increase in the Solvency I capital in the UK following restrictions to pension charges in response to the announcement by the Department of Work and Pensions in 2014. This results in a transfer from free surplus to required capital. The reduction in free surplus also includes integration costs in Friends UK.
7 Included within capital and dividend flows is the transfer to Life and related businesses from other segments consisting of service company profits and losses during the reported period that have emerged from the value of in-force. Since the 'look-through' into service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value.
8 Acquired/divested business is principally due to the acquisition of the Friends Life business on 10 April 2015, as set out in note F1 – basis of preparation.

Net of tax and non-controlling interests 6 months 2014	Free surplus £m	Required capital[1] £m	VIF £m	Total MCEV £m
Opening MCEV	2,310	6,551	6,129	14,990
Opening Adjustments[2]	125	107	534	766
Adjusted Opening MCEV	2,435	6,658	6,663	15,756
New business value	(237)	58	492	313
Expected existing business contribution (reference rate)	—	—	125	125
Expected existing business contribution (in excess of reference rate)	—	—	238	238
Expected return on shareholders' net worth	21	48	—	69
Transfers from VIF and required capital to the free surplus	647	(115)	(532)	—
Experience variances	(48)	(11)	59	—
Assumption changes[3]	87	(3)	3	87
Other operating variances[4]	73	1,049	(1,074)	48
	112	1,035	(1,012)	135
Operating MCEV earnings[5]	543	1,026	(689)	880
Economic variances	(4)	45	(37)	4
Other non-operating variances[6]	(10)	—	(186)	(196)
Total MCEV earnings	529	1,071	(912)	688
Capital & dividend flows[7]	(818)	—	—	(818)
Foreign exchange variances	(28)	(122)	(131)	(281)
Acquired/divested business[8]	31	(194)	127	(36)
Closing MCEV	2,149	7,413	5,747	15,309

1 Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margin.
2 Represents restatement of opening 2014 MCEV relating to a reassessment of liquidity premium and extension in scope of covered business.
3 Assumption changes include maintenance expense assumption changes in the UK, driven by continuing restructuring and process improvements, reducing the current and long-term cost base.
4 Other operating variances include prior period adjustments in France. The large reduction in VIF and offsetting increase in required capital is a result of capital transactions in the UK.
5 An internal reinsurance arrangement was undertaken in the first half of 2014 to reinsure an additional 10% of UK Annuity business to Aviva International Insurance Limited which had an adverse impact on Group MCEV free surplus of £105 million. On an economic capital basis this transaction improves the UK Life position and as a result the adverse impact on MCEV has therefore been excluded from OCG to reflect the economic substance of the management action.
6 Other non-operating variances include pensions legislation changes in UK and Poland and a change in tax rate in Italy.
7 Included within capital and dividend flows is the transfer to Life and related businesses from other segments consisting of service company profits and losses during the reported period that have emerged from the value of in-force. Since the 'look-through' into services companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value.
8 Acquired/divested business includes any adjustment for held for sale operations and disposal of Eurovita and Korea.

F5 – Analysis of life and pension earnings continued

Net of tax and non-controlling interests Full Year 2014	Free surplus £m	Required capital[1] £m	VIF £m	Total MCEV £m
Opening MCEV	2,310	6,551	6,129	14,990
Opening Adjustments[2]	125	107	534	766
Adjusted Opening MCEV	2,435	6,658	6,663	15,756
New business value	(350)	297	765	712
Expected existing business contribution (reference rate)	—	—	213	213
Expected existing business contribution (in excess of reference rate)	—	—	510	510
Expected return on shareholders' net worth	46	85	—	131
Transfers from VIF and required capital to the free surplus	1,221	(267)	(954)	—
Experience variances	(11)	(78)	115	26
Assumption changes[3]	223	(66)	196	353
Other operating variances[4]	32	1,152	(1,179)	5
	244	1,008	(868)	384
Operating MCEV earnings[5]	1,161	1,123	(334)	1,950
Economic variances[6]	37	(24)	(138)	(125)
Other non-operating variances[7]	(32)	—	(174)	(206)
Total MCEV earnings	1,166	1,099	(646)	1,619
Capital & dividend flows[8]	(1,116)	—	—	(1,116)
Foreign exchange variance	(48)	(206)	(214)	(468)
Acquired/divested business[9]	(519)	(101)	103	(517)
Closing MCEV	1,918	7,450	5,906	15,274

1 Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margin.
2 Represents restatement of opening 2014 MCEV relating to a reassessment of liquidity premium and extension in scope of covered business.
3 Assumption changes include annuitant mortality and maintenance expense assumption changes in the UK.
4 Other operating variances are driven by prior period adjustments in Aviva Investors, UK and France and management actions taken to change terms and conditions on some of Asia's healthcare business in Singapore, as well as refinements to the CNHR calculation in Singapore. The large reduction in VIF and offsetting increase in required capital is a result of capital transactions in the UK.
5 Two internal reinsurance arrangements were undertaken in 2014. The first to reinsure an additional 10% of UK Annuity business to Aviva International Insurance Limited and the second to reinsure 10% of UK Annuity business to UKLAP. These transactions had an adverse impact on Group MCEV free surplus of £204 million in total. On an economic capital basis these transactions improve the UK Life position and as a result the adverse impact on MCEV has therefore been excluded from operating capital generation to reflect the economic substance of the management actions.
6 The reduction in VIF is primarily driven by France, where falling interest rates and increased swaption volatilities have increased the cost of guarantees, mitigated to some extent by a number of economic assumption changes (see F2 (g) for further details).
7 Other non-operating variances include the impact of the Department for Work and Pensions announcement in the UK (see F2 for further information) and the temporary increase in the corporation tax rate in France.
8 Included within capital and dividend flows is the transfer to Life and related businesses from other segments consisting of service company profits and losses during the reported period that have emerged from the value of in-force. Since the 'look-through' into the service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value.
9 A decrease of £490 million is due to the sale of ALPI to UKLAP - see F1 – Basis of preparation. This line also includes the sale of Eurovita and the decrease in minority interest holding in Italy, the sale of CxG in Spain, a reduction in Aviva's share of Poland Pensions business, and the sale of Woori Aviva Life in South Korea.

F6 – Segmental analysis of life and related business embedded value

The required capital across our life businesses varies between 100% and 200% of EU minimum or equivalent *(100% to 200% at HY14)*. The weighted average level of required capital for our life businesses expressed as a percentage of the EU minimum (or equivalent) solvency margin has increased to 125% *(HY14: 109%)*, mainly due to the acquisition of Friends Life. These levels of required capital are used in the calculation of the Group's embedded value to evaluate the cost of locked in capital. At 30 June 2015 the aggregate regulatory requirements based on the EU minimum test amounted to £6.7 billion *(HY14: £6.8 billion)*. At this date, the actual net worth held in our long term business was £10.3 billion *(HY14: £9.6 billion)* which represents 153% *(HY14: 142%)* of these minimum requirements.

Net of tax and non-controlling interests 30 June 2015	**Free surplus £m**	**Required Capital[1] £m**	**VIF £m**	**Total MCEV £m**
United Kingdom & Ireland[2]	**1,250**	**5,490**	**5,150**	**11,890**
France[3]	**170**	**1,970**	**1,137**	**3,277**
Poland	**113**	**97**	**863**	**1,073**
Italy	**23**	**403**	**199**	**625**
Spain	**66**	**104**	**138**	**308**
Other Europe	**2**	**11**	**96**	**109**
Europe	**374**	**2,585**	**2,433**	**5,392**
Asia[4]	**286**	**226**	**1,127**	**1,639**
Other	**32**	**23**	**117**	**172**
Total	**1,942**	**8,324**	**8,827**	**19,093**

1 Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.
2 The increase in all components of MCEV in the UK & Ireland since FY14 is primarily due to the impact of the acquisition of Friends UK, as set out in F1 – Basis of preparation.
3 The increase in VIF in France since FY14 is driven by the reduction in cost of guarantees as a result of increased risk-free rates and reduced swaption volatilities, plus the benefit of equity outperformance on unit-linked business and an economic assumption change to adjust the split between the income and capital component of equity returns (see note F2(g) for further details).
4 In Asia, the increase in VIF since FY14 primarily relates to the acquisition of FPI, as set out in F1 – Basis of preparation.

Net of tax and non-controlling interests 30 June 2014	Free surplus £m	Required Capital[1] £m	VIF £m	Total MCEV £m
United Kingdom & Ireland[2]	1,459	4,476	2,486	8,421
France	146	2,152	1,284	3,582
Poland	176	107	896	1,179
Italy	148	248	213	609
Spain[3]	35	194	178	407
Other Europe	4	13	114	131
Europe	509	2,714	2,685	5,908
Asia	156	213	527	896
Other	25	10	49	84
Total	2,149	7,413	5,747	15,309

1 Required capital is shown net of implicit items permitted by local regulators to cover solvency margins.
2 An internal reinsurance arrangement was undertaken in the first half of 2014 to reinsure an additional 10% of the UK Annuity business to Aviva International Insurance Limited which has had an adverse impact on Group MCEV free surplus of £105 million. On an economic capital basis this transaction improves the UK Life position and as a result the adverse impact on MCEV has therefore been excluded from OCG to reflect the economic substance of the management action.
3 Required capital in Spain reflects the current economic environment and is in excess of regulatory requirements.

Net of tax and non-controlling interests 31 December 2014	Free surplus £m	Required Capital[1] £m	VIF £m	Total MCEV £m
United Kingdom & Ireland[2]	1,079	4,527	2,743	8,349
France	250	2,118	976	3,344
Poland	152	102	946	1,200
Italy	127	348	248	723
Spain	49	117	153	319
Other Europe	5	12	103	120
Europe	583	2,697	2,426	5,706
Asia	235	203	624	1,062
Other	21	23	113	157
Total	1,918	7,450	5,906	15,274

1 Required capital is shown net of implicit items permitted by local regulators to cover solvency margins.
2 Two internal reinsurance arrangements were undertaken in 2014. The first to reinsure an additional 10% of the UK Annuity business to Aviva International Insurance Limited and the second to reinsure 10% of UK Annuity business to UKLAP. These transactions had an adverse impact on Group MCEV free surplus of £204 million in total. On an economic capital basis these transactions improve the UK Life position and as a result the adverse impact on MCEV has therefore been excluded from OCG to reflect the economic substance of the management actions.

F7 – Present value of life new business premiums

The tables below set out the present value of new business premiums (PVNBP) written by the life and related businesses, gross of tax and non-controlling interests. The PVNBP calculation is equal to total single premium sales received in the period plus the discounted value of regular premiums expected to be received over the term of the new contracts, and is expressed at the point of sale.

The premium volumes and projection assumptions used to calculate the present value of regular premiums for each product are the same as those used to calculate the value of new business, so the components of the new business margin are on a consistent basis.

The weighted average capitalisation factor (WACF) is the multiple of the annualised regular premium which gives the present value at point of sale of the regular premiums. For most businesses this has increased in the period, as the fall in risk-free rates has increased the discounted value of regular premiums.

Gross of tax and non-controlling interests 6 months 2015	**Regular premiums £m**	**WACF**	**Present value of regular premiums £m**	**Single premiums £m**	**Present value of new business premiums £m**
United Kingdom[1]	**633**	**5.5**	**3,462**	**3,609**	**7,071**
Ireland	**12**	**6.4**	**77**	**193**	**270**
United Kingdom & Ireland	**645**	**5.5**	**3,539**	**3,802**	**7,341**
France	**45**	**9.1**	**409**	**2,144**	**2,553**
Poland[2]	**20**	**7.5**	**149**	**69**	**218**
Italy	**7**	**6.7**	**47**	**1,069**	**1,116**
Spain	**17**	**6.4**	**108**	**255**	**363**
Other Europe	**51**	**4.0**	**203**	**48**	**251**
Europe	**140**	**6.5**	**916**	**3,585**	**4,501**
Asia[3]	**155**	**6.7**	**1,035**	**414**	**1,449**
Other	**—**	**—**	**—**	**761**	**761**
Total life and pensions	**940**	**5.8**	**5,490**	**8,562**	**14,052**

1 United Kingdom includes Friends UK from 10 April 2015.
2 The Poland WACF has decreased due to reduced sales of pensions business in Lithuania, which has a longer duration.
3 Asia includes FPI from 10 April 2015.

Gross of tax and non-controlling interests 6 months 2014	Regular premiums £m	WACF	Present value of regular premiums £m	Single premiums £m	Present value of new business premiums £m
United Kingdom	499	5.0	2,513	3,539	6,052
Ireland	13	5.2	67	129	196
United Kingdom & Ireland	512	5.0	2,580	3,668	6,248
France	47	8.1	383	2,044	2,427
Poland	29	9.5	275	57	332
Italy	30	5.3	160	1,449	1,609
Spain	22	5.6	123	439	562
Other Europe	54	3.7	201	30	231
Europe	182	6.3	1,142	4,019	5,161
Asia	133	6.0	796	168	964
Other	—	—	—	257	257
Total life and pensions	827	5.5	4,518	8,112	12,630

Gross of tax and non-controlling interests Full Year 2014	Regular premiums £m	WACF	Present value of regular premiums £m	Single premiums £m	Present value of new business premiums £m
United Kingdom	946	5.4	5,108	6,901	12,009
Ireland	26	5.7	149	286	435
United Kingdom & Ireland	972	5.4	5,257	7,187	12,444
France	87	8.1	709	3,924	4,633
Poland	50	8.7	435	138	573
Italy	41	5.7	232	2,410	2,642
Spain	40	6.1	245	864	1,109
Other Europe	111	3.8	421	74	495
Europe	329	6.2	2,042	7,410	9,452
Asia	248	6.4	1,584	367	1,951
Other	—	—	—	881	881
Total life and pensions	1,549	5.7	8,883	15,845	24,728

F8 – Geographical analysis of value of new business

The tables below set out the present value of new business premiums (PVNBP) written by the life and related businesses, the value of the new business and the resulting margin, firstly gross and then net of tax and non-controlling interests. The value generated by new business written during the period is the present value of the projected stream of after-tax distributable profit from that business, including expected profit between point of sale and the valuation date. It reflects the additional value to shareholders created through the activity of writing new business including the impacts of interactions between in force and new business. The value of new business has been calculated using economic assumptions at the point of sale which has been implemented with the assumptions being taken as those appropriate to the start of each quarter. For contracts that are re-priced more frequently, weekly or monthly economic assumptions have been used. The operating assumptions are consistent with those used to determine the embedded value. The value of new business is shown after the effect of the frictional costs of holding required capital, and after the effect of the costs of residual non-hedgeable risks on the same basis as for the in-force covered business.

	Present value of new business premiums			Value of new business			New business margin		
Gross of tax and non-controlling interests	**6 months 2015 £m**	6 months 2014 £m	Full Year 2014 £m	**6 months 2015 £m**	6 months 2014 £m	Full Year 2014 £m	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %
United Kingdom[1]	**7,071**	6,052	12,009	**253**	177	473	**3.6%**	2.9%	3.9%
Ireland	**270**	196	435	**7**	6	9	**2.6%**	3.1%	2.1%
United Kingdom & Ireland	**7,341**	6,248	12,444	**260**	183	482	**3.5%**	2.9%	3.9%
France	**2,553**	2,427	4,633	**98**	110	205	**3.8%**	4.5%	4.4%
Poland	**218**	332	573	**30**	34	64	**13.8%**	10.2%	11.2%
Italy	**1,116**	1,609	2,642	**39**	17	54	**3.5%**	1.1%	2.0%
Spain	**363**	562	1,109	**13**	18	38	**3.6%**	3.2%	3.4%
Other Europe	**251**	231	495	**12**	14	30	**4.8%**	6.1%	6.1%
Europe	**4,501**	5,161	9,452	**192**	193	391	**4.3%**	3.7%	4.1%
Asia[2]	**1,449**	964	1,951	**76**	66	127	**5.2%**	6.8%	6.5%
Other	**761**	257	881	**6**	2	9	**0.8%**	0.8%	1.0%
Total life and pensions	**14,052**	12,630	24,728	**534**	444	1,009	**3.8%**	3.5%	4.1%

1 United Kingdom includes Friends UK from 10 April 2015.
2 Asia includes FPI from 10 April 2015.

	Present value of new business premiums			Value of new business			New business margin		
Net of tax and non-controlling interests	**6 months 2015 £m**	6 months 2014 £m	Full Year 2014 £m	**6 months 2015 £m**	6 months 2014 £m	Full Year 2014 £m	**6 months 2015 %**	6 months 2014 %	Full Year 2014 %
United Kingdom[1]	**7,071**	6,052	12,009	**202**	141	379	**2.9%**	2.3%	3.2%
Ireland	**270**	196	435	**6**	6	7	**2.2%**	3.1%	1.6%
United Kingdom & Ireland	**7,341**	6,248	12,444	**208**	147	386	**2.8%**	2.4%	3.1%
France	**2,132**	2,023	3,906	**58**	66	121	**2.7%**	3.3%	3.1%
Poland	**198**	300	515	**22**	25	47	**11.1%**	8.3%	9.1%
Italy	**831**	662	1,670	**18**	4	13	**2.2%**	0.6%	0.8%
Spain	**220**	323	642	**3**	6	12	**1.4%**	1.9%	1.9%
Other Europe	**251**	231	495	**10**	11	24	**4.0%**	4.8%	4.8%
Europe	**3,632**	3,539	7,228	**111**	112	217	**3.1%**	3.2%	3.0%
Asia[2]	**1,449**	964	1,951	**62**	53	101	**4.3%**	5.5%	5.2%
Other	**761**	257	881	**5**	1	8	**0.7%**	0.4%	0.9%
Total life and pensions	**13,183**	11,008	22,504	**386**	313	712	**2.9%**	2.8%	3.2%

1 United Kingdom includes Friends UK from 10 April 2015.
2 Asia includes FPI from 10 April 2015.

F9 – Risk allowance within present value of in-force (VIF)

Within the VIF, there are additional allowances for risks not included within the present value of future profits calculation.

Net of non-controlling interests 30 June 2015	PVFP £m	Frictional costs £m	Non-hedgeable risks £m	Time value of financial options and guarantees £m	VIF £m
United Kingdom & Ireland	**6,480**	**(322)**	**(853)**	**(155)**	**5,150**
France	**2,276**	**(91)**	**(175)**	**(873)**	**1,137**
Poland	**1,026**	**(6)**	**(106)**	**(51)**	**863**
Italy	**249**	**(11)**	**(11)**	**(28)**	**199**
Spain	**166**	**(1)**	**(17)**	**(10)**	**138**
Other Europe	**98**	**(1)**	**(1)**	**—**	**96**
Europe	**3,815**	**(110)**	**(310)**	**(962)**	**2,433**
Asia	**1,300**	**(34)**	**(115)**	**(24)**	**1,127**
Other	**120**	**—**	**(3)**	**—**	**117**
Total	**11,715**	**(466)**	**(1,281)**	**(1,141)**	**8,827**

Total risk allowances have increased compared to FY14:

- Frictional costs have increased by £88 million principally driven by the UK following the acquisition of the Friends UK business. There is also an increase across most of the European businesses, as increased risk-free rates increase the cost of tax on investment income.
- The allowance for the cost of non-hedgeable risks has increased by £354 million, mainly due to the impact of the acquisition of Friends Life on the UK and Asia operating segments.
- The Time Value of Options and Guarantees has fallen by £205 million primarily due to the decrease in the future potential cost of guarantees in France as a result of increased risk-free rates and reduced swaption volatilities. In the UK, the increase is primarily due to the acquisition of the Friends UK business.

Net of non-controlling interests 30 June 2014	PVFP £m	Frictional costs £m	Non-hedgeable risks £m	Time value of financial options and guarantees £m	VIF £m
United Kingdom & Ireland	3,460	(385)	(510)	(79)	2,486
France	2,391	(106)	(219)	(782)	1,284
Poland	1,043	(8)	(88)	(51)	896
Italy	246	(8)	(7)	(18)	213
Spain	214	(7)	(25)	(4)	178
Other Europe	117	(2)	(1)	—	114
Europe	4,011	(131)	(340)	(855)	2,685
Asia	649	(29)	(79)	(14)	527
Other	50	—	(1)	—	49
Total	8,170	(545)	(930)	(948)	5,747

Net of non-controlling interests 31 December 2014	PVFP £m	Frictional costs £m	Non-hedgeable risks £m	Time value of financial options and guarantees £m	VIF £m
United Kingdom & Ireland	3,650	(254)	(528)	(125)	2,743
France	2,350	(80)	(189)	(1,105)	976
Poland	1,118	(5)	(115)	(52)	946
Italy	301	(7)	(9)	(37)	248
Spain	179	(2)	(20)	(4)	153
Other Europe	106	(1)	(2)	—	103
Europe	4,054	(95)	(335)	(1,198)	2,426
Asia	737	(29)	(61)	(23)	624
Other	116	—	(3)	—	113
Total	8,557	(378)	(927)	(1,346)	5,906

F10 – Sensitivity analysis

(a) Economic assumptions

The following tables show the sensitivity of the embedded value and the value of new business to:

- 10 basis point increase in the liquidity premium adjustment, where applicable;
- one percentage point increase and decrease in the risk-free rate with a floor of 0%, including all consequential changes (including assumed investment returns for all asset classes, market values of fixed interest assets, risk discount rates);
- 10% increase and decrease in market values of equity and property assets;
- 25% multiplicative increase in equity, property and swaption volatilities;
- 50 basis point increase and decrease in credit spreads with no change to liquidity premium; and
- decrease in the level of required capital to 100% EU minimum (or equivalent).

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised economic conditions. For example, future bonus rates are automatically adjusted to reflect sensitivity changes to future investment returns. Some of the sensitivity scenarios may have consequential effects on valuation bases, where the basis for certain blocks of business is actively updated to reflect current economic circumstances. Consequential valuation impacts on the sensitivities are allowed for where an active valuation basis is used. Where businesses have a target asset mix, the portfolio is re-balanced after a significant market movement otherwise no re-balancing is assumed.

For new business, the sensitivities reflect the impact of a change immediately after inception of the policy.

In general, the magnitude of the sensitivities will reflect the size of the embedded values, though this will vary as the sensitivities have different impacts on the different components of the embedded value. In addition, other factors can have a material impact, such as the nature of the options and guarantees, as well as the types of investments held.

The credit spread sensitivities assume that the change relates to credit risk and not liquidity risk; in practice, credit spread movements may be partially offset due to changes in liquidity risk. Own sovereign debt is excluded from credit spread sensitivities.

Sensitivities will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. Options and guarantees are the main reason for the asymmetry of the sensitivities where the guarantee impacts to different extents under the different scenarios.

Life and related business embedded value

30 June 2015 Embedded value (net of non-controlling interests)	As reported in F6 £m	10bp increase in adjustment to risk-free rates £m	Interest rates 1% increase £m	Interest rates 1% decrease £m	25% increase in swaption implied volatilities £m
United Kingdom & Ireland	**11,890**	**510**	**(400)**	**385**	**—**
France	**3,277**	**70**	**45**	**(505)**	**(230)**
Poland, Italy, Spain and Other Europe	**2,115**	**5**	**(45)**	**50**	**(15)**
Asia and Other	**1,811**	**—**	**45**	**(65)**	**—**
Total	**19,093**	**585**	**(355)**	**(135)**	**(245)**

30 June 2015 Embedded value (net of non-controlling interests)	As reported in F6 £m	Equity/property 10% increase in market values £m	Equity/property 10% decrease in market values £m	Equity/property 25% increase in volatility £m	Credit spread 50bps increase £m	Credit spread 50bps decrease £m	EU minimum capital or equivalent £m
United Kingdom & Ireland	**11,890**	**370**	**(375)**	**(130)**	**(1,730)**	**1,865**	**50**
France	**3,277**	**255**	**(265)**	**(205)**	**(55)**	**55**	**10**
Poland, Italy, Spain and Other Europe	**2,115**	**40**	**(40)**	**(20)**	**(10)**	**20**	**—**
Asia and Other	**1,811**	**55**	**(55)**	**—**	**(20)**	**20**	**15**
Total	**19,093**	**720**	**(735)**	**(355)**	**(1,815)**	**1,960**	**75**

F10 – Sensitivity analysis continued

New business

30 June 2015 Value of new business (net of tax and non-controlling interests)	As reported in F8 £m	10bp increase in adjustment to risk-free rates £m	Interest rates 1% increase £m	Interest rates 1% decrease £m	25% increase in swaption implied volatilities £m
United Kingdom & Ireland	208	8	(6)	7	—
France	58	—	6	(12)	(2)
Poland, Italy, Spain and Other Europe	53	—	(2)	1	—
Asia and Other	67	—	6	(9)	—
Total	**386**	**8**	**4**	**(13)**	**(2)**

30 June 2015 Value of new business (net of tax and non-controlling interests)	As reported in F8 £m	Equity/property 10% increase in market values £m	Equity/property 10% decrease in market values £m	Equity/property 25% increase in volatility £m	Credit spread 50bps increase £m	Credit spread 50bps decrease £m	EU minimum capital or equivalent £m
United Kingdom & Ireland	208	—	—	—	(26)	28	1
France	58	4	(3)	(2)	—	—	—
Poland, Italy, Spain and Other Europe	53	—	—	—	—	—	—
Asia and Other	67	—	—	—	—	—	1
Total	**386**	**4**	**(3)**	**(2)**	**(26)**	**28**	**2**

(b) Non-economic assumptions

The following tables below show the sensitivity of the embedded value and the value of new business to the following changes in non-economic assumptions:

- 10% decrease in maintenance expenses (a 10% sensitivity on a base expense assumption of £10 pa would represent an expense assumption of £9 pa). Where there is a "look through" into service company expenses the fee charged by the service company is unchanged while the underlying expense decreases;
- 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 5% pa would represent a lapse rate of 4.5% pa); and
- 5% decrease in both mortality and morbidity rates disclosed separately for life assurance and annuity business.

No future management actions are modelled in reaction to the changing non-economic assumptions. In each sensitivity calculation all other assumptions remain unchanged. No changes to valuation bases have been included.

Life and related business embedded value

30 June 2015 Embedded value (net of non-controlling interests)	As reported in F6 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	5% decrease in mortality/ morbidity rates – life assurance £m	5% decrease in mortality/ morbidity rates – annuity business £m
United Kingdom & Ireland	11,890	340	225	255	(585)
France	3,277	95	20	25	(30)
Poland, Italy, Spain and Other Europe	2,115	35	70	20	(5)
Asia and Other	1,811	75	60	55	—
Total	**19,093**	**545**	**375**	**355**	**(620)**

New Business

30 June 2015 Value of new business (net of tax and non-controlling interests)	As reported in F8 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	5% decrease in mortality/ morbidity rates – life assurance £m	5% decrease in mortality/ morbidity rates – annuity business £m
United Kingdom & Ireland	208	14	14	19	(10)
France	58	2	2	1	—
Poland, Italy, Spain and Other Europe	53	3	5	1	—
Asia and Other	67	4	4	3	—
Total	**386**	**23**	**25**	**24**	**(10)**

Statement of directors' responsibilities in respect of the Market Consistent Embedded Value (MCEV) basis

When compliance with the European Insurance CFO Forum Market Consistent Embedded Value Principles (MCEV Principles), published in October 2009, is stated, those principles require the directors to prepare supplementary information in accordance with the methodology contained in the MCEV Principles and to disclose and explain any non-compliance with the guidance included in the MCEV Principles.

In preparing this supplementary information, the directors have done so in accordance with these MCEV Principles and have also complied with the guidance as set out in the Basis of Preparation. Specifically the directors have:

- determined assumptions on a realistic basis, having regard to past, current and expected future experience and to relevant external data, and then applied them consistently;
- made estimates that are reasonable and consistent; and,
- provided additional disclosures when compliance with the specific requirements of the MCEV Principles is insufficient to enable users to understand the impact of particular transactions, other events and conditions and the Group's financial position and financial performance.

Information on the current directors responsible for providing this statement can be found on the Company's website http://www.aviva.com/investor-relations/corporate-governance/board-of-directors/

By order of the Board on 5 August 2015

Mark Wilson	**Thomas D. Stoddard**
Group chief executive officer	**Chief financial officer**

Independent review report to Aviva plc – MCEV

Report on the consolidated MCEV financial statements

Our conclusion

We have reviewed the consolidated MCEV financial statements, defined below, in the half year report of Aviva Plc ("the half year report") for the six months ended 30 June 2015. Based on our review, nothing has come to our attention that causes us to believe that the consolidated MCEV financial statements are not prepared, in all material respects, in accordance with the European Insurance CFO Forum MCEV Principles issued in June 2008 and as amended in October 2009 ("CFO Forum Principles") and the Basis of Preparation set out on pages 118 to 123.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The consolidated MCEV financial statements, which are prepared by Aviva plc, comprise:

- the reconciliation of IFRS total equity to Life MCEV as at 30 June 2015;
- the reconciliation of IFRS total equity to Life MCEV net worth as at 30 June 2015;
- the group MCEV analysis of earnings for the six months ended 30 June 2015; and
- the explanatory notes to the consolidated MCEV financial statements.

We have reported separately on the condensed consolidated financial statements of Aviva plc prepared on an IFRS basis for the six months ended 30 June 2015. The information contained in the consolidated MCEV financial statements should be read in conjunction with the condensed consolidated financial statements prepared on an IFRS basis, included within the half year report.

The consolidated MCEV financial statements included in the half year report have been prepared in accordance with the CFO Forum Principles and the Basis of Preparation set out on pages 118 to 123.

What a review of consolidated MCEV financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year report of Aviva plc for the six months ended 30 June 2015 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the consolidated MCEV financial statements.

Responsibilities for the consolidated MCEV financial statements and the review

Our responsibilities and those of the directors

The half year report, including the consolidated MCEV financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half year report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, and for preparing the consolidated MCEV financial statements in accordance with the CFO Forum Principles and the Basis of Preparation set out on pages 118 to 123.

Our responsibility is to express to the company a conclusion on the consolidated MCEV financial statements in the half year report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the CFO Forum Principles and the Basis of Preparation set out on pages 118 to 123 and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
5 August 2015

Notes:

(a) The maintenance and integrity of the Aviva plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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Other information

In this section

Product definitions

Annuity
A type of policy that pays out regular amounts of benefit, either immediately and for the remainder of a person's lifetime, or deferred to commence from a future date. Immediate annuities may be purchased for an individual and his or her dependants or on a bulk purchase basis for groups of people. Deferred annuities are accumulation contracts, which may be used to provide benefits in retirement. Annuities may be guaranteed, unit-linked or index-linked.

Bonds and savings
These are accumulation products with single or regular premiums and unit-linked or guaranteed investment returns.

Critical illness cover
Pays out a lump sum if the insured person is diagnosed with a serious illness that meets the plan definition.

Deferred annuities
An annuity (or pension) due to be paid from a future date or when the policyholder reaches a specified age. A deferred annuity may be funded by a policyholder by payment of a series of regular contributions or by a capital sum.

Equity Release
Equity Release Mortgages allow a homeowner to receive a lump sum in return for a mortgage secured on their house. No interest is payable on the loan; instead, interest is rolled-up on the loan and the loan and accrued interest are repayable at redemption (upon death or moving into long term care).

General insurance
Also known as non-life or property and casualty insurance. Property insurance covers loss or damage through fire, theft, flood, storms and other specified risks. Casualty insurance primarily covers losses arising from accidents that cause injury to other people or damage the property of others.

Group pension
A pension plan that covers a group of people, which is typically purchased by a company and offered to their employees.

Health insurance
Provides cover against loss from illness or bodily injury. Can pay for medicine, visits to the doctor, hospital stays, other medical expenses and loss of earnings, depending on the conditions covered and the benefits and choices of treatment available on the policy.

Income drawdown
The policyholder can transfer money from any pension fund to an income drawdown plan from which they receive an income. The remainder of the pension fund continues to be invested, giving it the potential for growth.

Investment sales
Comprise retail sales of mutual fund-type products such as unit trusts, individual savings accounts (ISAs) and open ended investment companies (OEICs).

Individual savings account (ISAs)
Tax-efficient plans for investing in stocks and shares, cash deposits or life insurance investment funds, subject to certain limits.

Mortgage endowment
An insurance contract combining savings and protection elements which is designed to repay the principal of a loan or mortgage.

Mortgage life insurance
A protection contract designed to pay off the outstanding amount of a mortgage or loan in the event of death of the insured.

Open ended investment company (OEIC)
A collective investment fund structured as a limited company in which investors can buy and sell shares.

Pension
A means of providing income in retirement for an individual and possibly his/her dependants.

Personal pension
A pension plan tailored to the individual policyholder, which includes the options to stop, start or change their payments.

Protection
An insurance contract that protects the policyholder or his/her dependants against financial loss on death or ill-health.

Regular premium
A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract.

Collective investment scheme (SICAVs)
This is an open-ended investment fund, structured as a legally independent joint stock company, whose units are issued in the form of shares.

Single premium
A single lump sum is paid by the policyholder at commencement of the contract.

Stakeholder pensions
Low cost and flexible pension plans available in the UK, governed by specific regulations.

Term assurance
A simple form of life insurance, offering cover over a fixed number of years during which a lump sum will be paid out if the life insured dies.

Unit trusts
A form of open ended collective investment constituted under a trust deed, in which investors can buy and sell units.

Whole life
A protection policy that remains in force for the insured's whole life; a lump sum will be paid out on death. Traditional whole life contracts have fixed premium payments that typically cannot be missed without lapsing the policy. Flexible whole life contracts allow the policyholder to vary the premium and/or amount of life cover, within certain limits.

General terms

Annual premium equivalent (APE)
Used as a measure of annual sales, taking the annual premium of regular premium contract plus 10% of single premium contract.

Available for sale (AFS)
Securities that have been acquired neither for short-term sale nor to be held to maturity. These are shown at fair value on the statement of financial position and changes in value are taken straight to equity instead of the income statement.

Association of British Insurers (ABI)
A major trade association for UK insurance companies, established in July 1985.

Acquired value of in force (AVIF)
The present value of future profits on a portfolio of long-term insurance and investment contracts, acquired either directly or through the purchase of a subsidiary.

Bancassurance/Affinity
An arrangement whereby banks and building societies sell insurance and investment products to their customers on behalf of other financial providers.

Cash remittances
Amounts paid by our operating businesses to the Group, comprising dividends and interest on internal loans.

Combined operating ratio (COR)
General insurance COR is calculated as incurred claims expressed as a percentage of net earned premiums, plus written commissions and written expenses expressed as a percentage of net written premiums.

Deferred acquisition costs (DAC)
The costs directly attributable to the acquisition of new business for insurance and investment contracts may be deferred to the extent that they are expected to be recoverable out of future margins in revenue on these contracts.

Fair value
The price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial Conduct Authority (FCA)
Is one of the two bodies (along with the PRA) which replaced the Financial Services Authority from the 1 April 2013. The FCA is a company limited by guarantee and is independent of the Bank of England. It is responsible for the conduct business regulation of all firms (including those firms subject to prudential regulation by the PRA) and the prudential regulation of firms not regulated by the PRA. The FCA has three statutory objectives: securing an appropriate degree of protection for consumers, protecting and enhancing the integrity of the UK financial system and promoting effective competition in the interests of consumers.

Funds under management
Represents all assets actively managed or administered by or on behalf of the Group including those funds managed by third parties.

Gross written premiums
The total earnings or revenue generated by sales of insurance products, before any reinsurance is taken into account. Not all premiums written will necessarily be treated as income in the current financial year, because some of them could relate to insurance cover for a subsequent period.

Independent Financial Advisers (IFAs)
A person or organisation, authorised under the FCA, to give independent advice on financial matters.

Internal Rate of Return (IRR)
A discount rate used to measure profitability. The rate used is that which will bring a series of cash flows to a net present value of nil.

International financial reporting standards (IFRS)
These are accounting regulations designed to ensure comparable statement of financial position preparation and disclosure, and are the standards that all publicly listed companies in the European Union are required to use.

Inherited estate
In the UK, the assets of the long-term with-profit funds less the realistic reserves for non-profit policies written within the with-profit funds, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs and guarantees.

Long-term and savings business
Collective term for life insurance, pensions, savings, investments and related business.

Net written premiums
Total gross written premiums for the given period, minus premiums paid over or 'ceded' to reinsurers.

New business strain (NBS)
The name given to an initial impact on shareholders' net assets when an insurance contract is sold. This "strain" arises because, in addition to meeting costs associated with the sale of contracts, insurance companies must meet capital and reserving requirements at the outset of a contract that are often significantly higher than the premiums received.

Operating expenses
The day-to-day expenses involved in running a business, such as sales and administration, as opposed to production costs.

Operating expense ratio
The Group operating expense ratio is calculated as the Group's operating expenses expressed as a percentage of the Group's operating profit before Group debt costs and operating expenses.

Operating profit
This is a non-GAAP financial performance measure also referred to as adjusted operating profit or operating profit (IFRS basis). It is based on expected investment returns, and stated before tax and before non-operating items including impairment of goodwill, amortisation and impairment of acquired value of in-force business, exceptional and other items.

Present value of new business (PVNBP)
Present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine the value of new business under Market Consistent Embedded Value (MCEV) principles published by the CFO Forum.

Prudential Regulatory Authority (PRA)
Is one of the two bodies (along with the FCA) which replaced the Financial Services Authority from the 1 April 2013. The PRA is a part of the Bank of England and is responsible for the prudential regulation of deposit taking institutions, insurers and major investment firms. The PRA has two statutory objectives: to promote the safety and soundness of these firms and, specifically for insurers, to contribute to the securing of an appropriate degree of protection for policyholders.

Risk-adjusted returns
Adjusting profits earned and investment returns by how much risk is involved in producing that return or profit.

Solvency II
These are insurance regulations designed to harmonise EU insurance regulation. Primarily this concerns the amount of capital that European insurance companies must hold under a measure of capital and risk. Solvency II becomes effective from 1 January 2016.

Total shareholder return
A measure of company performance based on the overall value to shareholders of their investment in a stock over a given period of time. Includes movement in the share price and dividends paid and reinvested, expressed as a percentage of the initial value of the investment or share price at the beginning of the period.

UK Corporate Governance Code
The code sets out guidance in the form of principles and provisions on how companies should be directed and controlled to follow good governance practice.

Value of new business (VNB)
VNB is the present value of future profits from new business written at the point of sale. It is calculated on a market consistent basis using economic assumptions set at the start of each quarter or more frequently and the same operating assumptions as those used to determine the embedded value at the end of the reporting period and is stated after the effect of any frictional costs. Unless otherwise stated, it is quoted net of tax and non-controlling interests.

Market Consistent Embedded Value (MCEV) terms

Asymmetric risk
Risks that will cause shareholder profits to vary where the variation above and below the average are not equal in distribution.

CFO Forum
The CFO Forum (www.cfoforum.nl) is a group formed by the chief financial officers of major European listed and non-listed insurance companies. Its aim is to discuss issues relating to proposed new accounting regulations for their businesses and how they can create greater transparency for investors.

Cost of non-hedgeable risks
This is the cost of undertaking those risks for which a deep and liquid market in which to hedge that risk does not exist. This can include both financial risks and non-financial risks such as mortality, persistency and expense.

Covered business
The contracts to which the MCEV methodology has been applied.

Financial options and guarantees
Features of the covered business conferring potentially valuable guarantees underlying, or options to change, the level or nature of policyholder benefits and exercisable at the discretion of the policyholder, whose potential value is impacted by the behaviour of financial variables.

Free surplus
The amount of any capital and surplus allocated to, but not required to support, the in-force covered business.

Frictional costs
The additional taxation and investment costs incurred by shareholders through investing the Required Capital in the Company rather than directly.

Group MCEV
A measure of the total consolidated value of the Group with covered life business included on an MCEV basis and non-covered business (including pension schemes and goodwill) included on an IFRS basis.

Gross risk-free yields
Gross of tax yields on risk-free fixed interest investments, generally swap rates under MCEV.

Implicit items
Amounts allowed by local regulators to be deducted from capital amounts when determining the EU required minimum margin.

Life business
Subsidiaries selling life and pensions contracts that are classified as covered business under MCEV.

Life MCEV
The MCEV of covered business as at the reporting date.

Liquidity premium
An addition to the risk-free rate used when projecting investment returns and discounting cash flows on certain types of contracts where the liabilities are illiquid and have cash flows that are predictable.

Look-through basis
Inclusion of the capitalised value of profits and losses arising from subsidiary companies providing administration, investment management and other services to the extent that they relate to covered business.

Market consistent embedded value (MCEV)
A measure of the value of a life business to its shareholders. It is the sum of shareholders net assets and today's value of the future profits that are expected to emerge from business already written, where the assumptions used to calculate future profits are consistent with current market prices for traded assets.

Net worth
The market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets, and consists of the required capital and free surplus.

New business margin
New business margins are calculated as the value of new business divided by the present value of new business premiums (PVNBP), and expressed as a percentage.

Real world equivalent Embedded Value (EqEV)
As for other embedded value measures, EqEV is a way of measuring the current value to shareholders of the in-force portfolio of a life and pensions business. EqEV includes the value of future profits and uses a set of realistic assumptions, including real world expected investment returns, allowing for the impact of the uncertainty in these returns in the risk discount rate.

Required capital
The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted.

Service companies
Companies providing administration or fund management services to the covered business.

Solvency cover
The excess of the regulatory value of total assets over total liabilities, divided by the regulatory value of the required minimum solvency margin.

Statutory basis
The valuation basis and approach used for reporting financial statements to local regulators.

Stochastic techniques
Techniques that allow for the potential future variability in assumptions.

Symmetric risks
Risks that will cause shareholder profits to vary where the variation above and below the average are equal and opposite. Financial theory says that investors do not require compensation for non-market risks that are symmetrical as the risks can be diversified away by investors.

Time value and intrinsic value
A financial option or guarantee has two elements of value, the time value and intrinsic value. The intrinsic value is the discounted value of the option or guarantee at expiry, assuming that future economic conditions follow best estimate assumptions. The time value is the additional value arising from uncertainty about future economic conditions.

2015 financial calendar

Announcement of third quarter Interim Management Statement	29 October 2015

* The full financial calendar is available at www.aviva.com/investor-relations/financial calendar.

Annual General Meeting (AGM)

- The voting results for the 2015 AGM, including proxy votes and votes withheld, can be viewed on our website at www.aviva.com/agm. There, you will also find a webcast of the formal business of the meeting and information relating past general meetings.

Dividends
2015 interim dividend dates – ordinary shares

Ex-dividend date*	8 October 2015
Record date	9 October 2015
Dividend payment date*	17 November 2015
Last day for Dividend Reinvestment Plan election	27 October 2015

* Please note that the ADR ex-dividend date will be 7 October 2015. The ADR dividend payment date will be 23 November 2015.

- Dividends on ordinary shares are normally paid in May and November – please see the table above for the key dates in respect of the 2015 interim dividend.
- Dividends on preference shares are normally paid in March, June, September and December – please visit www.aviva.com/preferenceshares for the latest dividend payment dates.
- Holders of ordinary and preference shares will receive any dividends payable in sterling and holders of ADRs will receive any dividends payable in US dollars.

Dividend Reinvestment Plan
- The Company offers a Dividend Reinvestment Plan which provides the option for eligible shareholders to reinvest their cash dividend in additional ordinary shares in the Company.
- Completed application forms must be sent to the Company's Registrar, Computershare Investor Services PLC (Computershare), by no later than 5pm on 27 October 2015.

Direct credit of dividend payments
- If you would like to have your cash dividends paid directly into your bank or building society account, please visit www.aviva.com/dividendmandate for more information or contact the Company's Registrar, Computershare, using the contact details overleaf.

Overseas global dividend service
- The Global Payments Service provided by Computershare enables shareholders living overseas to elect to receive their dividends in a choice of over 65 international currencies. For further details and fees for this service please visit www.investorcentre.co.uk/faq and select the Dividends and Payments tab, followed by Global Payment Service.

ShareGift
ShareGift is a UK registered charity (No. 1052686) which specialises in realising the value locked up in small shareholdings for charitable purposes. The resulting proceeds are donated to a wide range of charities, reflecting suggestions received from donors. Should you wish to donate your shares in this way, please visit www.ShareGift.org/donate-shares for more information about how to proceed. Further details about ShareGift can be found at www.ShareGift.org.

Online Shareholder Services

View and manage your holdings online
As an Aviva shareholder you can make a positive impact by electing for electronic communications and managing your shareholding online at www.aviva.com/ecomms.

The Investor Centre is a free, secure online service run by the Computershare, giving you convenient access to information on your shareholdings.

Manage your shareholding online and take advantage of the following features and more:

- View all of your Computershare managed holdings and their market values
- Update your dividend mandate bank instructions and your home address across your entire portfolio in a single transaction
- Apply to join the Aviva Dividend Reinvestment Plan
- Choose to have your dividend paid in your local currency direct to your bank account*
- View your transaction and payment history
- Check details of outstanding payments and request for replacement payments to be issued
- Elect to receive important shareholder communications by email or in hard copy format
- Download useful forms

To register you will be required to enter your Aviva Shareholder Reference Number (beginning with a C, I, or G followed by 10 numbers) which you can find at the top of any Aviva shareholder correspondence received from Computershare.

*Company and Currency restrictions apply

Be ScamSmart – Spot the warning signs
Investment scams are designed to look like genuine investments.

Have you been…

- Contacted out of the blue
- Promised tempting returns and told the investment is safe
- Called repeatedly, or
- Told the offer is only available for a limited time?

If so, you might have been contacted by fraudsters.

How to avoid share fraud

1) Reject cold calls
If you've been cold called with an offer to buy or sell shares, chances are it's a high risk investment or a scam. You should treat the call with extreme caution. The safest thing to do is hang up.

2) Check the firm on the FS register at www.fca.org.uk/register
The Financial Services Register is a public record of all the firms and individuals in the financial industry that are regulated by the FCA.

3) Get impartial advice
Think about getting impartial financial advice before you hand over any money. Seek advice from someone unconnected to the firm that has approached you.

Find out more at www.fca.org.uk/scamsmart.

Contact details

Ordinary and preference shares – Computershare Investor Services Plc

For any queries regarding your shareholding, or to advise of changes to your personal details, please contact our Registrar, Computershare:

By telephone: 0371 495 0105
Lines are open from 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays).
Please call +44 117 378 8361 if calling from outside the UK.

By email: AvivaSHARES@computershare.co.uk

In writing: Computershare Investor Services Plc, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ

American Depositary Receipts (ADRs) – Citibank

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank):

By telephone: 1 877 248 4237 (1 877-CITI-ADR), or +1 781 575 4555 if you are calling from outside the US. (Lines are open from 8.30am to 6pm, Monday to Friday US Eastern Standard Time).

By email: citibank@shareholders-online.com

In writing: Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island 02940-3077 USA

Please visit www.citi.com/dr for further information about Aviva's ADR programme.

Group company secretary

Shareholders may contact the group company secretary as follows:

By email: aviva.shareholders@aviva.com

In writing: Kirstine Cooper, Group Company Secretary, St Helen's, 1 Undershaft, London EC3P 3DQ

By telephone: +44 (0)20 7283 2000

Useful links for shareholders

Online Shareholder Services Centre
www.aviva.com/shareholders

Dividend information for ordinary shares
www.aviva.com/dividends

Annual General Meeting information
www.aviva.com/agm

Aviva share price
www.aviva.com/shareprice

ADR holders
www.aviva.com/adr

Aviva preference shareholders
www.aviva.com/preferenceshares

Aviva preference share price
www.londonstockexchange.com

Aviva reports information
www.aviva.com/reports

Do you receive duplicate documents?

A number of shareholders still receive duplicate documentation and split dividend payments as a result of having more than one account on the Aviva Register of Members. If you think you fall into this group and would like to combine your accounts, please contact Computershare.