Aviva plc

2022 comparative results under IFRS 17 and IFRS 9

19 July 2023

This document provides initial comparative information for the six months to 30 June 2022 and the year to 31 December 2022, restated for the adoption of International Financial Reporting Standard (IFRS) 17 Insurance Contracts (IFRS 17) and IFRS 9 Financial Instruments (IFRS 9) and should be read in conjunction with the IFRS 17 transition update presentation slides. This document also sets out our new key performance indicators under IFRS 17 and how these should be interpreted. These new key performance indicators will be Alternative Performance Measures (APMs) and feature in our disclosures going forward.

The financial information on which this document is based is unaudited and has been prepared in accordance with the accounting policies of Aviva plc together with its subsidiaries (collectively, the 'Group' or 'Aviva') as set out in the Aviva plc Annual Report and Accounts 2022, including those policies impacted by Aviva's adoption of IFRS 17 as set out in note 62: IFRS 17 Transition. The financial information does not constitute financial statements prepared in accordance with IFRS and it should be read in conjunction with the Aviva plc Annual Report and Accounts 2022 and Aviva plc Half Year Report 2022, which are available on the Company's website, at https://www.aviva.com/investors.

Any assessments, assumptions, estimates or expectations under or relating to IFRS 17 in this document reflect Aviva's current view of the impact of IFRS 17. The financial information is subject to change, in the course of preparation of the year to 31 December 2023 financial results and this change may be material or significant.

Introduction

The Group has adopted IFRS 17 from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position has been produced as at that date and is included in note 5.vi.

IFRS 17 is a new accounting standard that provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4 Insurance Contracts, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies. The application of IFRS 17 significantly impacts the measurement and presentation of insurance and participating investment contracts and reinsurance contracts. The financial impact of measurement changes is more significant for life insurance than non-life insurance contracts, however there are significant changes to presentation and disclosures for all insurance contracts. Investment contracts with no significant insurance risk or discretionary participation features, equity release mortgage loans and investment management business are out of scope and are therefore not impacted by the new standard. Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the income statement is based on the concept of insurance service provided during the period and the disclosures provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

The Group has also adopted IFRS 9 from 1 January 2023. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Group had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17. IFRS 9 has not resulted in any measurement differences on adoption by the Group, but does impact some of the the disclosure relating to financial instruments.

Contents

1 - Summary overview

1.i - Key messages

In advance of Aviva plc's Half Year 2023 results, which will be reported on an IFRS 17 and IFRS 9 basis, this document provides restated comparative results for the six months ended 30 June 2022 and the year ended 31 December 2022. The restatements provide comparatives for future reporting and are consistent with the guidance provided in the Aviva plc Annual Report and Accounts 2022, including those accounting policies impacted by Aviva's adoption of IFRS 17 as set out in note 62: IFRS 17 Transition.

When reviewing the restated 2022 financial information, it is important to recognise the following key points:

- **The introduction of IFRS 17 does not impact Aviva's strategy, capital generation, dividend guidance, or capital return outlook.**
- **We remain on track to meet or beat our existing Group targets** of cash remittances (>£5.4 billion over 2022-2024), Solvency II operating own funds generation (£1.5 billion per annum by 2024) and gross cost reduction (£750 million over 2018-2024).
- **The business unit which was previously reported as 'UK & Ireland Life' will be reported as 'UK & Ireland Insurance, Wealth and Retirement' and abbreviated as 'IWR' going forward. No change has been made to the perimeter of the business and related results when compared to the previously published results for 2022.**
- **IFRS 17 is an accounting change that does not impact the way in which our business operates. Under IFRS 17 total profit remains unchanged over the lifetime of a contract**, however the timing of when profit emerges will be altered, resulting in increased long-term predictability of profit.
- Under IFRS 17, **insurance contract profit is recognised over the lifetime of the contract**, with no profit recognised at inception as was the case under IFRS 4. The future unearned profit on insurance contracts is deferred to a contractual service margin (CSM) liability included on the Aviva plc balance sheet.
- Business unit operating profit for full year 2022 is £1,893 million under IFRS 17, compared with £2,573 million under re-presented IFRS 4 (see note 1.iii). **IFRS 17 business unit operating profit is 15% lower than IFRS 4 when normalised for assumption changes**[1], **and in line with the guidance provided in December 2022.**
- Lower business unit operating profit under IFRS 17 is largely due to the deferral of IWR new business profit and assumption changes, which have increased the CSM. In addition, IFRS 4 results have been re-presented for other methodology changes, unrelated to the adoption of IFRS 17, for calculating investment return in General Insurance and the presentation of market movements on policyholder tax in the Heritage business of IWR.
- **Business unit operating profit under IFRS 17 reflects the Group's balanced earnings mix from our diversified business model**, with significant contribution from our capital-light businesses of Protection & Health, Wealth, and General Insurance.
- **Group adjusted operating profit before tax for full year 2022 is £1,350 million under IFRS 17**, compared to £2,030 million under re-presented IFRS 4.
- **IFRS loss for full year 2022 is £(1,030) million under IFRS 17 compared to £(1,139) million under IFRS 4**, with lower investment variances on General Insurance business broadly offsetting the reduction in Group adjusted operating profit. Investment variances on General Insurance business now include variances on both assets and liabilities. Under IFRS 4, investment variances on General Insurance business included variances on the assets but not on the majority of the liabilities, as they were largely undiscounted.
- The CSM (gross of tax) of £6,463 million and risk adjustment of £1,326 million, as at 31 December 2022, **represent a stock of future profit of £7,789 million which will be released into the income statement over the life of the insurance contracts** and as risks expire. **It will provide a more stable, predictable profit over time**.
- **Adjusted IFRS Shareholders' equity, which is calculated as reported IFRS Shareholders' equity plus CSM (net of tax), at 31 December 2022 is £14,331 million. This provides a more complete reflection of Shareholder value as it includes the stock of future value in the CSM, although does not include an equivalent future value of business outside the scope of IFRS 17.** IFRS Shareholders' equity, on a reported basis was £9,449 million under IFRS 17 as at 31 December 2022, £2,440 million lower than under IFRS 4.
- **There are no financial impacts to Aviva from the introduction of IFRS 9.**
- **The Solvency II position is unchanged and all cash flows are unaffected.**

1. Assumption changes of £552 million in FY22 have been adjusted by £352 million to represent a more normal level of £200 million expected in IWR

1.ii – Key financial impacts

Profit	IFRS 17 Full year 2022 £m	IFRS 4 Full year 2022 £m	IFRS 17 6 months 2022 £m	IFRS 4 6 months 2022 £m
UK & Ireland Insurance, Wealth and Retirement (IWR)[1]	**1,199**	1,833	**500**	580
UK & Ireland General Insurance[1]	**278**	299	**163**	160
Canada General Insurance[1]	**352**	364	**201**	184
Aviva Investors	**25**	25	**14**	14
International investments (India, China and Singapore)	**39**	52	**49**	55
Business unit operating profit	**1,893**	**2,573**	**927**	**993**
Business unit operating profit (normalised[2] for IWR assumption changes)	***1,893***	*2,221*	***927***	*993*
Corporate centre costs and Other operations	**(297)**	(297)	**(138)**	(138)
Group debt costs and other interest	**(246)**	(246)	**(128)**	(128)
Group adjusted operating profit before tax[3]	**1,350**	2,030	**661**	727
Operating earnings per share[1,4]	**39.9 p**	61.6 p	**18.1 p**	20.5 p
IFRS loss for the period[3]	**(1,030)**	(1,139)	**(398)**	(633)
Basic earnings per share	**(35.0)p**	(38.2) p	(12.0)p	(18.8) p

Operating value added[5]	IFRS 17 Full year 2022 £m	IFRS 17 6 months 2022 £m
UK & Ireland Insurance, Wealth and Retirement (IWR)[6]	**1,635**	**486**
UK & Ireland General Insurance	**278**	**163**
Canada General Insurance	**352**	**201**
Aviva Investors	**25**	**14**
International investments (India, China and Singapore)	**39**	**49**
Business unit operating value added	**2,329**	**913**
Corporate costs and Other operations[6]	**(307)**	**(139)**
Group debt costs and other interest	**(246)**	**(128)**
Group operating value added	**1,776**	**646**

Combined Operating Ratio (COR)	IFRS 17 Full year 2022	IFRS 4 Full year 2022	IFRS 17 6 months 2022	IFRS 4 6 months 2022
Group discounted COR	**94.3 %**	N/A	**92.8 %**	N/A
Group undiscounted COR	**95.2 %**	N/A	**93.8 %**	N/A
Group reported COR	N/A	94.6 %	N/A	94.0 %

Balance sheet	IFRS 17 31 December 2022 £m	IFRS 4 31 December 2022 £m	IFRS 17 30 June 2022 £m	IFRS 4 30 June 2022 £m
Contractual service margin	**6,463**	N/A	**5,956**	N/A
Risk adjustment	**1,326**	N/A	**1,621**	N/A
Stock of future profit (gross of tax)	**7,789**	N/A	**7,577**	N/A
IFRS Shareholders' equity[7]	**9,449**	11,889	**11,157**	13,453
Adjusted IFRS Shareholders' equity[8]	**14,331**	N/A	**15,655**	N/A
IFRS Shareholders' equity per share	**337 p**	423 p	**398 p**	480 p
Adjusted IFRS Shareholders' equity[7] per share	**510 p**	N/A	**559 p**	N/A

Basic earnings per share is calculated based on the weighted average number of ordinary shares in issue for the period (FY22: 3,126 million; HY22: 3,474 million) and IFRS Shareholders' equity per share and Adjusted IFRS Shareholders' equity per share are based on the closing ordinary shares in issue (31 December 2022: 2,808 million; 30 June 2022: 2,803 million). The weighted average number of ordinary shares in issue for the period ended 30 June 2023 was 2,768 million and the closing ordinary shares in issue at 30 June 2023 was 2,738 million.

1. The IFRS 4 results have been re-presented as set out in note 1.iii
2. Assumption changes of £552 million in FY22 have been adjusted by £352 million to represent a more normal level of £200 million expected in IWR
3. See note 3 for the reconciliation of Group adjusted operating profit to IFRS loss for the period
4. Operating earnings per share in 2022 was impacted by the share consolidation completed on 16 May 2022. The operating earnings per share numbers have been calculated using weighted average number of shares as if the share consolidation had taken place on 1 January 2022.
5. Operating value added is an aggregate of operating profit and operating changes in the CSM for the IFRS 17 business. For non-IFRS 17 business, operating value added equates to operating profit.
6. IWR operating value added excludes the impact of intra-group reinsurance of Periodic Payment Orders (PPOs). This intra-group reinsurance is reported under 'other operations'.
7. IFRS Shareholders' equity is equity attributable to shareholders of Aviva plc, less preference capital
8. Adjusted IFRS Shareholders' equity is IFRS Shareholders' equity plus CSM, net of tax

1.iii - IFRS 4 re-presented impacts

The Group adjusted operating profit methodology has been updated in two areas, unrelated to the adoption of IFRS 17, leading to a re-presentation of the previously reported IFRS 4 results. Firstly, IWR IFRS 4 operating profit results have been re-presented to reflect an update to the methodology to report the volatility from the impact of market movements on policyholder tax in the Heritage business, in non-operating investment variances and economic assumption changes. Secondly, General Insurance results reflect a change in the calculations of investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business. Any variances between expected and actual return will be reported in non-operating investment variances and economic assumption changes.

These changes have been applied for IFRS 17 results and the impact of these IFRS 4 re-presentations are set out in the table below:

Profit	IFRS 4 as reported Full year 2022 £m	Methodology changes Full year 2022 £m	IFRS 4 re-presented Full year 2022 £m	IFRS 4 as reported 6 months 2022 £m	Methodology changes 6 months 2022 £m	IFRS 4 re-presented 6 months 2022 £m
UK & Ireland Insurance, Wealth and Retirement (IWR)	**1,908**	(75)	**1,833**	**651**	(71)	**580**
UK & Ireland General Insurance	**338**	(39)	**299**	**171**	(11)	**160**
Canada General Insurance	**433**	(69)	**364**	**204**	(20)	**184**
Aviva Investors	**25**	—	**25**	**14**	—	**14**
International investments (India, China, Singapore)	**52**	—	**52**	**55**	—	**55**
Business unit operating profit	**2,756**	(183)	**2,573**	**1,095**	(102)	**993**
Corporate centre costs and Other operations	**(297)**	—	**(297)**	**(138)**	—	**(138)**
Group debt costs and other interest	**(246)**	—	**(246)**	**(128)**	—	**(128)**
Group adjusted operating profit before tax[2]	**2,213**	(183)	**2,030**	**829**	(102)	**727**
Adjusted for the following:						
IWR and International investments	**(2,387)**	75	**(2,312)**	**(537)**	71	**(466)**
General Insurance and Other	**(1,228)**	108	**(1,120)**	**(933)**	31	**(902)**
Investment variances and economic assumption changes	**(3,615)**	183	**(3,432)**	**(1,470)**	102	**(1,368)**
Other non-operating adjusting items	**(203)**	—	**(203)**	**(157)**	—	**(157)**
IFRS loss before tax attributable to shareholders' profits	**(1,605)**	—	**(1,605)**	**(798)**	—	**(798)**
IFRS loss for the period	**(1,139)**	—	**(1,139)**	**(633)**	—	**(633)**

To show the impact of the transition to IFRS 17 on the 2022 operating profit on a comparable basis, IFRS 4 results of IWR sub-segments have also been re-presented. Further detail on the IWR IFRS 4 re-presentation is included in note 2.i.

1.iv - Key performance indicators

On adoption of IFRS 17, we have considered key performance indicators (KPIs) for our businesses, as well as the presentation of sub-segments within our IWR segment. These key performance indicators are Alternative Performance Measures (APMs) and will be used in our disclosures going forward.

- Group adjusted operating profit

  Group adjusted operating profit (operating profit) remains a key profitability measure and is now presented on an IFRS 17 basis. In line with IFRS 4, it incorporates an expected return on investments supporting the life and non-life insurance businesses. The Group considers this measure to continue to be important to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

- Operating value added

  Operating value added is a new measure to supplement operating profit. For the Annuities & Equity Release, Protection & Health and Heritage sub-segments of our IWR operations that are in scope of IFRS 17, the Group considers that operating value added is an important KPI as it allows for the drivers to be recognised at the time the value is generated (rather than being deferred), such as expected profits from new business and operating assumption changes. Operating value added is calculated as operating profit plus the operating change in CSM. No adjustment is made for the future value of the businesses for which no CSM liability has been established and operating value added is equated to operating profit.

- Combined operating ratio

  For general insurance businesses, the combined operating ratio (COR) remains an important KPI. Consistent with the approach under IFRS 4, it is presented on a net of reinsurance basis, but now includes the impact of discounting as aligned to IFRS 17 requirements (discounted COR). The Group considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed, and undiscounted COR will be disclosed alongside discounted COR.

2 – Financial impacts by business

2.i – UK & Ireland Insurance, Wealth and Retirement (IWR)

£m	IFRS 17 Full year 2022	Re-presented IFRS 4 Full year 2022	IFRS 17 6 months 2022	Re-presented IFRS 4 6 months 2022
Operating profit	**1,199**	1,833	**500**	580
Growth in operating CSM[1]	**436**	N/A	**(14)**	N/A
Operating value added	**1,635**	N/A	**486**	N/A

1. IWR operating value added excludes the impact of intra-group reinsurance of Periodic Payment Orders (PPOs). This intra-group reinsurance is reported under 'other operations'.

Overview

The application of IFRS 17 significantly impacts the measurement and disclosures of insurance and participating investment contracts and reinsurance contracts. The financial impact of measurement changes is significant for insurance contracts within the Protection & Health, Annuities & Equity Release and Heritage sub-segments of our IWR business. Investment contracts with no significant insurance risk or discretionary participation features, equity release mortgage loans and the Wealth business are out of scope and therefore not impacted by the new standard.

Operating performance

Operating profit

Under IFRS 17, the total profit on insurance contracts remains unchanged over the lifetime of a contract, however the timing of when profit emerges will be altered, resulting in increased long-term predictability of profit. The key drivers of operating profit on an IFRS 17 basis are:

- Insurance result, which is an aggregate of new business, release of stock of future profit (CSM and risk adjustment), experience variances, operating assumption changes, non-attributable expenses and other product specific earnings; and
- Investment result, reflecting expected investment return in excess of the unwind of insurance contract liability discounting (spread margins).

The insurance results will be recognised over the lifetime of the contract, with no profit recognised at inception as was the case under IFRS 4. Under the previous IFRS 4 reporting, the impact of operating assumption changes (including longevity releases), one-off product specific earnings and movement in deferred acquisition costs (DAC) were reported within the 'Other' category of IWR operating profit results. To show the impact of the transition to IFRS 17 on the 2022 operating profit on a comparable basis, IFRS 4 results have been re-presented to allocate the impact of operating assumption changes and one-off product specific earnings to Protection & Health, Wealth, Annuities & Equity Release and Heritage business results. As acquisition costs are now within IFRS 17 fulfilment cash flows and therefore implicitly deferred within the CSM, there will be no DAC movement.

As a result of the above re-presentation changes, IWR Other comprises cost of hedging, project costs, returns on excess shareholder assets and other items, where it is appropriate not to allocate to the businesses.

In addition, we have updated the methodology to report the volatility from the impact of market movements on policyholder tax in the Heritage business, outside of operating profit. The impact of market movements on policyholder tax will be calculated on an expected basis going forward and the variance between expected and actual basis will be reported as non-operating. This methodology update, unrelated to adoption of IFRS 17, has resulted in a reduction of 2022 IWR operating profit by £75 million on an IFRS 4 basis and is reflected in the IFRS 17 results.

The impact of the transition to IFRS 17 and other methodology changes on the 2022 operating profit is shown below.

Operating profit	IFRS 17 Full year 2022 £m	Re-presented[1] IFRS 4 Full year 2022 £m	IFRS 17 6 months 2022 £m	Re-presented[1] IFRS 4 6 months 2022 £m
Protection & Health	**193**	265	**75**	112
Wealth	**124**	124	**68**	68
Annuities & Equity Release	**798**	1,409	**265**	374
Heritage	**251**	318	**117**	106
Ireland	**11**	50	**9**	26
IWR Other	**(178)**	(170)	**(34)**	12
Change in DAC carrying value (reported in 'Other' under IFRS 4)	**N/A**	(163)	**N/A**	(118)
UK & Ireland Insurance, Wealth and Retirement (IWR)	**1,199**	1,833	**500**	580

1. The IFRS 4 results have been re-presented following adoption of IFRS 17, including the allocation of the impact of operating assumption changes and one-off product specific earnings to the respective sub-segments and the impact of methodology changes for policyholder tax in Heritage.

IWR operating profit for FY22 is £1,199 million on an IFRS 17 basis compared to £1,833 million on a re-presented IFRS 4 basis. The IFRS 4 re-presented operating profit for FY22 includes an elevated amount of assumption changes of £552 million. Normalising for the level of assumption changes to £200 million, FY22 IWR operating profit is 19% lower following the transition to IFRS 17. This reduction is mainly due to the deferral of profit from new business and assumption changes on the Annuities and Protection business to the CSM liability. The deferral of new business profit and favourable assumption changes have increased the CSM and will feature in future earnings going forward.

Protection & Health operating profit for FY22 is £193 million on an IFRS 17 basis compared to £265 million on an IFRS 4 basis . Annuities & Equity Release operating profit for FY22 is £798 million on an IFRS 17 basis compared to £1,409 million on an IFRS 4 basis. For both of these businesses, this is driven by the deferral of profit from new business and assumption changes to the CSM.

Heritage operating profit for FY22 is £251 million on IFRS 17 basis compared to £318 million on IFRS 4 basis.

Wealth is not impacted by the transition to IFRS 9 or IFRS 17.

Ireland operating profit reduction reflects the deferral of new business profits to the CSM.

Operating value added

For businesses within the Annuities & Equity Release, Protection & Health and Heritage sub-segments of our IWR operations that are in scope of IFRS 17, the Group considers that operating value added is an important KPI as it allows for the drivers of these sub-segments to be recognised at the time the value is generated (rather than being deferred), such as expected profits from new business and operating assumption changes. Operating value added is calculated as operating profit plus the operating change in CSM. No adjustment is made for the future value of the Wealth business for which no CSM liability has been established and operating value added is equated to operating profit.

Operating value added	Full year 2022 £m	6 months 2022 £m
Protection & Health	**265**	86
Wealth	**124**	68
Annuities & Equity Release	**1,292**	319
Heritage	**96**	34
Ireland	**36**	13
IWR Other	**(178)**	(34)
UK & Ireland Insurance, Wealth and Retirement (IWR)	**1,635**	486

Protection & Health

The below table sets out the key drivers of operating profit, changes in operating CSM and operating value added for the Protection & Health business.

		Full year 2022			6 months 2022	
£m	IFRS 17 Operating profit	IFRS 17 Changes in operating CSM	Operating value added	IFRS 17 Operating profit	IFRS 17 Changes in operating CSM	Operating value added
New business	—	132	**132**	—	65	**65**
Releases from stock of future profit	159	(146)	**13**	73	(68)	**5**
Operating assumption changes	20	84	**104**	—	—	—
Experience variances, expenses and other	(53)	(10)	**(63)**	(21)	8	**(13)**
Insurance result	126	60	**186**	52	5	**57**
Investment result	(12)	12	—	(3)	6	**3**
Health	79	—	**79**	26	—	**26**
Protection & Health	193	72	**265**	75	11	**86**

Insurance result

For FY22, £132 million of new business CSM was generated, split evenly across the first and second half, with no onerous new business written. Releases from the stock of future profit (CSM and risk adjustment) are the main source of operating profit under IFRS 17. Operating assumption changes, which were made through our usual cycle during the second half of 2022, included a reduction in expense, mortality and morbidity assumptions, predominantly deferred to the CSM. Experience variances impact operating profit where they relate to past and current service or CSM where they relate to future profit. Non-attributable expenses (the expenses not directly incurred to fulfil the contracts) of £40 million for FY22 and £24 million for HY22 are presented together with the experience variances.

Investment result

The investment result includes expected investment return in excess of the unwind of insurance contract liability discounting (spread margins) and the interest accretion on the CSM.

Health

The Health business is measured on the premium allocation approach, in line with other short-term business.

Wealth

Our Wealth business is not impacted by the transition to IFRS 9 or IFRS 17.

	Full year 2022 £m	6 months 2022 £m
Operating profit	**124**	**68**

Annuities & Equity Release

The below table sets out the key drivers of operating profit, changes in operating CSM and operating value added for the Annuities & Equity Release business.

£m	IFRS 17 Operating profit (Full year 2022)	IFRS 17 Changes in operating CSM (Full year 2022)	Operating value added (Full year 2022)	IFRS 17 Operating profit (6 months 2022)	IFRS 17 Changes in operating CSM (6 months 2022)	Operating value added (6 months 2022)
New business	49	253	**302**	—	109	**109**
Releases from stock of future profit	460	(365)	**95**	234	(184)	**50**
Operating assumption changes	222	261	**483**	—	—	—
Experience variances, expenses and other	(68)	202	**134**	(30)	57	**27**
Insurance result	663	351	**1,014**	204	(18)	**186**
Investment result	57	143	**200**	18	72	**90**
Equity Release	78	—	**78**	43	—	**43**
Annuities & Equity Release[1]	798	494	**1,292**	265	54	**319**

1. Excludes the impact of intra-group reinsurance of PPOs.

Insurance result

New business has generated £49 million of operating profit. IFRS 17 requires new business profits are deferred at inception, however we see a benefit from bringing the new business into our optimised portfolio compared to measuring each scheme on a stand-alone basis. Significant CSM of £253 million was generated in the period from writing new business, this was weighted to the second half of the year reflecting the higher volumes written in this period.

Releases from stock of future profit are the main source of operating profit under IFRS 17. These will be a stable, reliable source of profits that will grow with the writing of new business.

Operating assumption changes relate predominantly to positive longevity benefits in the second half. The operating value added impact of operating assumption changes is £483 million and is equivalent to the reduction in best estimate liabilities and risk adjustment. Due to the large difference between the opening 2022 discount rates, used to measure the best estimate liabilities and risk adjustment, and the locked-in interest rate, used to measure the CSM, £261 million was deferred in the CSM and the remaining £222 million (representing the difference between the movements in best estimate liabilities and risk adjustment, and the CSM) was recognised in FY22 operating profit.

Experience variances impact operating profit where they relate to past and current service or CSM where they relate to future profit. Non-attributable expenses (expenses not directly incurred to fulfil the contracts) of £27 million for FY22 and £16 million for HY22 are presented together with the experience variances.

Investment result

Investment result includes expected investment return in excess of the unwind of insurance contract liability discounting (spread margins) and the interest accretion on the CSM. In addition, investment result includes optimisation of the investment portfolio, including benefits from the sourcing of more or higher yielding assets than expected, that can be used for new business and re-risking the existing liabilities.

Equity Release

Our Equity Release business is measured under IFRS 9. There was no change in the measurement of equity release mortgages as a result of adoption of IFRS 9.

Heritage

The below table sets out the key drivers of operating profit, changes in operating CSM and operating value added for the Heritage business.

£m	IFRS 17 Operating profit (Full year 2022)	IFRS 17 Changes in operating CSM (Full year 2022)	Operating value added (Full year 2022)	IFRS 17 Operating profit (6 months 2022)	IFRS 17 Changes in operating CSM (6 months 2022)	Operating value added (6 months 2022)
New business	—	—	—	—	—	—
Releases from stock of future profit	181	(166)	**15**	90	(85)	**5**
Operating assumption changes	13	(15)	**(2)**	—	—	—
Experience variances, expenses and other	45	(42)	**3**	19	(30)	**(11)**
Insurance result	239	(223)	**16**	109	(115)	**(6)**
Investment result	12	68	**80**	8	32	**40**
Heritage	251	(155)	**96**	117	(83)	**34**

Insurance result

Heritage is closed to new business, and therefore no new business CSM is generated. Releases from stock of future profit will decrease over time, reflecting the run-off of the business. Unrelated to the adoption of IFRS 17, we have updated the methodology to recognise the impact of market movements on policyholder tax in the Heritage business to remove the volatility from operating profit. The impact of market movements on policyholder tax will be calculated on an expected basis going forward and the variance between expected and actual basis will be reported as non-operating.

Investment result

The investment result for Heritage includes the expected investment return in excess of the unwind of insurance contract liability discounting (spread margins) and the result from the non-IFRS 17 Heritage investment business within operating profit. The changes in operating CSM includes the expected investment return that is deferred in the CSM.

Ireland

Operating profit, change in operating CSM and operating value added is set out below for the Ireland business.

£m	Full year 2022 IFRS 17 Operating profit	Full year 2022 IFRS 17 Changes in operating CSM	Full year 2022 Operating value added	6 months 2022 IFRS 17 Operating profit	6 months 2022 IFRS 17 Changes in operating CSM	6 months 2022 Operating value added
Ireland	11	25	**36**	9	4	**13**

Higher operating value added in the second half of 2022 supported by beneficial experience variances on protection business and the placement of a new annuity reinsurance treaty, both affect future profit and are therefore deferred to the CSM.

IWR Other

As a result of the allocation of the impact of operating assumption changes and one-off product specific earnings to Protection & Health, Wealth, Annuities & Equity Release and Heritage business results, IWR Other includes cost of hedging, project costs, returns on excess shareholder assets and other items, where it is appropriate not to allocate to the businesses.

2.ii – Contractual service margin (CSM) analysis

The CSM is a new liability under IFRS 17 that represents a stock of future profit. It is recognised in our IWR businesses, most significantly in Annuities & Equity Release, reflecting the large, long term source of profits within our business.

CSM, net of reinsurance	1 January 2022 £m	31 December 2022 £m
Protection & Health	**681**	**738**
Annuities & Equity Release[1]	**3,639**	**4,042**
Heritage	**1,586**	**1,405**
Ireland	**240**	**278**
UK & Ireland Insurance, Wealth and Retirement (IWR)	**6,146**	**6,463**

1. Annuities & Equity Release CSM comprises annuities less intra-group reinsurance of PPOs. For operating value added purposes, this adjustment is reported under Other operations'.

The table below shows the movements in the CSM liability during 2022.

CSM analysis of change	Full year 2022 £m	6 months 2022 £m
Opening CSM (net of tax)	**4,640**	**4,640**
Add back tax on CSM	1,506	1,506
Opening CSM	**6,146**	**6,146**
New business	414	184
Interest accretion	155	77
Experience variances and other	238	70
Assumption changes	306	—
Release of CSM	(687)	(346)
Changes in operating CSM	**426**	**(15)**
Non-operating changes	(109)	(175)
Closing CSM	**6,463**	**5,956**
Tax on CSM	(1,581)	(1,458)
Closing CSM (net of tax)	**4,882**	**4,498**

In line with other performance indicators, movements in the CSM will be split between operating and non-operating, where the former contributes to operating value added.

Favourable assumption changes have supported growth in the CSM, reflecting the additional value in business we have written historically. For 2022 this was primarily a release of longevity, noting that in the CSM this is measured at the discount rates when the business was written ("locked-in rates") so was lower than the impact in IFRS 4 operating profit measured at low discount rates as at 1 January 2022.

For our Annuities & Equity Release and Protection & Health business (measured using the General Measurement Model) the CSM is calculated using locked-in rates, so non-operating movements on this business will be limited to rises in expenses due to inflation. For our Heritage business (measured on the Variable Fee Approach), there will also be a non-operating impact from economic variances on the shareholder share of the business.

The release of CSM in 2022 was 9.6% of the closing CSM, before allowing for the release. This level is expected to be repeated in future periods, noting that the release percentage may change depending on the mix and volumes of new business written in each period.

2.iii – General Insurance: UK & Ireland and Canada

£m (unless otherwise stated)	UK & Ireland General Insurance IFRS 17 Full year 2022	IFRS 4 Full year 2022	IFRS 17 6 months 2022	IFRS 4 6 months 2022	Canada General Insurance IFRS 17 Full year 2022	IFRS 4 Full year 2022	IFRS 17 6 months 2022	IFRS 4 6 months 2022
Operating profit[1]	**278**	299	**163**	160	**352**	364	**201**	184
Discounted COR	**96.1 %**	N/A	**94.8 %**	N/A	**92.0 %**	N/A	**90.0 %**	N/A
Undiscounted COR	**96.4 %**	N/A	**95.3 %**	N/A	**93.7 %**	N/A	**91.8 %**	N/A
IFRS 4 reported COR	N/A	96.1 %	N/A	95.6 %	N/A	92.5 %	N/A	91.7 %
GWP	**5,740**	5,740	**2,840**	2,840	**4,009**	4,009	**1,854**	1,854

1. IFRS 4 operating profit has been re-presented to reflect the updated methodology for the long-term investment return (LTIR) to an expected return approach.

Overview

The application of IFRS 17 impacts the measurement and disclosures of General Insurance contracts and reinsurance contracts. The financial impact of measurement changes is limited as the premium allocation approach has been applied for General Insurance contracts. The key financial impact of transition to IFRS 17 is the discounting of all of the incurred claims liability which is reported within underwriting results and impacts the Combined operating ratio (COR). In addition to reporting discounted COR, Aviva will provide undiscounted COR, which aligns more closely to the way in which the business is managed. The COR has not materially changed relative to IFRS 4. The unwind of discount is reported outside of underwriting results.

The IFRS 17 income statement disclosures reflect premium on an earned basis, compared to written basis under IFRS 4. Aviva will continue to provide detail on trading volumes in our General Insurance businesses on a written basis and report Gross written premiums (GWP) as an alternative performance measure (APM).

In addition to the impact of the transition to IFRS 17, we have updated our methodology for calculating investment return within operating metrics for our General Insurance results which will adopt an expected return approach based on economic assumptions at the start of the period, similar to that used by our life insurance businesses. Any variances between expected and actual return will continue to be reported within non-operating investment variances and economic assumption changes.

The impact of transition to IFRS 17 and other methodology changes on the 2022 operating profit is shown below.

UK & Ireland General Insurance

Operating performance

Operating profit	IFRS 17 Full year 2022 £m	IFRS 4[1] Full year 2022 £m	IFRS 17 6 months 2022 £m	IFRS 4[1] 6 months 2022 £m
Underwriting result	**178**	178	**119**	101
Investment return[1]	**94**	94	**46**	46
Unwind of discounting on incurred claims	**(26)**	—	**(16)**	—
Other[2]	**5**	3	**3**	3
UK	**251**	275	**152**	150
Ireland	**27**	24	**11**	10
UK & Ireland General Insurance total[1]	**278**	299	**163**	160

COR	IFRS 17 Full year 2022 %	IFRS 4[2] Full year 2022 %	IFRS 17 6 months 2022 %	IFRS 4[2] 6 months 2022 %
Personal lines	**96.2 %**	97.3 %	**96.1 %**	97.1 %
Commercial lines	**96.6 %**	94.9 %	**94.2 %**	93.9 %
UK	**96.4 %**	96.1 %	**95.2 %**	95.6 %
Ireland	**96.1 %**	95.8 %	**97.3 %**	96.2 %
Total undiscounted COR[3]	**96.4 %**	96.1 %	**95.3 %**	95.6 %
UK	**96.1 %**	N/A	**94.6 %**	N/A
Ireland	**95.9 %**	N/A	**97.3 %**	N/A
Total discounted COR	**96.1 %**	N/A	**94.8 %**	N/A

1. IFRS 4 operating profit has been re-presented to reflect the updated methodology for the investment return to an expected return approach.
2. Includes the results of non-insurance operations and pension scheme net finance costs.
3. IFRS 4 reported COR is largely undiscounted, however, includes discounting on latent claims and Periodic Payment Orders (PPOs). Whilst not directly comparable to undiscounted COR, it is a close proxy.

Operating profit

UK & Ireland General Insurance operating profit for FY22 is £278 million on an IFRS 17 basis compared to £299 million on an IFRS 4 basis.

Underwriting result for FY22 includes the benefit of the impact of discounting of incurred claims offsetting the change in the allowance for onerous contracts. The impact of discounting in 2022 was modest, reflecting the very low yields in force at the start of the year.

Ireland operating profit increased in the second half of 2022 due to an improved underwriting result.

Canada General Insurance

Operating performance

Operating profit	IFRS 17 Full year 2022 £m	IFRS 4 Full year 2022 £m	IFRS 17 6 months 2022 £m	IFRS 4 6 months 2022 £m
Underwriting result	**293**	270	**175**	141
Investment return[1]	**99**	99	**45**	45
Unwind of discounting on incurred claims	**(37)**	—	**(16)**	—
Other[2]	**(3)**	(5)	**(3)**	(2)
Total[1]	**352**	364	**201**	184

COR	IFRS 17 Full year 2022 %	IFRS 4 Full year 2022 %	IFRS 17 6 months 2022 %	IFRS 4 6 months 2022 %
Personal lines	**95.2 %**	94.7 %	**93.7 %**	94.4 %
Commercial lines	**90.9 %**	88.6 %	**88.2 %**	86.8 %
Total undiscounted COR[3]	**93.7 %**	92.5 %	**91.8 %**	91.7 %
Total discounted COR	**92.0 %**	N/A	**90.0 %**	N/A

1. IFRS 4 operating profit has been re-presented to reflect the updated methodology for the investment return to an expected return approach.
2. Includes the result of non-insurance operations and pension scheme net finance costs.
3. IFRS 4 reported COR is largely undiscounted, however, includes discounting on latent claims. Whilst not directly comparable to undiscounted COR, it is a close proxy.

Operating profit

Canada General Insurance operating profit for FY22 is £352 million on an IFRS 17 basis compared to £364 million on an IFRS 4 basis.

Underwriting result for FY22 includes the benefit of the impact of discounting of incurred claims partially offsetting the change in the allowance for onerous contracts. The drivers of the underwriting result are also reflected in the combined operating ratio (COR).

Gross Written Premiums (GWP)

GWP remains a useful measure of volumes written in the period and will continue to be reported. There is no change to GWP following the adoption of IFRS 17.

GWP	IFRS 17/IFRS 4 Full year 2022 £m	IFRS 17/IFRS 4 6 months 2022 £m
UK Personal lines	2,386	1,198
UK Commercial lines	2,931	1,430
UK	**5,317**	2,628
Ireland	423	212
UK & Ireland General Insurance	**5,740**	2,840
Canada Personal lines	2,466	1,138
Canada Commercial lines	1,543	716
Canada General Insurance	**4,009**	1,854
Total General Insurance	**9,749**	4,694

General insurance profit drivers

Full year 2022	UK Personal £m	UK Commercial £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Total £m
Net insurance revenue	2,298	2,233	4,531	391	4,922	2,368	1,305	3,673	8,595
Net claims incurred	(1,452)	(1,388)	(2,840)	(237)	(3,077)	(1,497)	(688)	(2,185)	(5,262)
Incurred commission	(485)	(472)	(957)	(60)	(1,017)	(428)	(287)	(715)	(1,732)
Incurred expenses	(275)	(281)	(556)	(77)	(633)	(292)	(188)	(480)	(1,113)
Underwriting result	86	92	178	17	195	151	142	293	488
Investment return			94	7	101			99	200
Unwind of discounting on incurred claims			(26)	4	(22)			(37)	(59)
Other[1]			5	(1)	4			(3)	1
Operating profit			251	27	278			352	630

Claims ratio	63.2 %	62.2 %	62.7 %	60.7 %	62.5 %	63.2 %	52.7 %	59.5 %	61.2 %
Of which:									
Prior year reserve development (%)			— %	(8.8)%	(0.7)%			(2.7)%	(1.5)%
Weather claims over/(under) long-term average (%)			0.6 %	(1.9)%	0.4 %			(0.8)%	(0.1)%
Discounting	0.1 %	(0.7)%	(0.3)%	(0.2)%	(0.3)%	(1.6)%	(1.7)%	(1.7)%	(0.9)%
Commission ratio	21.1 %	21.1 %	21.1 %	15.3 %	20.7 %	18.1 %	22.0 %	19.5 %	20.1 %
Expense ratio	12.0 %	12.6 %	12.3 %	19.9 %	12.9 %	12.3 %	14.5 %	13.0 %	13.0 %
Discounted COR	96.3 %	95.9 %	96.1 %	95.9 %	96.1 %	93.6 %	89.2 %	92.0 %	94.3 %
Undiscounted COR	96.2 %	96.6 %	96.4 %	96.1 %	96.4 %	95.2 %	90.9 %	93.7 %	95.2 %

Assets supporting general insurance business			
Debt securities	3,176	5,188	8,364
Equity securities[2]	111	166	277
Investment property	202	—	202
Cash and cash equivalents	1,477	436	1,913
Other[2, 3]	2,011	323	2,334
Assets at 31 December 2022	6,977	6,113	13,090
Debt securities	3,106	5,012	8,118
Equity securities	633	207	840
Investment property	271	—	271
Cash and cash equivalents	2,346	368	2,714
Other[3]	712	430	1,142
Assets at 31 December 2021	7,068	6,017	13,085
Average assets	7,023	6,065	13,088
Investment return as % of average assets	1.4 %	1.6 %	1.5 %

1. Includes the results of non-insurance operations and pension scheme net finance costs.
2. The reduction in equity securities during 2022 reflects a reallocation in the second half of 2022, in favour of equity unit trusts, which are reported in Other.
3. Other at 31 December 2022 includes loans, equity unit trusts and other financial investments and at 31 December 2021 includes loans and other financial investments.

The investment return as a % of average assets reflects the updated investment return methodology on an expected return basis. Asset holdings supporting the general insurance business are not changed by the transition to IFRS 17.

6 months 2022	UK Personal £m	UK Commercial £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Total £m
Net insurance revenue	1,153	1,057	2,210	190	2,400	1,132	608	1,740	4,140
Net claims incurred	(686)	(630)	(1,316)	(118)	(1,434)	(696)	(295)	(991)	(2,425)
Incurred commission	(264)	(231)	(495)	(29)	(524)	(213)	(142)	(355)	(879)
Incurred expenses	(149)	(131)	(280)	(38)	(318)	(133)	(86)	(219)	(537)
Underwriting result	54	65	119	5	124	90	85	175	299
Investment return			46	3	49			45	94
Unwind of discounting on incurred claims			(16)	2	(14)			(16)	(30)
Other[1]			3	1	4			(3)	1
Operating profit			152	11	163			201	364
Claims ratio	59.5 %	59.6 %	59.5 %	62.0 %	59.7 %	61.5 %	48.5 %	57.0 %	58.6 %
Of which:									
Prior year reserve development (%)			0.1 %	(5.2)%	(0.3)%			(0.7)%	(0.5)%
Weather claims over/(under) long-term average (%)			0.2 %	(3.0)%	(0.1)%			(0.3)%	(0.2)%
Discounting (%)	(0.8)%	(0.3)%	(0.6)%	— %	(0.5)%	(1.6)%	(2.2)%	(1.8)%	(1.0)%
Commission ratio	22.9 %	21.9 %	22.4 %	15.5 %	21.9 %	18.8 %	23.3 %	20.4 %	21.2 %
Expense ratio	12.9 %	12.4 %	12.7 %	19.8 %	13.2 %	11.8 %	14.2 %	12.6 %	13.0 %
Discounted COR	95.3 %	93.9 %	94.6 %	97.3 %	94.8 %	92.1 %	86.0 %	90.0 %	92.8 %
Undiscounted COR	96.1 %	94.2 %	95.2 %	97.3 %	95.3 %	93.7 %	88.2 %	91.8 %	93.8 %
Assets supporting general insurance business									
Debt securities					3,357			5,305	8,662
Equity securities					556			178	734
Investment property					292			—	292
Cash and cash equivalents					1,740			535	2,275
Other[2]					1,311			311	1,622
Assets at 30 June 2022					7,256			6,329	13,585
Debt securities					3,106			5,012	8,118
Equity securities					633			207	840
Investment property					271			—	271
Cash and cash equivalents					2,346			368	2,714
Other[2]					712			430	1,142
Assets at 31 December 2021					7,068			6,017	13,085
Average assets					7,162			6,173	13,335
Investment return as % of average assets					1.4 %			1.4 %	1.4 %

1. Includes the results of non-insurance operations and pension scheme net finance costs.
2. Includes loans and other financial investments.

2.iv – Aviva Investors

Aviva Investors performance is not impacted by the adoption of IFRS 17 or IFRS 9.

	IFRS 17 Full year 2022 £m	IFRS 4 Full year 2022 £m	IFRS 17 6 months 2022 £m	IFRS 4 6 months 2022 £m
Operating profit	**25**	25	**14**	14

Operating profit for Aviva Investors for FY22 is £25 million, or £48 million excluding cost reduction implementation, strategic investment costs and foreign exchange movements.

2.v – International investments (India, China and Singapore)

	IFRS 17 Full year 2022 £m	IFRS 4 Full year 2022 £m	IFRS 17 6 months 2022 £m	IFRS 4 6 months 2022 £m
Operating profit	**39**	52	**49**	55

International investments comprise our subsidiary in India, and our joint ventures in China and Singapore, and the operating results have been updated to reflect the adoption of IFRS 17 for business in scope of the standard. Operating profit includes 49% of India's results until 28 September 2022 and 100% of India's results from this date. The lower operating profit mainly reflects the impact of IFRS 17 on Singapore.

3 – Reconciliation of Group adjusted operating profit to loss for the period

	IFRS 17 Full year 2022 £m	IFRS 4 Full year 2022 £m	IFRS 17 6 months 2022 £m	IFRS 4 6 months 2022 £m
UK & Ireland Insurance, Wealth and Retirement (IWR)[1]	**1,199**	1,833	**500**	580
UK & Ireland General Insurance[1]	**278**	299	**163**	160
Canada General Insurance[1]	**352**	364	**201**	184
Aviva Investors	**25**	25	**14**	14
International investments (India, China and Singapore)	**39**	52	**49**	55
Business unit operating profit[1]	**1,893**	**2,573**	**927**	**993**
Corporate centre costs and Other operations	**(297)**	(297)	**(138)**	(138)
Group debt costs and other interest	**(246)**	(246)	**(128)**	(128)
Group adjusted operating profit before tax attributable to shareholders' profits[1]	**1,350**	**2,030**	**661**	**727**
Adjusted for the following:				
IWR and International investments business[1]	**(2,278)**	(2,312)	**(530)**	(466)
General Insurance and Other business[1]	**(458)**	(1,120)	**(584)**	(902)
Investment variances and economic assumption changes[1]	**(2,736)**	(3,432)	**(1,114)**	(1,368)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**(8)**	(8)	**(14)**	(14)
Amortisation and impairment of intangibles acquired in business combinations	**(54)**	(54)	**(25)**	(25)
Amortisation and impairment of acquired value of in-force business	**(68)**	(182)	**(34)**	(91)
Other	**41**	41	**(27)**	(27)
Adjusting items before tax	**(2,825)**	(3,635)	**(1,214)**	(1,525)
IFRS loss before tax attributable to shareholders' profits	**(1,475)**	(1,605)	**(553)**	(798)
Tax on Group adjusted operating profit	**(178)**	(252)	**(132)**	(129)
Tax on other activities	**623**	718	**287**	294
	445	466	**155**	165
IFRS loss for the period	**(1,030)**	(1,139)	**(398)**	(633)

1. IFRS 4 operating profit for IWR and IFRS 4 IWR investments variances and economic assumption changes have been re-presented to reflect the change in methodology movements on policyholder tax in the Heritage business. IFRS 4 operating profit for General insurance and IFRS 4 General Insurance and Other business investment variances and economic assumption changes have been re-presented for changes in LTIR methodology. See section 1.iii for more detail.

IFRS loss for the year ended 31 December 2022 is £1,030 million under IFRS 17 compared to £1,139 million under IFRS 4. The reduction in Group adjusted operating profit is offset by a reduction in investment variances on General Insurance business, which includes variances on both assets and liabilities under IFRS 17. Under IFRS 4, investment variances on General Insurance business included variances on asset position and economic assumption changes on PPOs and latent claim liabilities, as other General Insurance liabilities were undiscounted. Furthermore, the derecognition of AVIF on insurance contracts has led to a decrease in the amortisation of AVIF. There are no changes to impairment or amortisation of goodwill, joint ventures or amortisation of AVIF on non-participating investment contracts.

4 – IFRS Shareholders' equity

	IFRS 17 31 December 2022 £m	IFRS 17 31 December 2022 pence per share[2]	IFRS 17 30 June 2022 £m	IFRS 17 30 June 2022 pence per share[2]
IFRS Shareholders' equity[1] at 1 January	16,479	587p	16,479	588p
Group adjusted operating profit	1,350	48p	661	24p
Investment return variances and economic assumption changes	(2,736)	(97)p	(1,114)	(40)p
Other non-operating items	(89)	(3)p	(100)	(4)p
Tax on operating profit and on other activities	445	16p	155	6p
Non-controlling interests	(21)	(1)p	(11)	0p
Profit after tax attributable to shareholders of Aviva plc	(1,051)	(37)p	(409)	(15)p
Return of capital to ordinary shareholders via B share scheme	(3,750)	(134)p	(3,750)	(134)p
Remeasurements of pension schemes (net of tax)	(1,130)	(40)p	(405)	(15)p
Dividends and appropriations	(862)	(31)p	(550)	(19)p
Shares purchased in buyback	(336)	(12)p	(336)	(12)p
Other equity movements (net of tax)	99	4p	128	5p
IFRS Shareholders' equity[1] at 31 December/30 June	9,449	337p	11,157	398p
Total CSM	6,463	230p	5,956	212p
Less: Tax on CSM	(1,581)	(57)p	(1,458)	(51)p
Adjusted IFRS Shareholders' equity[1] at 31 December/30 June	14,331	510p	15,655	559p

1. Excluding preference shares of £200 million (30 June 2022: £200 million).
2. IFRS Shareholders' equity is based on the actual number of shares in issue at the closing balance sheet date. Therefore, for each period reported, the opening pence per share is updated from the previously reported closing pence per share and includes the effects of the reduction of the 79,987,629 shares acquired as part of the share buyback programme announced in August 2021 and the reduction of 884,957,280 shares under the share capital consolidation in May 2022. Number of shares as at 31 December 2022: 2,808 million (30 June 2022: 2,803 million). This is consistent with previous disclosure.

Equity attributable to shareholders of Aviva plc is impacted by the change in operating profit and investment variances and economic assumption changes under IFRS 17. Adjusted IFRS Shareholders' equity better reflects the shareholder value.

5 - Restated primary statements on an IFRS 17 basis

5.i - High level impacts to primary statements

The key impacts on Aviva plc's income statement, statement of financial position and other primary statements are outlined below. The impact of transition to IFRS 17 is consistent with the guidance provided in Aviva plc's 2022 Annual Report and Accounts, as set out in note 62: IFRS 17 Transition.

Impact on the 2022 income statement

Measurement and disclosure impacts

Under IFRS 17, insurance contract profit is recognised over the lifetime of the contract. IFRS 17 introduces significant changes to the measurement and presentation of the income statement for each reporting period, as set out below:

- The income statement presents results separately for insurance and participating investment contracts, before and after the impacts of financial risks. Other income and expenses not directly related to insurance and participating investment contracts are presented separately outside of the Insurance service result and the Net finance income/(expenses) from insurance, participating investment and reinsurance contracts.
- Insurance revenue replaces earned premiums and represents the allocation for service provided in the current period of the premiums received from insurance and participating investment contracts. The associated insurance expense (before the effect of financial risks) is included in Insurance service expenses, combining with Insurance revenue and net income/(expense) from reinsurance contracts to give the Insurance service result.
- The Net finance income/(expense) from the discounting and changes in financial risk of insurance contracts and participating investment contracts is shown separately within the Net financial result.
- The Net financial result also includes investment return and changes in non-participating investment contract liabilities, which mainly align to amounts previously reported.
- Other income and expense items are presented in a similar manner as previously reported. Tax credits have been updated to reflect the change to the loss for the period.

Financial impacts

- IFRS loss for full year 2022 is £(1,030) million under IFRS 17 compared to £(1,139) million under IFRS 4. The reduction in Group adjusted operating profit, largely due to the deferral of insurance contracts new business profit and assumption changes, is offset by the positive impact of discounting of General Insurance claims, reported within investment variances and economic assumption changes.
- Basic earnings per share for full year 2022 is (35.0) pence per share under IFRS 17 compared to (38.2) pence per share under IFRS 4.

Impact on the statement of financial position as at 31 December 2022

IFRS 17 introduces significant changes to the statement of financial position as set out below:

Measurement and disclosure impacts

- The contractual service margin (CSM) liability is introduced, representing the unearned profit of the insurance contracts which will be recognised as insurance revenue in line with the service provided to customers. In addition to the CSM, an explicit allowance for risk is recognised under IFRS 17 through the risk adjustment. Both are included within the insurance and participating investment contract liabilities and the corresponding reinsurance assets. CSM plus the risk adjustment represents the stock of future profit.
- Non-participating investment contract liabilities and related reinsurance assets in scope of IFRS 9 are now presented separately. Participating investment contracts in scope of IFRS 17 are presented within insurance and participating investment contract liabilities.
- Receivables, payables, policy loans and other liabilities in respect of insurance contracts in scope of IFRS 17 are now included within insurance and participating investment contract liabilities.
- The IFRS 4 concepts of acquired value in-force (AVIF), deferred acquisition costs (DAC) and unallocated divisible surplus (UDS) are no longer applied to produce separately recognised assets and liabilities in relation to insurance and participating investment contracts, instead they are implicitly included in the measurement of insurance contract liabilities. AVIF and DAC in respect of non-participating investment contracts are unchanged.
- Deferred tax balances have been updated reflecting the increase in liabilities. The reduction in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to a deferred tax asset as tax on profits is only paid once. The deferred tax asset will reverse as the CSM unwinds and profits are recognised in future.

Financial impacts

- On transition, consistent with the IFRS 17 disclosures in note 62 of the Aviva plc 2022 Annual Report and Accounts, the IFRS Shareholders' equity at 1 January 2022 reduced by £2,523 million from £19,002 million under IFRS 4 to £16,479 million under IFRS 17. The reduction in IFRS Shareholders' equity is primarily driven by the derecognition of AVIF and DAC costs and the move to best estimate of insurance contract liabilities, the creation of the new CSM liability of £6,146 million, net of reinsurance and the establishment of the risk adjustment of £2,082 million, net of reinsurance. The aggregate of the CSM liability and the risk adjustment of £8,228 million represents the stock of future profit added to the statement of financial position as at 1 January 2022.
- At 31 December 2022, IFRS Shareholders' equity of £9,449 million is further impacted by the restatement of the 2022 income statement, arising from the impact of revised income recognition and changes in interest rates during 2022.

5.ii - Restated condensed consolidated income statement

For the year ended 31 December 2022 and the six months ended 30 June 2022

	IFRS 17 Full year 2022 £m	IFRS 17 6 months 2022 £m
Insurance revenue	16,889	8,262
Insurance service expense	(15,467)	(7,327)
Net expense from reinsurance contracts	(383)	(225)
Insurance service result	1,039	710
Investment return	(37,699)	(30,685)
Net finance income from insurance contracts and participating investment contracts	24,534	16,386
Net finance expense from reinsurance contracts	(2,123)	(1,521)
Movement in non-participating investment contract liabilities	12,462	13,963
Net investment income attributable to unitholders	531	592
Net financial result	(2,295)	(1,265)
Fee and commission income	1,314	638
Share of profit after tax of joint ventures and associates	8	69
Other operating expenses	(1,762)	(911)
Other net foreign exchange losses	(73)	(68)
Other finance costs	(470)	(235)
Loss before tax	(2,239)	(1,062)
Tax attributable to policyholders' returns	764	509
Loss before tax attributable to shareholders' profits	(1,475)	(553)
Tax credit	1,209	664
Less: tax attributable to policyholders' returns	(764)	(509)
Tax attributable to shareholders' profits	445	155
Loss for the period	(1,030)	(398)
Attributable to:		
Equity holders of Aviva plc	(1,051)	(409)
Non-controlling interests	21	11
Loss for the period	(1,030)	(398)
Earnings per share		
Basic (pence per share)	(35.0)	(12.0)

5.iii - Restated condensed consolidated statement of comprehensive income

For the year ended 31 December 2022 and the six months ended 30 June 2022

	IFRS 17 Full year 2022 £m	IFRS 17 6 months 2022 £m
Loss for the period	(1,030)	(398)
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Share of other comprehensive loss of joint ventures and associates	(38)	(8)
Foreign exchange rate movements	119	183
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	6	(7)
Items that will not be reclassified to income statement		
Remeasurements of pension schemes	(1,542)	(583)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	412	178
Total other comprehensive loss, net of tax	(1,043)	(237)
Total comprehensive loss for the period	(2,073)	(635)
Attributable to:		
Equity holders of Aviva plc	(2,086)	(646)
Non-controlling interests	13	11
Total comprehensive loss for the period	(2,073)	(635)

5.iv - Restated condensed consolidated statement of changes in equity

For the year ended 31 December 2022 and the six months ended 30 June 2022

	IFRS 17 Full year 2022 £m	IFRS 17 6 months 2022 £m
Balance at 1 January	16,931	16,931
Loss for the period	(1,030)	(398)
Other comprehensive loss	(1,043)	(237)
Total comprehensive loss for the period	(2,073)	(635)
Return of capital to ordinary shareholders via B share scheme	(3,750)	(3,750)
Dividends and appropriations	(862)	(550)
Non-controlling interests share of dividends declared in the period	(21)	(11)
Reserves credit for equity compensation plans	58	6
Shares purchased under equity compensation plans	(54)	(46)
Issue of tier 1 notes	496	496
Non-controlling interests in acquired subsidiaries	66	—
Shares purchased in buyback	(336)	(336)
Balance at 31 December/30 June	10,455	12,105

5.v - Restated condensed consolidated statement of financial position

As at 31 December 2022 and 30 June 2022

	IFRS 17 31 December 2022 £m	**IFRS 17 30 June 2022 £m**
Assets		
Goodwill[1]	2,035	1,749
Acquired value of in-force business and intangible assets	1,029	939
Interests in, and loans to, joint ventures	1,872	1,961
Interests in, and loans to, associates	41	87
Property and equipment	350	411
Investment property	5,899	7,373
Loans	29,633	33,950
Financial investments	224,086	229,551
Reinsurance contract assets	6,727	6,686
Reinsurance assets for non-participating investment contracts	5,290	5,137
Deferred tax assets	1,344	844
Current tax assets	336	294
Receivables	3,479	3,672
Deferred acquisition costs	851	873
Pension surpluses and other assets	1,234	2,092
Prepayments and accrued income	2,822	2,641
Cash and cash equivalents	22,505	13,744
Total assets	309,533	312,004
Equity		
Capital		
Ordinary share capital	924	922
Preference share capital	200	200
	1,124	1,122
Capital reserves		
Share premium	1,263	1,253
Capital redemption reserve	3,855	3,855
Merger reserve	5,224	5,224
	10,342	10,332
Treasury shares	(85)	(83)
Currency translation reserve	485	531
Other reserves	(130)	(129)
Retained earnings[2]	(2,087)	(416)
Equity attributable to shareholders of Aviva plc	9,649	11,357
Tier 1 notes	496	496
Equity excluding non-controlling interests	10,145	11,853
Non-controlling interests	310	252
Total equity	10,455	12,105
Liabilities		
Insurance contract and participating investment contract liabilities	117,249	125,699
Non-participating investment contract liabilities	141,188	137,917
Net asset value attributable to unitholders	14,080	12,832
Pension deficits and other provisions[1]	724	716
Deferred tax liabilities	725	968
Current tax liabilities	39	25
Borrowings	6,755	6,911
Payables and other financial liabilities	15,751	12,163
Other liabilities	2,567	2,668
Total liabilities	299,078	299,899
Total equity and liabilities	309,533	312,004

1. Goodwill and Pension deficits and other provisions each restated by £37 million as at 31 December 2022, in line with the remeasurement period required by IFRS 3 Business Combinations following acquisition of an entity
2. Retained earnings of Aviva plc, the Company, were £5,248 million at 31 December 2022 (see note H on the Company Financial statements of the Aviva plc Annual Report and Accounts 2022). The retained earnings of Aviva plc are not impacted by the adoption of IFRS 17.

Insurance contract and participating investment contract liabilities includes £6,915 million for the contractual service margin (CSM) at 31 December 2022 (£6,035 million at 30 June 2022) and £2,058 million for the risk adjustment at 31 December 2022 (£2,378 million at 30 June 2022). Reinsurance contract assets includes £452 million for the CSM at 31 December 2022 (£79 million at 30 June 2022) and £732 million for the risk adjustment at 31 December 2022 (£757 million at 30 June 2022). This results in net CSM of £6,463 million at 31 December 2022 (£5,956 million at 30 June 2022) and net risk adjustment of £1,326 million (£1,621 million at 30 June 2022).

5.vi – Restated condensed opening consolidated statement of financial position

The financial impacts on transition to IFRS 17 are summarised in the table below, which sets out the restated opening consolidated statement of financial position on the IFRS 17 transition date of 1 January 2022 and the consolidated statement of financial position as at 31 December 2021 as previously reported under IFRS 4:

	IFRS 17 1 January 2022 £m	IFRS 4 31 December 2021 £m
Assets		
Goodwill	1,741	1,741
Acquired value of in-force business and intangible assets	994	1,950
Interests in, and loans to, joint ventures	1,784	1,855
Interests in, and loans to, associates	118	118
Property and equipment	428	428
Investment property	7,003	7,003
Loans	38,611	38,624
Financial investments	264,961	264,961
Reinsurance contract assets	8,157	15,032
Reinsurance assets for non-participating investment contracts[1]	5,122	N/A
Deferred tax assets	487	138
Current tax assets	170	170
Receivables	3,740	6,088
Deferred acquisition costs	892	2,721
Pension surpluses and other assets	2,769	2,769
Prepayments and accrued income	2,391	2,391
Cash and cash equivalents	12,485	12,485
Total assets	351,853	358,474
Equity		
Capital		
Ordinary share capital	941	941
Preference share capital	200	200
	1,141	1,141
Capital reserves		
Share premium	1,248	1,248
Capital redemption reserve	86	86
Merger reserve	8,974	8,974
	10,308	10,308
Treasury shares	(51)	(51)
Currency translation reserve	314	314
Other reserves	(66)	(66)
Retained earnings	5,033	7,556
Equity attributable to shareholders of Aviva plc	16,679	19,202
Tier 1 notes	—	—
Equity excluding non-controlling interests	16,679	19,202
Non-controlling interests	252	252
Total equity	16,931	19,454
Liabilities		
Insurance contract and participating investment contract liabilities (formerly gross insurance liabilities)	143,106	122,250
Non-participating investment contract liabilities (formerly gross liabilities for investment contracts)[1]	151,295	172,452
Unallocated divisible surplus	N/A	1,960
Net asset value attributable to unitholders	16,427	16,427
Pension deficits and other provisions	1,001	1,001
Deferred tax liabilities	1,466	1,983
Current tax liabilities	35	35
Borrowings	7,344	7,344
Payables and other financial liabilities	11,703	12,609
Other liabilities	2,545	2,959
Total liabilities	334,922	339,020
Total equity and liabilities	351,853	358,474

1. Non-participating investment contract liabilities and related reinsurance assets in scope of IFRS 9 are now presented as separate line items

Insurance contract and participating investment contract liabilities includes £6,246 million for the contractual service margin (CSM) and £3,301 million for the risk adjustment. Reinsurance contract assets includes £100 million for the CSM and £1,219 million for the risk adjustment. This results in net CSM of £6,146 million and net risk adjustment of £2,082 million.

Cautionary statement

This document should be read in conjunction with the documents distributed by Aviva plc (the 'Company' or 'Aviva') through The Regulatory News Service (RNS). 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 (including, without limitation, climate-related plans and goals). Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential', 'objective', 'predicts', 'ambition' 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 uncertain conditions in the global financial markets and the national and international political and economic situation generally (including those arising from the Russia-Ukraine conflict and uncertainty over the US Debt Ceiling); market developments and government actions; 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; reduce the value or yield of our investment portfolio and impact our asset and liability matching; the impact of changes in short or long-term interest rates and 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; 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 (including the longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance ('ESG') factors; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customers at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; failure to continually attract and retain talented, quality financial advisers; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; 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 and malicious acts (including cyber attack and theft, loss or misuse of customer data); 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 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 tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation; the inability to protect our intellectual property; the effect of undisclosed liabilities, separation issues and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, relating to future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation (for example, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities.

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