| Retirement | Investments | Insurance | Health |

We are Aviva

Aviva plc

Strategic report 2014

We are Aviva

We put our customers at the heart of everything we do, enabling us to offer the best possible service and increase employee engagement and customer advocacy.

I am very proud that we give our support, emotionally and financially, when it matters the most.

Debra
Aviva employee

Quick, professional, helpful. Sorted me out with the minimum of fuss and the maximum of help.

Jane and Andy
Aviva customers

All my insurance online with one company at a great price.

Reuben
Aviva customer

This report contains ‘forward-looking statements’ with respect to certain of the Group’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. For further details, reference should be made to the ‘Cautionary Statement’ on page 80. The Strategic Report of Aviva is incorporated by reference into the Directors’ and corporate governance report in our Annual report and accounts. The Directors’ and corporate governance report has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Who we are

We help people save for the future and manage the risks of everyday life.

We have strong businesses in selected markets: UK, Europe, Asia and Canada. We offer:

Read more on pages 32-45

Life Insurance
Retirement Income, Savings, Pensions, Life cover, Protection

General Insurance
Home, Motor, Travel, Commercial

Health Insurance
Private Medical Insurance

Asset Management
Managing assets for Aviva and other clients

Across our 16 businesses, we protect our 29+ million customers and the things that are important to them

£24.6bn
Paid in benefits and claims in 2014

£1.4m
Paid out per day for UK life insurance and critical illness claims

£246bn
Aviva Investors assets under management

319 years
Protecting our customers since 1696

Our investment thesis of cash flow plus growth sets out why investors should choose us

Read more on page 25

We measure our performance using five key metrics

Read more on page 10

£2,173m
Operating profit on an IFRS basis[1]
+6%

£1,412m
Cash remittances[2]
+11%

£1,010m
Value of new business[3]
+11%

95.7%
General insurance combined operating ratio improved by
1.6pp

51.5%
Operating expense ratio reduced by
2.6pp

1 On a continuing basis.
2 2013 and 2014 dividend from UKGI was remitted to Group in January 2014 and February 2015 respectively. Cash remittances disclosed are on a continuing basis.
3 Excludes Eurovita, Aseval, CxG and Malaysia.

Our plan

We have a clear strategy to deliver sustainable and progressive cash flows underpinned by good potential for growth, by always putting customers first.

Our strategy

Read more on pages 14-25

The 'what we do, how we do it and where we do it'

True Customer Composite

Meeting all customer needs across life, general, health insurance and asset management

Digital First

Emphasising customer experience driven by digital – online and mobile

Not Everywhere

Focusing only in markets and segments where we can win

Our values are at the heart of how we do business

Care more

We care like crazy about our customers, each other and our communities

Kill complexity

We are obsessed with making things simpler for our customers and each other

Never rest

We are driven to think bigger and do better for our customers and each other

Create legacy

We strive to create a sustainable future for our customers and each other

Creating a bright and sustainable future for our customers, employees and communities

Read more on pages 48-53

Customers

UK General Insurer of the Year

70+ Awards worldwide in 2014

Employees

65% 2014 employee engagement up 9% points[4]

A UK Living Wage employer

Communities

40,220 Volunteering hours by our people in 2014

A top 10 company in the FTSE4 Good

4 Three percentage points above the global financial services norm.

Contents

£2,173m
(2013: £2,049m)
Operating profit on a continuing basis

£1bn
Value of new business

12.25p
Final dividend, a 30% increase

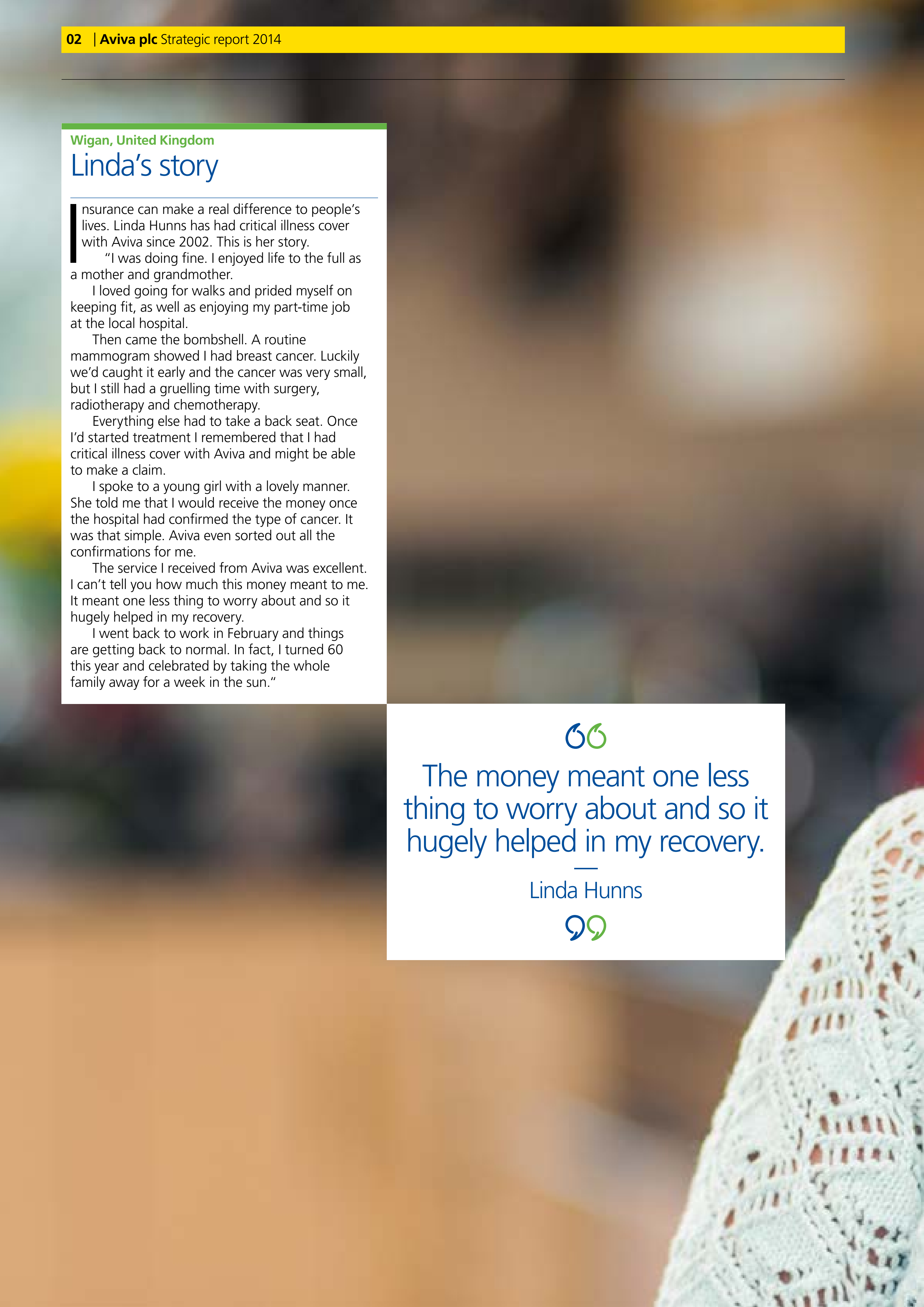
View online summary and download the full report at **www.aviva.com/reports/ar2014**

“In this report you can learn about the tangible progress we showed in 2014 and our plans for the future.”

Mark Wilson
Group CEO

This Strategic Report (on pages 2 to 59) was approved by the Board of directors on 4 March 2015 and signed on its behalf by the Group Chief Executive Officer.

Mark Wilson
Group Chief Executive Officer



Wigan, United Kingdom

Linda's story

Insurance can make a real difference to people's lives. Linda Hunns has had critical illness cover with Aviva since 2002. This is her story.

"I was doing fine. I enjoyed life to the full as a mother and grandmother.

I loved going for walks and prided myself on keeping fit, as well as enjoying my part-time job at the local hospital.

Then came the bombshell. A routine mammogram showed I had breast cancer. Luckily we'd caught it early and the cancer was very small, but I still had a gruelling time with surgery, radiotherapy and chemotherapy.

Everything else had to take a back seat. Once I'd started treatment I remembered that I had critical illness cover with Aviva and might be able to make a claim.

I spoke to a young girl with a lovely manner. She told me that I would receive the money once the hospital had confirmed the type of cancer. It was that simple. Aviva even sorted out all the confirmations for me.

The service I received from Aviva was excellent. I can't tell you how much this money meant to me. It meant one less thing to worry about and so it hugely helped in my recovery.

I went back to work in February and things are getting back to normal. In fact, I turned 60 this year and celebrated by taking the whole family away for a week in the sun."

> The money meant one less thing to worry about and so it hugely helped in my recovery.
>
> Linda Hunns

Dear shareholder

I am enormously pleased that 2014 has been another year of progress for Aviva in its transformation to become one of the best performing financial institutions in our sector

John McFarlane
Chairman
4 March 2015

Aside from good organic business performance, the year culminated with the announcement of the proposed acquisition of Friends Life, which will give us a considerably stronger underpinning.

A strong management team

Our Chief Executive Officer, Mark Wilson, has completed his second year with us and the advancement of the group under his leadership over a relatively short period has been impressive.

During this time, he has assembled a management team that is not only able to deliver good business performance, but who have considerable potential for the future. I know you would wish me to thank Mark and the team for their contribution.

A clear strategy

Under Mark's leadership, Aviva now has a clear purpose, is embracing new cultural values around our people, our customers our shareholders and the communities where we do business, and has articulated a clear strategy for the future.

Proposed acquisition of Friends Life

While Aviva's recent organic growth and return prospects already present a compelling investment proposition, the proposed acquisition of Friends Life not only consolidates our leading position in the UK, it offers greater dividend capacity and balance sheet strength than would otherwise have been possible organically. I believe it offers an attractive outcome to both Aviva and Friends Life shareholders.

Operating performance

Headline operational performance improved in the year, despite having been impacted by a stronger sterling exchange rate and the decline in the annuities market following the Chancellor's Budget decision.

Operating profit on an IFRS basis grew by 6% during the year to £2,173 million, which included lower operating expenses, down 7%. Value of new business increased by 11% to over £1 billion and there was a 1.6 percentage point improvement in the combined operating ratio to 95.7%. Net asset value increased to 340 pence per share and shareholders benefited from a total shareholder return of 11.5%.

Dividend

In line with the statement we made in the formal offer for Friends Life, the Board has declared a final dividend of 12.25 pence per share (*2013: 9.40 pence*) representing a 30% increase on the 2013 final dividend per share, and a 2014 full year dividend of 18.1 pence (*2013: 15.00 pence*), up 21%.

Board and governance

It has indeed been an honour to have served you as your Chairman, and with Board and management colleagues for whom I have the greatest respect.

However, as was announced in September, I shall be standing down from this position at the Annual General Meeting, and will be replaced by Sir Adrian Montague, our Senior Independent Director.

The membership of the Board was largely unchanged in the year, with the exception of Tom Stoddard who joined us as Chief Financial Officer in April 2014, following Pat Regan's departure, and he already has made an important contribution.

Following the completion of the proposed acquisition Sir Malcolm Williamson, Chairman of Friends Life, will join the Board of Aviva plc as Senior Independent Director, and Andy Briggs, the Group Chief Executive of Friends Life, will become Chief Executive Officer of Aviva UK and Ireland Life, the merged UK life business of the combined Group and also joins the Board. We look forward to both Sir Malcolm and Andy joining the Board.

Gay Huey Evans has decided to retire from the Board from the conclusion of the 2015 AGM and on behalf of the Board I

“The Company is in good hands and has the capacity to become one of the world’s leading institutions.”

John McFarlane
Chairman

340p
Net asset value per share, a 26% increase

1 million
Children helped through our Street to School programme

18.1p
Total dividend, a 21% increase

would like to take this opportunity to thank her for her contribution to the Board.

Our people

As with last year, 2014 has brought considerable change and challenge for our people, which they have embraced and managed professionally.

Led by Mark Wilson, we are building a high performance and enlightened culture across the Group, and this is demonstrating tangible progress in making Aviva a great place to work and advance.

On behalf of the Board, I would express our gratitude to our people for their dedication and enthusiastic support for our customers.

Investing in communities

As a responsible business, we strive to be a force for good across the markets in which we operate. We provide access to a range of insurance products tailored to the needs of low income groups and, through Aviva Investors, we work to integrate environmental, social and corporate governance issues into our investment decisions and analysis in order to create long-term value.

In addition, our global community development initiative, Street to School, has made a major investment in improving the lives of more than one million children and helped the issue of street children’s rights move to the centre stage of policy at the United Nations. Aviva will continue to work with the Consortium for Street Children and the UN and continue our longstanding work in South East Asia for another two years.

Looking ahead

If the proposed acquisition of Friends Life completes, the enlarged Group should bring a stronger business and financial foundation, new commercial opportunities and the prospect of a higher and progressive dividend for shareholders.

The transformation is not yet complete however, I leave knowing the Company is in good hands and has the capacity to become one of the world’s leading institutions.

I wish my successor Sir Adrian every success, and retire knowing that for Aviva, the best is yet to come.

Strength in our management team

Chairman elect

Sir Adrian Montague CBE will become Non-Executive Chairman on the retirement of John McFarlane at the Aviva AGM in April 2015.

“It will be a privilege to chair Aviva. The Company is recovering strongly and delivering against its investment thesis of cash flow plus growth, under the strong management team ably led by Mark Wilson. John McFarlane has been an extraordinary Chairman, and has made an immense contribution to Aviva’s recovery.”

Tangible progress but much more to do

Our role in business is not to follow the competition, but to exceed our own expectations. To break our own records. To ensure that our positive impact on our customers, shareholders and society is greater this year than the last. That is what we are trying to do at Aviva

Mark Wilson
Group Chief Executive Officer
4 March 2015

Overview

I have now served as your Chief Executive for more than two years. By any measure Aviva is now a very different company, which is delivering much more for customers and investors alike.

2014 was a year in which we were able to show tangible progress, despite headwinds from currency, changing regulation and lower interest rates.

Results show tangible progress, with all key metrics moving in the right direction. Cash[1] is up 65%, operating earnings per share is up 10%, value of new business is up 15%[2] and our book value is 26% higher. Operating expenses are £571 million lower than our 2011 base-line, debt ratios are down and our full year combined ratio of 95.7% is the best in eight years.

But these results do not by themselves show the progress on de-risking the business and the more efficient allocation of capital that has served us well in somewhat volatile markets over the past 12 months.

To reflect the progress made during the year and our improved financial position, we announced a 30% increase in the final dividend to coincide with the announcement of our proposed acquisition of Friends Life.

That we were able to contemplate such a transaction shows the improvements we have made, including repairing the balance sheet, reducing costs and growing the profitable segments of the business.

We have entered 2015 in a position of strength. Nevertheless, it would be wrong to assume that our turnaround is nearing completion. While performance has improved, there is no room for complacency. Two years of results do not yet create a lasting legacy.

Delivering Our Investment Thesis: Cash Flow Plus Growth

When I joined Aviva, one of my first priorities was to rebuild the Group's financial strength and establish an investment thesis. This sets out why investors should choose us. It is defined as "Cash flow plus Growth".

Our focus on Cash flow plus Growth has resulted in cash remittances increasing 11% to £1,412 million and holding company excess cash flow is 65% higher at £692 million. Our life insurance measure of growth, value of new business, is 15%[2] higher at a record £1,010 million and we have grown general insurance underwriting profit 54% to £321 million. In asset management, the turnaround at Aviva Investors is progressing and the AIMS fund range has over £1 billion of assets under management eight months after launch.

Friends Life

In December 2014, we announced our intention to acquire Friends Life Group. This acquisition accelerates our turnaround and ability to deliver our investment thesis.

Financially, we expect this transaction to add about £600 million to cash flow, eliminate any need to de-lever, generate £225 million of expense savings as well as material capital synergies.

Strategically, this transaction secures our position in our home market, adds up to £70 billion of funds to Aviva Investors and gives us flexibility to invest in key existing growth segments and markets.

Our Strategy

We have anchored the company in strong values and a clear strategy. These are preconditions for any successful business – and are even more fundamental for a turnaround.

The Aviva values – create legacy; care more; kill complexity; and never rest – are the core beliefs at the heart of how we do business. They act as a guide whenever we decide on a course of action, and help us to focus on meeting our customers' needs.

And in July 2014 we launched our strategic anchor to answer some

1 Excess centre cash flow. Refer to the glossary for a definition and more information.
2 On a constant currency basis.

£692m

Excess centre cash flow[1], a 65% increase

£2,173m

Operating profit on an IFRS basis

47.0p

Operating earnings per share

1 Refer to the glossary for a definition and more information.

> Aviva has travelled a long way in the past two years. But we have further to travel than the distance we have come.
>
> Mark Wilson
> Group CEO

fundamental questions defining our business strategy: what we do, how we do it and where we do it.

Firstly, we are a True Customer Composite, which means we can provide customers with life, general and health insurance and asset management in one place. We are in a peer group of one – the only true composite of scale in the UK and one of only a few in the world. Our aim is to offer customers one view of Aviva - one statement, one premium, one phone number and one log-in.

Secondly, Digital First. Digital is increasingly how our customers want to deal with us – and how we will serve them. Therefore if it is a choice of where we will invest, it will be in digital first across any channel.

Thirdly, Not Everywhere. We are not interested in planting flags or being in 100 countries. Our focus is on a select number of markets and segments where we have scale and profitability or a distinct competitive advantage – where we can win.

Our people

Turnarounds are not delivered by strategies or financial engineering. They are delivered by people. I want to thank our people for their dedication and commitment, which has helped Aviva make such progress.

Over the past two years, Aviva employees have seen significant change. Despite the sometimes difficult choices that have had to be made, 2014 saw employee engagement markedly improve – in particular in levels of pride, motivation and advocacy. These now stand above sector benchmarks. We have attracted some of the best talent in the market to our senior team – although they are well aware they will be judged by their performance rather than their CVs.

I also want to pay a personal tribute to John McFarlane, who will step down as Chairman at the AGM. John has shown strength and subtlety as Chairman and I am grateful for his guidance and challenge. John became Chairman during a challenging time for the business and has left with the business in a stronger position. Following the AGM, John will be replaced by Sir Adrian Montague. We have already benefited from working with Sir Adrian as Senior Independent Director and look forward to working with him as Chairman.

Going Forward

The proposed Friends Life transaction speeds up our turnaround. A successful integration of Friends Life is a major focus and it is important to demonstrate our ability to execute on our plans and achieve our external objectives. This is a bare minimum.

While the proposed integration of Friends Life is a major exercise, there are large parts of the business that are not involved and we will continue to focus on better capital allocation and efficiency across the entire group, driving digital throughout the organisation and building our true customer composite model.

Aviva has travelled a long way in the past two years. But it would be wrong to assume that our turnaround is nearing completion. On the contrary, we have further to travel than the distance we have come – and in 2015 the Friends Life transaction allows us to reset our expectations once again.

Proposed acquisition of Friends Life

Our proposed acquisition of the FTSE 100 life insurer, Friends Life, is good for shareholders and customers alike. They will benefit from being part of a strong, more diversified and resilient business with a wide range of products:

- It is consistent with our investment thesis of cash flow plus growth creating c.£600 million of incremental cash flow
- We expect annual run rate cost savings of £225 million by the end of 2017
- It will create the UK's leading insurance, savings and asset management business with c.16 million customers[1], equivalent to accessing one in four households.
- We are an iconic British business and this acquisition will increase our scale in attractive segments of our home market
- We are stronger together, with the best of both companies giving us a leadership position in the growing corporate pensions and protection markets
- It will increase our assets under management at Aviva Investors by up to £70 billion (a 28% increase)[2]
- It will increase our cash flows, reduce our leverage and support continued growth in our dividend
- It will allow us to invest in our other businesses for growth.

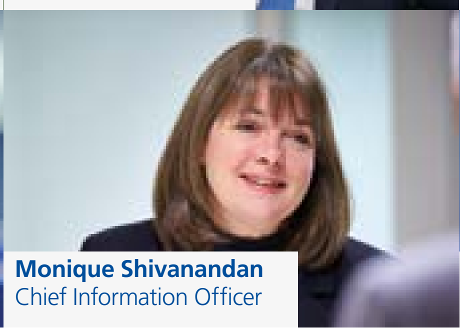
Strengthened management team

We made a number of senior appointments in 2014 to strengthen our management team and bring new skills into the Group.

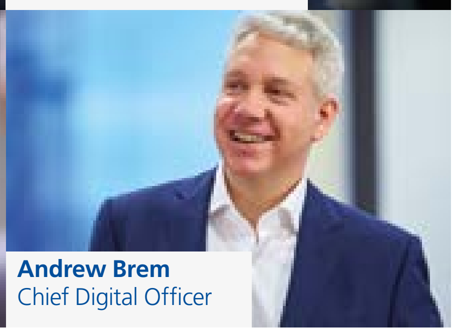
Tom Stoddard
Chief Financial Officer

Chris Wei
CEO, Global Life Insurance and Chairman Asia

Euan Munro
CEO, Aviva Investors



Monique Shivanandan
Chief Information Officer



Andrew Brem
Chief Digital Officer

1 Based on customer numbers as at 31 December 2013 and prior to the deduction of overlapping customers.
2 Based on 2014 funds under management.

	What we said we'd do	What we've done	Our plan of action
Cash flow	• Continue to improve cash remittances • Show improvement in cost income ratio • Continue to improve our turnaround businesses • Reduce integration and restructuring costs in 2014.	• Cash remittances up 11% • Cost income ratio has improved by 2.6 percentage points to 51.5% • Cash remittances from turnaround businesses[2] up 15% • Integration and restructuring costs down 61% to £140 million.	• Continue to improve cash remittances and cost income ratio of all our businesses • Complete proposed acquisition of Friends Life to improve incremental cash flow by c.£0.6 billion and add significant scale and expertise to our back book initiative.
Growth	• Increase VNB in our life businesses through product mix and pricing • Improve COR and underwriting in general insurance businesses through predictive analytics • Improve net flows in asset management • Strategic partnerships e.g. Indonesia • Improve efficiency and invest in digital and automation.	• VNB up 11% to £1,010 million[3] • Improvement in underwriting result has driven a 1.6 percentage point improvement in COR to 95.7% • Launched Aviva Investors Multi Asset Strategy range • Launched our joint venture with Astra International in Indonesia and continued to work closely with COFCO Ltd in China • Invested in our digital strategy including the appointment of a Chief Digital Officer, Andrew Brem.	• Allocate capital to those markets which have attractive growth opportunities • Continue to increase VNB in our life business • Improve COR and underwriting in our general insurance business through automation • Drive positive external fund flows at Aviva Investors • Ensure digital is a key enabler to True Customer Composite • Complete proposed acquisition of Friends Life to: – add up to c.£70 billion of funds for Aviva Investors – bring c.5 million[4] Friends Life customers.
Financial strength	• Ensure £400 million of expense savings reach the income statement[1] • Execute on plans to reduce the intercompany loan • Deliver on remaining divestments • Reduce external leverage over the medium term • Prepare for Solvency II.	• Intercompany loan reduced from £4.1 billion to £2.8 billion as at 28 February 2015 • £571 million expense savings achieved since 2011 • Disposals of River Road, Korea, Eurovita, Turkey general insurance and CxG completed • External leverage down to 28% on a S&P basis • Preparation continues for Solvency II • Enhanced capital management of Ireland Life and Spain.	• Reduce intercompany loan to £2.2 billion by the end of 2015 • Ensure readiness to start Solvency II reporting on 1 January 2016 • Continue to improve our financial controls • Complete proposed Friends Life transaction to: – reduce leverage – deliver £225 million of expected synergy benefits.

1 Based on 2011 baseline expense total of £3,366 million.
2 Our turnaround businesses include Spain, Aviva Investors, Ireland and Italy.
3 Excludes Eurovita, Aseval, CxG and Malaysia.
4 Based on customer numbers as at 31 December 2013 and prior to the deduction of overlapping customers.

Our performance

We use five key financial metrics to measure the performance and efficiency of our business. We also focus on other metrics to measure customer advocacy, employee engagement and our impact on society

Relevance and performance

Our five key **financial** metrics are closely tracked by management to evaluate Aviva's operating performance. These financial metrics are calculated on a continuing basis.

Read more about our investment thesis on page 25. For definitions of our key metrics, turn to the glossary on pages 77-79.

Cash remittances[1]

Sustainable cash remittances from our businesses are a key financial priority and form part of our investment thesis.

The overall improvement in cash remittances was driven by improvements across the majority of our markets. We continue to take action on capital efficiency to increase these remittances.

2014
£1,412m

2013	2012
£1,269m	£904m

Adjusted operating profit[2]: IFRS basis

This is our key measure of operating profitability.

Operating profit was up 6%, which included the benefit of operating expense savings of £113 million[3]. The result also includes an adverse foreign exchange impact of £87 million. See pages 26 to 29 for further details of the performance of our markets in the year.

2014
£2,173m

2013	2012
£2,049m	£1,926m

Operating expenses

Managing our expense base is essential to delivering our investment thesis and to improve competiveness.

Operating expenses on a continuing basis reduced by 7% (4% on a constant currency basis) showing the impact of cost savings initiatives across the majority of our markets. Foreign exchange has benefited operating expenses by £98 million. Compared with the 2011 baseline for the expense reduction target, there has been an overall reduction of £571 million, which shows the original £400 million expense target has been fully achieved.

2014
£2,795m

2013	2012
£3,006m	£3,234m

Value of new business (VNB)[4]

This measures growth and is the source of future cash flows in our life businesses.

VNB increased 11% (15% on a constant currency basis) driven by growth in France, Poland, Italy, Spain and Asia. Growth in these markets was partly offset by reductions in Turkey, mainly driven by a reduction in our share of the business following the partial IPO. In the UK, VNB was stable with the adverse impact of reduced individual annuity sales offset by increases in bulk annuities and equity release and protection.

2014
£1,010m

2013
£909m
(restated)[5]

Combined Operating Ratio (COR)

This is a key measure of underwriting profitability of our General Insurance business.

COR improved 1.6 percentage points with improvements in the UK, Ireland and Europe. These results more than offset an adverse movement in Canada.

2014
95.7%

2013	2012
97.3%	97.0%

1 2013 and 2014 dividend from UKGI was remitted to Group in January 2014 and February 2015 respectively. Cash remittances disclosed are on a continuing basis.
2 On a continuing basis excluding Delta Lloyd.
3 On a constant currency basis.
4 Excludes Eurovita, Aseval, CxG and Malaysia.
5 Restated to reflect changes in the MCEV methodology. 2012 was not restated and therefore is not included. Refer to the glossary for further details.

> Our financial, customer, employee and community measures are all moving in the right direction, although we still have much to do.
>
> Mark Wilson, Group CEO

Relevance and performance

We also measure **non-financial** metrics, such as the engagement and diversity of our people, and our customer advocacy, as these are critical to our long-term competitiveness.

Read more about our non-financial performance on pages 48 to 53 and in our CR report at www.aviva.com/cr2014

Customer advocacy

Our Relationship Net Promoter Score® (RNPS) measures the likelihood of a customer recommending Aviva.

Our 2014 survey shows six of our businesses achieved upper quartile performance, four were at market average and two were at lower quartile relative to their local markets. During 2014, Aviva has returned the most consistent and improved set of RNPS results since the survey began in 2009.

	2014	2013[6]
in upper quartile	50%	33%
at or above market average	33%	17%
below market average	17%	50%

Employee engagement

We are focused on creating an environment in which employees can thrive and build a career at Aviva. We measure this through our annual global Voice of Aviva survey.

Engagement improved 9 percentage points in 2014, and now is 3 percentage points above the global financial services norm, driven by a double-digit uplift in trust of our senior leaders. There were also advances in levels of employee pride, motivation and advocacy.

2014
65%

2013
56%

Community investment

We have a long heritage of community investment which includes cash, in kind donations and skills-based volunteering.

Investment in communities

2014
£6.3m

2013
£6.2m

Number of volunteering hours

2014
40,220

2013
41,223

Reduction in CO_2e

CO_2e data includes emissions from our buildings, business travel, outsourced data centres, water and waste to landfill.

In 2010 we set ourselves an ambitious target to cut CO_2e emissions by 20% by 2020, with a minimum 5% reduction each year. In 2014, we exceeded that target, achieving a 32% reduction well ahead of plan. We are now setting new ambitious targets.

2014
4% in the year

2013
8% in the year

Diversity

We remain committed to having a diverse management team and workforce in terms of gender, as well as diversity of experience, skills and knowledge, background and nationality.

At 31 December 2014, we had the following gender split:

Board membership

Males	Females
9	2

Senior management

Males	Females
645	168

Aviva Group employees

Males	Females
12,658	13,706

6 The percentage figures from previous years have been restated to provide a like for like comparison. The restated figures are based on those markets within which Aviva has continued to operate from 2011, which are: UK, Ireland, Canada, France, Italy, Spain, Poland, Lithuania, Singapore, China and India.

Singapore

Help when it's needed most

It must be one of the worst moments imaginable: a diagnosis of terminal cancer.

That was the devastating news given to one of our customers in Singapore, Mr Yeo Chong Kheng and his family.

But because Mr Yeo had a life insurance policy with us we could help and reassure him and his family at an awful time.

We made a payment to Mr Yeo when he received his diagnosis. This meant he could spend his last weeks more comfortably and put his affairs in order, knowing that his wife and son would be taken care of after he had gone.

In particular, he now knew that his son would still be able to study overseas.

Nothing can bring Mr Yeo back. But we know that what we could do meant a great deal to him and his family.

Mr Yeo's wife, Mdm Chin Yoke Yoon, recalls how the family coped with the news: "Dealing with my husband's sudden illness was such a difficult time for the whole family, so not having to worry about our finances, on top of everything else, was a relief. This experience has made me realise just how beneficial insurance can be, so I'm now an advocate and I want to help others understand the importance of planning for the future."

We believe it is our privilege to support our customers at such difficult times.

"This has shown me just how important insurance is.

— Mdm Chin Yoke Yoon"

Where the world is going

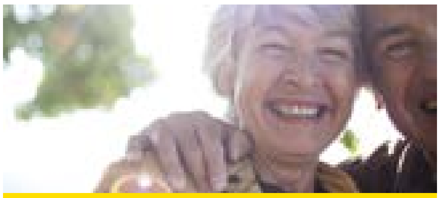
We have identified six long-term 'horizons' which will impact our industry over the next few years

My life, my way

Customers will be much more in control, expecting to self-serve and self-solve. They will want to be able to access data and insight, and use it to guide their own decisions

The age of disruption

New agile competitors will act faster to disrupt established businesses

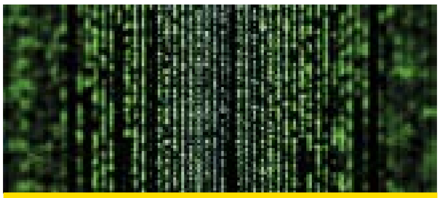


Older and healthier

The emergence of a generation aged 50 plus who will live longer and who are healthier. Markets will be driven increasingly by this group's attitudes and needs

The power of communities

The economic power of governments will have declined further and the power of 'communities' of mutual interests, both virtual and local, will have increased



Winning through data

Those who interpret data quickly and intuitively to inform the development of products and services that provide real value for customers will lead the way

Shifting wealth

Developing markets will have a much larger share of the world's savings and assets pool

These trends will provide both challenges and opportunities for Aviva.

The rapid pace of technological change is expected to continue and customer expectations will continue to evolve, reinforcing the importance of the Digital First and True Customer Composite elements of our strategy.

Personal wealth is highly concentrated within the 50+ population and there are significant opportunities for businesses who can meet their developing needs both in helping them save and then manage their retirement.

Faster growing, developing markets provide opportunities for Aviva to help new customers to accumulate assets and to protect themselves and their families against unforeseen events.

As part of the Not Everywhere component of our strategy, we will continue to allocate capital selectively to businesses where we can compete with scale and provide differentiated value and service to our customers, including our growth businesses in Poland, Turkey and Asia.

In addition to the six long-term horizons, Aviva closely monitors two further trends that are particularly relevant to our industry: climate and regulation.

> The increasing effects of climate change present considerable uncertainty for our customers and communities.
>
> Mark Wilson
> Group CEO

Key trend: climate

Aviva also pays close attention to weather patterns and climate change. There is growing evidence that a gradual long-term change in the Earth's weather patterns and average temperatures is occurring, due to increased quantities of greenhouse gases in the atmosphere and other man-made causes.

One impact of climate change is an increase in extreme weather events. For example, 2014 saw significant flooding in parts of the world (including in our home UK market), and it was the hottest year on record globally*.

Climate change will have a significant impact on both society and our business. Some risks are changing, more complex risk management is required and greater losses can be incurred.

Our business is about helping people prepare for the future, which is why we're helping society respond to the challenges of climate change.

For more information on our response to climate change see pages 52-53.

Key trend: regulation

As well as the longer term trends that we have identified, we continue to experience regulatory change across many of our markets.

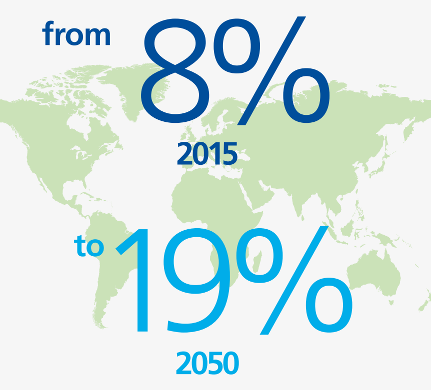
In the UK, 2014 saw dramatic upheaval in the annuity market, and in Poland, the pensions market has been largely transferred to the state over the last few years.

We are being held to increasingly high standards of conduct by our regulators. This is consistent with the relationships with customers that we wish to achieve through our customer thesis.

We also face increased scrutiny as a Global Systemically Important Insurer, which could result in additional capital or other requirements on top of the Solvency II regime which comes into force in 2016, harmonising solvency rules across the European Union.

Aviva will continue to work closely with key regulatory bodies on these and other issues.

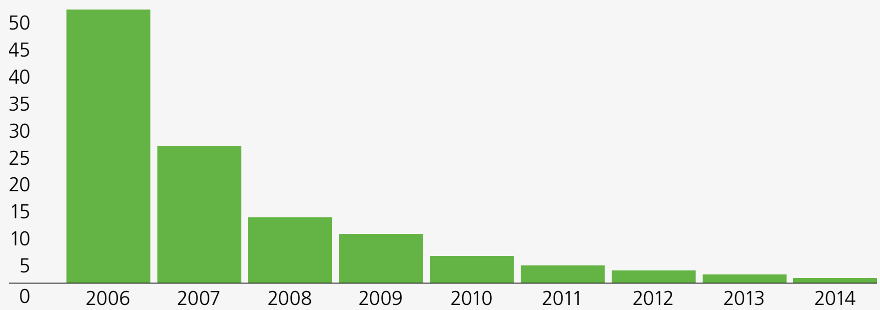
% of population aged 65+
(Average across Aviva's 16 markets)



Source: Population Division of the Department of Economic and Social Affairs of the United Nations Secretariat, World Population Prospects: The 2012 Revision, NDC Taiwan, August 2014 Revision.

Ageing populations will be looking for help to meet their retirement needs. Population ageing is already advanced in our more mature markets; for example the proportion of the population over 65 in 2015 is 18% in the UK and 19% in France, and is anticipated to rise to 25% in 2050 for both markets. In contrast, in Indonesia, 5% of the population today is aged 65 or over, but that proportion will more than triple to 16% by 2050, and in China, the proportion aged 65 or over will rise from 9% to 24% in the same period.

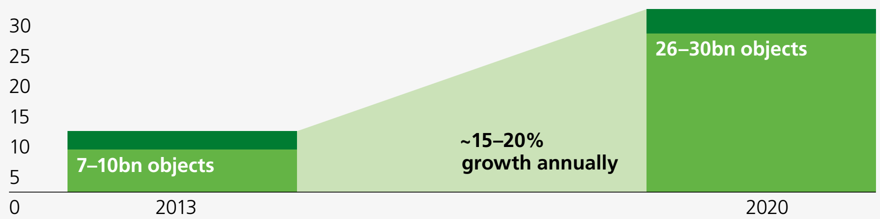
Falling cost of technology
Cost of network (bandwidth), Mbps 2006-14, US$



Source: Accenture, DrPeering.net

The cost of technology continues to fall. Combined with the increasing use of Big Data, this enables existing organisations and disruptive new entrants to gain new and faster customer insights, and to provide more products and services digitally.

Growth in connected objects
Some 30 billion objects may be connected to the Internet of Things by 2020



Source: McKinsey Global Institute

Not only are increasing numbers of people and enterprises doing more and more online, but growth in the Internet of Things (smart embedded devices connected to the Internet) is providing businesses with new real-time data sources and business opportunities.

* UN World Meteorological Organization.

How we are different

Aviva is the only insurer of scale in the UK which offers life, general and health insurance, and asset management – a True Customer Composite. We help customers manage the risks of everyday life, and provide them with an easy-to-understand, convenient experience when and how they want it

Life insurance

Retirement income, Savings & Pensions, Life cover, Protection
Customers buy insurance products to save for the future, to provide reassurance their savings will last through retirement, and to protect against the risks to their family income after an accident, illness or death.

General insurance

Home, Motor, Travel & Commercial
General insurance policies protect customers from loss in the event of damage to their property or assets, or injury to themselves.

Health insurance

Private Medical Insurance
Customers buy health insurance products to protect their health, and for wellness support, supplementing any healthcare provision they receive from the state, and giving them a choice in the level of treatment they receive should they fall ill.

Asset management

Asset management for Aviva and other clients
Customers trust us with their money, and we invest it on their behalf to generate investment returns.

We help customers insure their first car, provide life cover when they buy a house or start a family, help insure them when they set up a business and protect their income should they experience a critical illness or unemployment. We also help them save for important events such as education, a child's wedding and, most importantly, a comfortable retirement. We then help people manage their income after they have retired.

We sell our products through multiple channels, so that customers can access our products and services in the way that they choose. This can be direct or via intermediaries such as financial advisers, and partners such as banks. Customers are increasingly looking to access Aviva digitally across all of our channels, online or through their mobile. This is a key focus of our strategy.

How we create value

Aviva offers simple, convenient access to meet customers' insurance, protection, savings and retirement needs

We do this by:

Underwriting
Our underwriting and pricing expertise coupled with our analytics capability allow us to underwrite risk in a way that accurately reflects our customers' profiles and is thus more price competitive.

Risk management
Our scale affords us the opportunity to optimally manage risk, pooling different risks, maintaining capital strength and working with the best reinsurance specialists in the world so that customers know we will be there when they need us.

Asset & liability management
Customer premiums are invested by specialist teams to balance investment return with risk and to maintain sufficient funds to pay claims. Wherever possible we match liabilities to assets. For example, money received for annuities is invested in assets which will continue to pay a return for the long term, such as corporate bonds.

Understanding Big Data and analytics
Big Data enables us to better support our customers through accurate risk assessment and to present opportunities to customers at every stage of their lives.

Underpinned by:

Strong brand

300+ year heritage

Financial strength

Scale and diversity

Customer service

Enabling sustainable value creation:

We create value for our investors and deliver economic and social benefits for our customers, employees and society

Customers
Customers benefit from a range of solutions to meet their needs, with easy access when and how they want it. Our strong brand and financial strength give customers confidence we will pay out in the event of a claim. Making sure our customers stay with us is important to our long-term success.

29+ million[1]

Customers worldwide

Shareholders
Aviva creates value for shareholders by returning profits to them in the form of dividends, and by re-investing in our businesses around the world.

11.5%

Total shareholder return in 2014

Employees
Our aim is for employees to work within a diverse, collaborative and customer-focused organisation, with equal opportunities, fair reward and encouragement to achieve their potential.

26,364[1]

Employees worldwide

Society
Aviva plays a significant role in the community as a major employer, long-term investor, and enabler of economic growth by helping people and businesses to manage risk, as well as via specific investment in the communities in which we operate, such as our community funds.

£6.3 million

Total community investment in 2014

1 As at 31 December 2014.

Our strategic framework

In a rapidly changing world, our purpose is to free people from fear of uncertainty. Our Strategic Framework sets the direction and priorities for the business and encapsulates our purpose and culture

Our strategy

In 2013, we set out our new purpose and values, the theses that shape how we work, and our priorities. The theses were defined as:

- cash flow plus growth for investors
- simplicity and convenience for our customers, which we called 'simplicity your way'
- ownership, diversity and digital priorities for distribution
- achievement, potential and collaboration for our people.

Our thinking was encapsulated in our Strategic Framework. This framework has helped provide clear direction for turning around our business.

Our Strategic Anchor builds on this framework to provide a clear statement of our business strategy to help us make decisions to compete in our rapidly evolving world. It comprises the "what we do, how we do it and where we do it" of our business strategy. There are three elements to our Strategic Anchor:

- True Customer Composite
- Digital First
- Not Everywhere.

True Customer Composite

We are a True Customer Composite. This is what differentiates us. We are the only true composite of scale in the UK, which means we are one of only a few insurance companies in the world which can provide customers with life, general and health insurance and asset management in one place.

For more information see pages 20-21.

Digital First

We put Digital First – this is how we will capitalise on being a True Customer Composite. Direct digital distribution is fundamentally changing the customer relationship in many of our markets. So, if it is a choice of where we invest it will be in Digital First across all our distribution channels – it's how customers want to do business with us.

For more information see pages 22-23.

Not Everywhere

We are Not Everywhere. We are not interested in planting flags or being in 100 countries. We will focus on a select number of markets where we have scale and profitability or a distinct competitive advantage – where we can win.

For more information see page 24.

Where the world is going

Our role within it

Our business strategy

Our plan of action

What matters here

"The strategic framework has helped engage our people as well as providing clear direction for turning round our business; our strategic anchor is a clear statement of how we compete in a rapidly changing world."

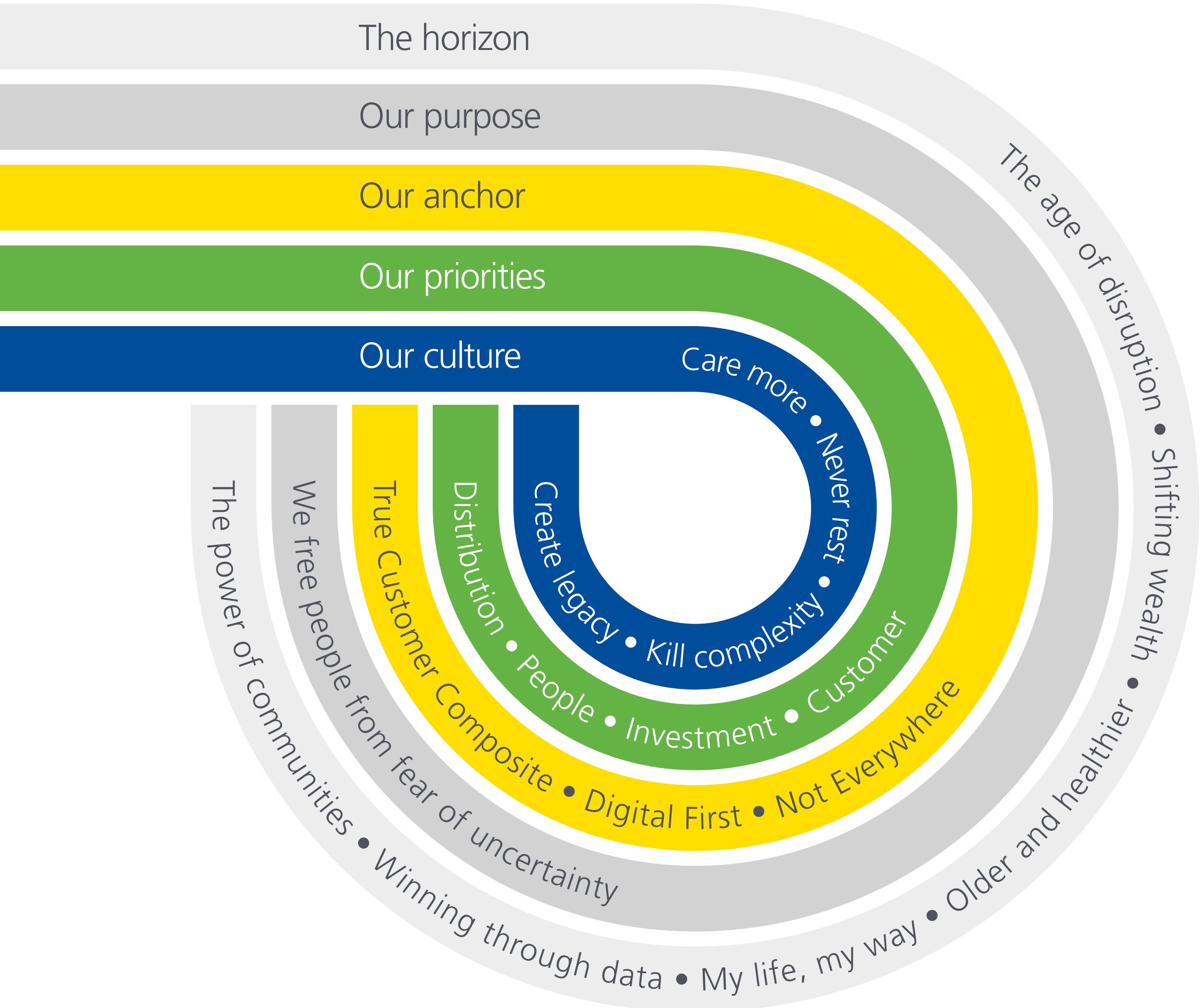
Mark Wilson
Group CEO

Strategic framework

Embedding our strategy

We want to ensure everyone in every team understands our strategy, their role in delivering it and how they can live out our values.

In December, we ran our second worldwide 'Week of Conversations' about exactly that. It gave our people the opportunity to have open and constructive discussions, reflect on what they had achieved in 2014 and goals for 2015. These conversations were held within teams, but also at five live events broadcast across 12 locations around the world, led by members of the Group Executive.



True Customer Composite

We are a True Customer Composite, offering customers life, general and health insurance and asset management. We will provide our customers with tailored offerings to recognise, reward and delight them, in return for their trust and loyalty

Why it's important

Operating as a True Customer Composite enables us to carry out more effectively our purpose of 'freeing people from fear of uncertainty'. The True Customer Composite will benefit customers by offering them a flexible combination of products tailored to their needs, from protecting their lives and assets to saving for retirement. We will be able to offer more competitive prices and reward loyalty, since customer acquisition and administration are cheaper. We will provide customers with additional value and convenience compared to our mono-line competitors, supported by the benefits of increased customer retention and engagement.

Why now

In the past, the financial benefits of the composite were clear (lower capital requirements through diversifying our risk), but operational benefits were more elusive. Very few customers held more than one Aviva product as our business was distributed almost solely through intermediaries.

In the emerging digital world, the advantages of being a True Customer Composite become more tangible. We will have much greater direct access to customers, who will not use intermediaries to the same extent. If customers are not relying on brokers to analyse their needs and recommend a suitable package of products, they could find themselves managing multiple different products from different providers. This is not what our customers tell us they want.

What they want is simplicity to meet all their insurance needs. This builds on our customer thesis priority of 'simplicity, your way'.

Aviva is the only composite of scale in the UK that can offer life, general and health insurance and asset management, and one of only a few international insurers that can do this.

How we've progressed

We have launched new propositions and campaigns rewarding existing customer loyalty, and improving average product holdings and profitability. For example, in Singapore we now offer discounted general insurance products to Singapore Armed Forces life assurance policyholders.

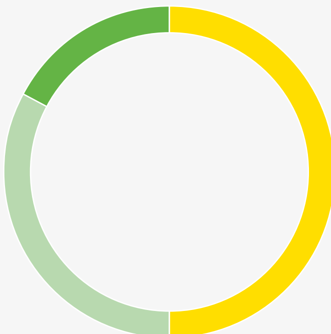
In France, we offer discounts on selected new products to existing business customers, and we are selling unit-linked products to existing 'Euro fund/with-profit' customers who want long-term savings products offering returns linked to the performance of the investment markets.

Customer focused innovation

Our Customer Cup competition captures our people's best ideas so we can improve things for our customers. The judges for the 2015 competition have challenged entrants to come up with ideas to make the most of our True Customer Composite model.

The 2014 winners, our Life Claims Assessment Team (pictured above), speak every day to customers who have been diagnosed with serious illnesses. Thanks to this team's great ideas, customers' claims can be settled much more quickly, and they can access support as a result of our partnerships with leading cancer charities such as Macmillan Cancer Support. The results are industry-leading – and mean we can better support our customers when they most need help.

Customer advocacy



in upper quartile	50%
at or above market average	33%
below market average	17%

Our Relationship Net Promoter Score® measures the likelihood of a customer recommending Aviva. During 2014 Aviva returned the most consistent and improved set of RNPS® results since the survey began in 2009.

In February 2014 we launched MyAviva in the UK. This creates one place for UK direct customers to purchase, view and amend their Aviva policies.

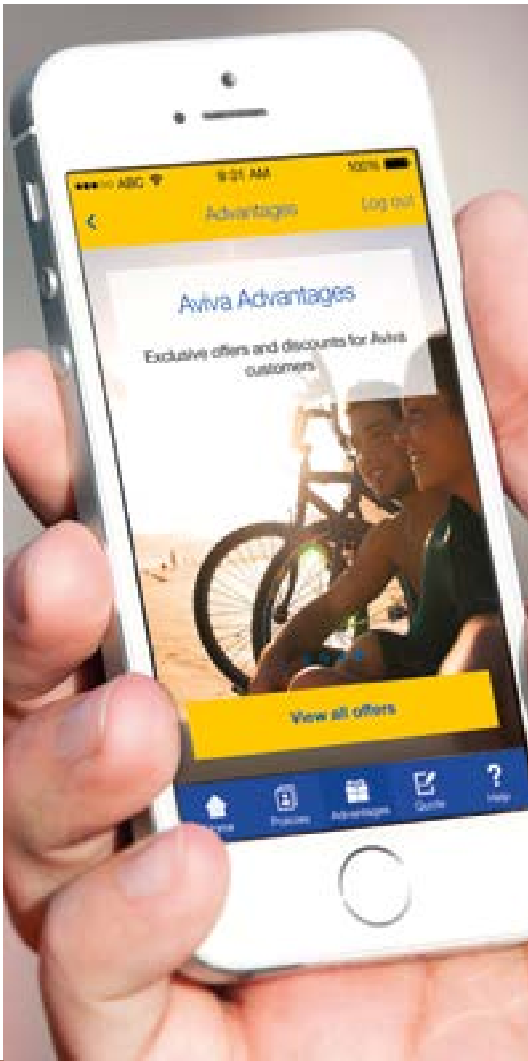
We have developed new composite corporate propositions, and are streamlining the way we interact with corporate clients.

In China our 'All in One' offer brings together life, health, accident and savings. We have also launched a health and wellness platform, to offer customers easy access via one portal to Aviva COFCO's services, encompassing health, wellness and financial "wellbeing".

What we plan to do next

We will build on our experience to capitalise on our unique position as one of very few True Customer Composites in the world, developing solutions that flexibly combine products to meet customers' needs and reward their loyalty.

We will leverage digital technology to improve customer experience, increase engagement and reduce cost, leading to longer and more valuable relationships with customers.

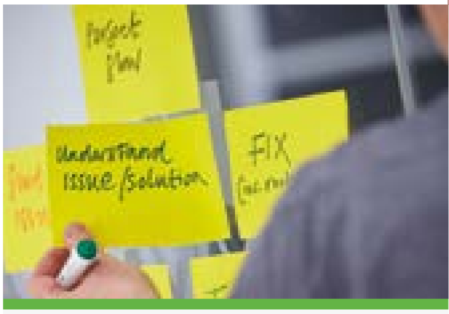


MyAviva app – altogether better

MyAviva brings together the products that help our customers in the UK protect their life, health, loved ones, future and possessions in one secure and simple-to-use online place. It has a single login so they can see all their Aviva policies in one place, offers access to discounts on a range of our products, as well as rewards and giveaways through Aviva Advantages. We've also launched a MyAviva app in the UK so customers can use their phone to view their policies, set reminders to renew their car and home insurance, check the value of their pension – and access a wealth of offers. It's a whole new way for us to serve our customers when they want and how they want.

Download the Android version

Download the iOS version



Making it easy for our customers

We want to do what our customers want as simply and efficiently as possible. That's why we're revolutionising our processes and roles by applying Systems Thinking. It's led by front line staff, who know our customers best. For example, through Systems Thinking, Aviva France has simplified the process to validate funeral claims, so that it can just take a single phone call.

www.aviva.com/systems-thinking

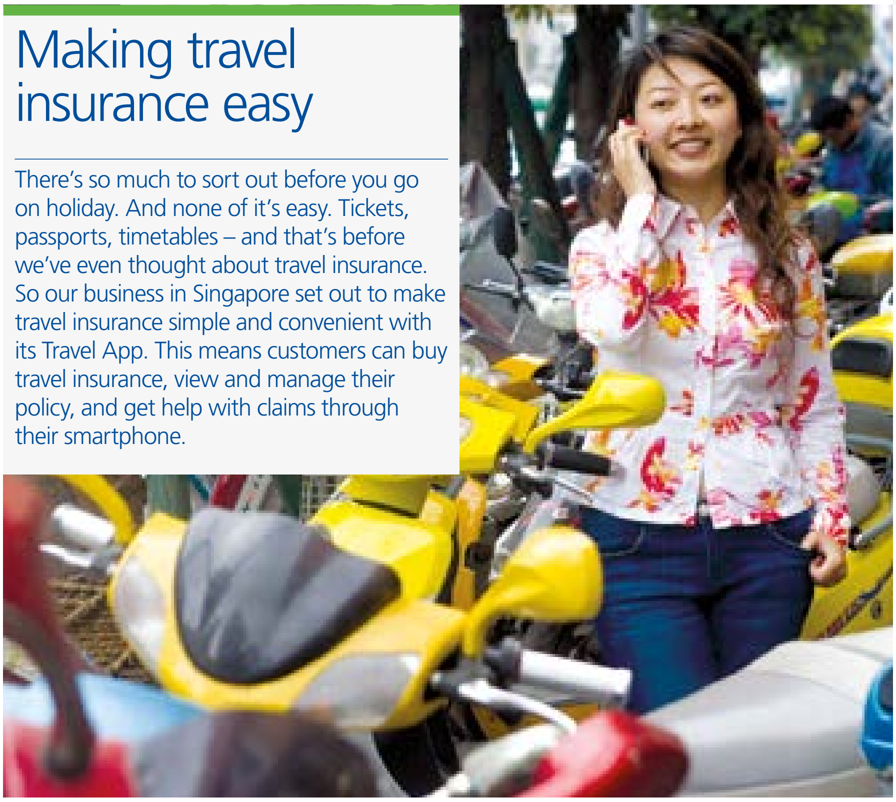
> Focusing on products that meet customers' needs ... being able to flexibly tailor product combinations, and get a better outcome for that particular customer. And the happier a customer is, the more likely they are to stay with us, the lower our costs will be and the better the deal we can offer these customers.
>
> John Lister
> Group Chief Risk Officer

Digital First

We put Digital First because our customers are increasingly choosing this as their preferred way to deal with us. Through digital we can support customers more quickly with their enquiries and transactions, wherever they are in the world

Quick, agile and innovative

Today's successful businesses are quick, agile and innovative. That's why we hold hackathons. Over a couple of days, we work with developers and designers to take an idea, work out how to deliver it – and do it. These events have challenged how we work and how we design the products our customers want. We've identified nine start-up technology companies we want to work with, including specialists in artificial intelligence and enhanced analytics.



Making travel insurance easy

There's so much to sort out before you go on holiday. And none of it's easy. Tickets, passports, timetables – and that's before we've even thought about travel insurance. So our business in Singapore set out to make travel insurance simple and convenient with its Travel App. This means customers can buy travel insurance, view and manage their policy, and get help with claims through their smartphone.

Why it's important

The environment in which we operate is changing rapidly due to recent advances in technology and digital distribution.

Aviva puts Digital First – this is how we will capitalise on being a True Customer Composite. We have to think Digital First across all our distribution channels – it's how customers want to connect with and do business with us.

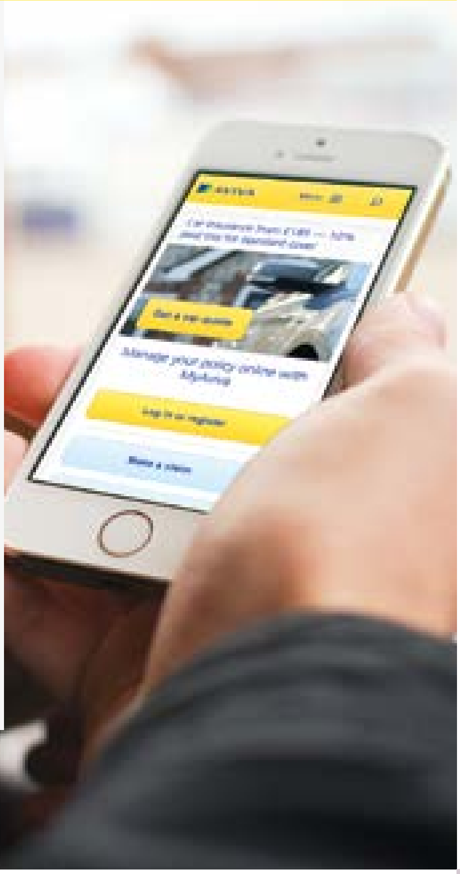
Putting Digital First means putting digital at the forefront of all change and development activity across Aviva.

We are not starting our digital offering from scratch. We already have significant direct and digital operations in several of our key markets.

Digital First will help make the True Customer Composite central to a new relationship with customers that builds on our understanding of how customers want to use our products in a digital world. We will also seek out and apply innovative business models and capabilities for our customers.

UK Digital Insurer of the Year

We put Digital First – and we know we're on the right lines when others recognise what we're doing. So we were delighted to be awarded the title of the UK's Digital Insurance Company of the Year at the Incisive Media Awards in November for our MyAviva website, with the citation saying we were the 'stand out performer'. That's praise indeed – but we are even more pleased that our customers are saying things like "the website is simplicity itself. Even a technophobe can use it" and "At long last I am able to have all of my insurance in one place and be able to manage it myself. Happy customer". We want all our customers to be just as happy.



> We want to be at the forefront of emerging technologies, combining that with customer insight to deliver really innovative digital products and services.
>
> Andrew Brem
> Chief Digital Officer

Digital distribution
Increasingly customers want to be able to self-serve: researching, buying and modifying policies online. Digital allows customers to connect with us directly, giving us the opportunity to improve customer experience, increase interaction with them and reduce the cost to serve them.

Predictive analytics
A key part of digital is predictive analytics, which uses Big Data to predict risk, behavioural, and customer purchasing patterns.

This allows us to develop products that better meet customer needs and to more accurately and efficiently underwrite, price, bundle and deliver our products, leading to a more robust business.

How we've progressed

In December 2014, Andrew Brem joined Aviva as our Chief Digital Officer and a member of the Group Executive.
In this new role, Andrew will drive our Group-wide digital transformation which will have a significant impact on every aspect of customer interactions:

- product innovation and development through data analytics, customer insights, and risk management
- direct distribution, interactive communication and claims handling
- marketing and branding across social media and the internet.

Digital garage
We are also structurally and physically separating digital functions from our businesses. We are developing our first Digital Garage, in an old warehouse in Shoreditch, London, not far from Silicon Roundabout. This puts business people alongside IT people to spur their creativity and give them space to develop new propositions, working in an agile way.

We will be using a similar approach across our other businesses.

What we plan to do next

We aim to bring to our customers the entire breadth of our offering digitally, in an integrated experience.

We will build on our existing digital infrastructure and achievements, for example MyAviva in the UK, and continue to leverage analytics and data to provide interfaces and apps that customers can use to interact with us.

We are also looking to use digital to find new ways to engage with people meaningfully more often. We are harnessing the power of digital throughout the organisation and across all our distribution channels to improve processes, reduce costs and improve user experience.

Finally, we are also working on a number of innovations in the digital space.

Virtual branch ... excellent service

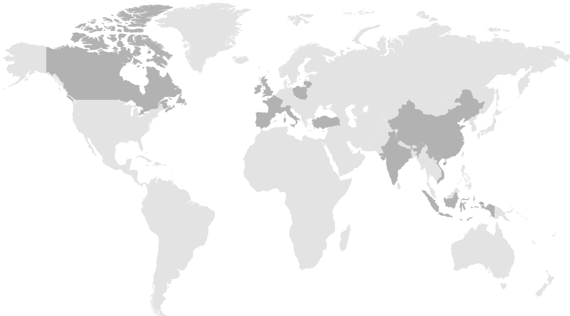
What do our customers want? Simplicity and convenience. That's why Aviva Poland has set up its virtual branch, a real innovation in Polish financial services. Customers can hold a video conference with a professional adviser on their investment choices, complete their application and make their investment online.

It's a great option for busy people and is proving popular with investors who have little time to manage their finances or who can't get to an adviser's office.

It's a great example of our customer thesis in action – 'simplicity, your way'.

www.aviva.pl/wirtualny-oddzial

Not Everywhere



United Kingdom
Ireland
France
Italy
Spain
Poland
Turkey
Lithuania
Canada
Singapore
China
India
Indonesia
Hong Kong
Taiwan
Vietnam

We will focus on a select number of markets where we have scale and profitability or a distinct competitive advantage – where we can win

Why it's important?

All insurance companies need diversification, for example in products or geography, in order to pool risks. That is the whole premise behind insurance. But, we must still strike a balance between diversification and complexity.

Over the past two years we have reduced the number of businesses from 28 to 16, so that we can concentrate our efforts in our key markets. We are also a British champion and this is our home base – being the largest player in the UK is critical to our performance and the safety and reassurance this provides works well across many of our target markets.

Not Everywhere is more than just geography. It is a mindset of excellence. We need to focus our resources where we can be most competitive, underpinned by our core strengths such as underwriting, risk management, asset & liability management, and understanding Big Data and analytics. We will not provide every product to every customer and we will be selective about the risks that we take on.

What's next

We will continue to reshape our portfolio to drive returns higher:

- Only operate in markets where we have scale and defined competitive advantage
- Reallocate capital between business lines and countries
- A preference for composite where margins and regulation are supportive.

How we've progressed

January

Aviva signed a joint venture in **Indonesia** with PT Astra International Tbk (Astra), Indonesia's largest publicly listed company, to create life insurer Astra Aviva Life. Mark Wilson, Group CEO, said: "Astra is a hugely respected household name in Indonesia and the ideal partner for Aviva in one of the world's fastest growing insurance markets. This joint venture creates a compelling growth opportunity, underlines our commitment to Asia and supports our investment thesis of cash flow plus growth."

March

As part of Aviva's strategy to focus on businesses where we have a leadership position and can generate attractive returns, we announced the sale of our **Turkish general insurance** business Aviva Sigorta A.S., to a private equity consortium led by EMF Capital Partners.

April

We announced the sale of our entire 47% stake in **South Korean** business Woori Aviva Life Insurance to NongHyup Financial Group.

September

We announced the sale of our holding in one of our **Spanish** joint ventures CxG Aviva to Novacaixagalicia Banco (NCG Banco), for €280 million (£221 million) in cash. The transaction resulted from a decision by the Arbitration Tribunal in Madrid, following the merger of Caixa Galicia and Caixa Nova into Novacaixagalicia in December 2010, and the bank's subsequent restructuring in 2011.

November

We completed the Initial Public Offering (IPO) of a minority stake in our **Turkish Life** JV with Sabancı Group, AvivaSA, valuing the company at TL1.68 billion (£469 million). Separately, AvivaSA and Akbank agreed to extend their exclusive bancassurance agreement for another seven years.

December

We announced our intention to acquire Friends Life in the **UK**. Our focus on the UK is incredibly important to us. This transaction will create the UK's leading insurance, savings and asset management business with 16 million customers[1]. These customers stand to benefit from being part of a stronger, more diversified and resilient group with a wide range of products. We are an iconic British business and this proposed acquisition will increase our scale in attractive segments of our home market.

> "We're not trying to be all things to all people. We will continue to deploy capital selectively and focus on the things we're good at."
>
> Jason Windsor, Chief Capital Officer

1 Based on customer numbers as at 31 December 2013 and prior to the deduction of overlapping customers.

Cash flow plus growth

We set out clearly why investors should choose us, enabling them to make an informed decision about our business. Our aim is to deliver cash flow plus growth and this supports our dividend paying potential

Cash flow

We have businesses with the potential to produce significant cash flow:

- Our core business lines are: life insurance, general insurance, health insurance and our asset management business, Aviva Investors
- We focus on increasing cash remittances from our business units to the Group centre. Our excess holding company cash flow is remittances less central spend and debt financing costs. Standalone, we have a target to more than double our excess holding company cash flow to £800 million by 2016
- Our business model gives us significant diversification benefits. The mix of different businesses reduces the impact on us of market shocks
- We will maintain our balance sheet strength at an appropriate level to ensure financial resilience. We will continue to reduce our internal debt level.

How we measure it

Cash remittances from business units less central spend and debt financing costs

Growth

We focus on growing value of new business in life insurance, underwriting profit in general insurance and external fund flows in Aviva Investors:

- The value of new business (i.e. the present value of future profits from life business written during the year) has exceeded £1 billion for the first time
- We have businesses in selected growth markets of Europe, such as Poland and Turkey, as well as South East Asia and China
- The restructuring of our businesses in Italy, Spain and Ireland has created the opportunity for growth in these recovering insurance markets
- In 2014, we increased general insurance underwriting profit (i.e. premiums less claims and expenses) by 54% to £321 million
- Aviva Investors' flagship range of multi-strategy funds, AIMS, was launched in July 2014 creating an attractive outcomes-based solution for investors, and the potential for significant growth in our external fund flows.

How we measure it

Life: Value of new business "VNB"
General Insurance: Change in underwriting result
Aviva Investors: External net fund flows

Financial simplicity and clear financial priorities are essential for investors to make an informed decision about us. Our financial reporting focuses on five key metrics. The table below sets out the priority metrics for each of the markets in which we operate.

Matrix of metrics – five clear financial priorities

	Cash flow	Operating Profit	Expenses	VNB	COR
Group	■	●	●	●	●
UK Life	■	●	●	◆	–
UK General Insurance	■	●	●	–	■
France	■	●	●	◆	■
Canada	■	●	●	–	■
Italy	■	●	◆	●	■
Spain	■	●	●	●	–
Ireland	■	●	●	●	■
Poland	●	●	◆	■	■
Turkey	◆	●	◆	■	–
Asia	◆	●	●	■	■
Aviva Investors	■	●	●	–	–

KEY ■ critical ● significant ◆ important

Our proposed acquisition of Friends Life would accelerate our transformation in line with our investment thesis, 'cash flow plus growth'. It is expected to increase the quantum, resilience and diversification of group cash flows and improve Aviva's ability to invest for growth in its chosen markets and products, leveraging the respective strengths of Aviva and Friends Life.

For more information on our performance against the five key financial metrics in 2014, see page 10.

Laying the foundations for the next stage of transformation

Financially, we made further progress on improving our performance and increasing our financial flexibility. Operationally, we have continued to deliver expense savings and realise efficiencies across the Group

Thomas D. Stoddard
Chief Financial Officer
4 March 2015

Overview

In 2014, operating earnings per share (EPS)[1] increased 10% to 47.0p and IFRS book value per share (NAV) increased 26% to 340p, primarily due to operating profit and favourable movements in our staff pension scheme. Excess centre cash flow[2] from operations increased 65% to £0.7 billion, providing positive cash coverage of our annual dividend for the first time in several years. Consequently, the final dividend has been increased 30% to 12.25p per share.

External debt leverage reduced from 48% to 41% of tangible capital on an IFRS basis, as we reduced debt and grew book value. On an S&P basis, our debt leverage is 28% and within our target range of being comparable to the AA level. Meanwhile we have also reduced the internal loan[3] by £1.3 billion in the 12 months to February 2015 to £2.8 billion. Our capital level and liquidity are within our risk appetite, with an estimated economic capital surplus[4] ratio of 178%, even after declaring the year end dividend. We manage our capital on an economic basis, which is consistent with the UK regulatory framework, but also with consideration to the upcoming Solvency II regime.

Capital efficiency remains a primary theme of Aviva's turnaround. We continue to take action at both the Group level and at the individual business cell level to improve return on capital, or to redeploy it to better use. The list of achievements in 2014 is long. We established our internal reinsurance entity, separated our capital and risk functions, and issued and refinanced €700 million long-term hybrid debt on better terms than a similar issue the year before. We divested our business in South Korea, our general insurance operation in Turkey, our River Road asset management business in the U.S., Eurovita in Italy and our stake in Spanish joint venture CxG Aviva. Together with our partner, we also conducted a successful partial initial public offering (IPO) of our life insurance operation in Turkey.

The proposed acquisition of Friends Life accelerates our financial transformation. Our integration planning to date has confirmed expected run rate cost savings of £225 million by the end of 2017. In addition, we expect to realise significant capital synergies from the combination over time.

In parallel to the Friends Life integration, we will increasingly focus management attention on organic growth initiatives within Aviva and the reallocation of capital and expenditures to our most promising business opportunities. Our challenge in 2015 through 2017 is to deliver the Friends Life synergies, develop our capabilities around the True Customer Composite and Digital First, and shift towards investing in growth.

Business Unit performance

Aviva is a diversified insurance and investment management group. We operate in 16 countries with differing economic conditions and market structures, and each of our businesses is at different stages of performance improvement and growth.

In our largest unit, UK & Ireland Life, our focus has been on expense efficiency and improving the financial resilience of our large back book of existing business in force. The objective has been to both improve the solvency capital position within the business and deliver more cash to the Group. The results have been satisfactory. Operating profit was up 9% to £1,039 million (*2013: £952 million*) and cash remittances increased 18% to £437 million. In UK Life, changes in annuitant mortality experience resulted in a release of £282 million of longevity reserves (*2013: £66 million*) following an extensive review. Efficiency gains also allowed us to release expense reserves in the first half of the year, but the impact of this on profit was negated by a DAC writedown mainly related to new pension charging rules. Lower individual annuity volumes and dampened returns from increased hedging activities depressed underlying profitability. Value of new

1 On a continuing basis, excluding US Life.
2 Excess centre cash flow. Refer to the glossary for a definition and more information.
3 Between Aviva Insurance Limited and the Group.

£1,383m

(2013: £1,254m)

Operating profit attributable to ordinary shareholders[5]

51.5%

(2013: 54.1%)

Operating expense ratio

> The Group has made substantial progress in improving its financial flexibility.
>
> Tom Stoddard
> CFO

4 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.

5 Net of tax, non-controlling interests, preference dividends and coupon payments in respect of direct capital instruments and fixed rate Tier 1 notes.

business (VNB) of £482 million is flat year-on-year, as increased VNB from equity release, bulk purchase annuities and protection offset the lower contribution from individual annuities following the regulatory changes announced in March 2014. Throughout the year we have also taken steps to improve the quality of our asset portfolio, reducing exposure to certain non-core property assets.

Our UK & Ireland general insurance business has improved its combined operating ratio (COR) by 2.3 percentage points to 94.9% (*2013: 97.2%*) and increased its underwriting profit 66% to £204 million (*2013: £123 million*). Net written premium declined 4% to £3,935 million but most of this reduction occurred in the earlier part of the year. Our UK commercial book showed significant improvement, with the COR improving to 92.8% (*2013: 102.9%*) as we completed portfolio actions to improve the quality of our commercial motor book and reserves developed more favourably relative to the prior year.

Italy was the stand-out performer of our European businesses. Cash increased 167% to £32 million, VNB[6] was 55%[7] higher at £63 million (*2013: £43 million*) and the COR improved 1.2 percentage points to 94.0% (*2013: 95.2%*). Operating profit was 2% higher at £172 million (*2013: £169 million*). Good execution of a major restructure has helped improve the performance of this turnaround business.

Elsewhere in Europe, France delivered a solid result in benign economic conditions with operating profit of £452 million (*2013: £448 million*). French VNB was 25%[7] higher as we continue to improve the business mix, focusing on unit-linked and protection. Our Spanish business is adapting to its smaller footprint with operating profit of £126 million (*2013: £151 million*) impacted by the disposals of Aseval and CxG.

Growth markets of Poland, Turkey and Asia continued their upward momentum. Poland delivered £192 million of operating profit (*2013: £184 million*), benefitting from a £39 million one-off from regulatory pension changes. VNB grew 31%[7] to £64 million (*2013: £51 million*) and the business remitted £106 million of cash to Group. With a 25% increase in cash, and a 31%[7] increase in VNB, Poland is a prime example of delivering cash flow plus growth.

In Asia, our Chinese business grew VNB 100%[7] due to changes in product mix and effective bundling. The average product holding of our Chinese customers is now 3.5x. In Singapore, VNB increased 23%[7] to £87 million (*2013: £76 million*). We are seeking to renew our distribution agreement with DBS this year on appropriate terms.

Managing capital effectively

How we allocate capital is vital to delivering our investment thesis of 'cash flow plus growth'. We invest in order to optimise returns and future cash flows, while maintaining sufficient diversification to withstand the impact of any unforeseen events.

We have exited businesses that were capital inefficient or subscale but there remains more to do to improve overall return on capital. The proposed acquisition of Friends Life should provide greater financial flexibility to drive growth in the rest of the Group.

£692m
(2013: £420m)
excess centre cash flow

65%
increase

Our fund management segment, led by Aviva Investors, was largely flat, ending the year with assets under management of £246 billion and operating profit of £86 million, as we increased operating expenses partly in connection with new product development and distribution initiatives. The AIMS fund range has started well and we are confident in this external market proposition. The proposed Friends Life transaction provides the opportunity to add up to c.£70 billion funds under management to Aviva Investors.

Capital and liquidity

In 2014, IFRS net asset value (NAV) increased 26% to 340p (*2013: 270p*) and our Market Consistent Embedded Value per share was 14% higher at 527p, as shown below.

Net asset value[8]

	IFRS	MCEV
Opening NAV per share at 31 December 2013	**270p**	**463p**
Operating profit	47p	62p
Dividends & appropriations	(15)p	(15)p
Investment variances and AFS equity movements	5p	(2)p
Pension scheme remeasurements	45p	45p
Integration and restructuring costs, goodwill impairment and other	(1)p	(7)p
Foreign exchange movements	(11)p	(19)p
Closing NAV per share at 31 December	**340p**	**527p**

Along with the contribution from profits, the IFRS net asset value was boosted by a 45p increase in our pension surplus, as measured on an IAS 19 basis. We manage our staff pension scheme on a funding basis, not an IAS 19 basis, which means we hold higher technical provisions for funding and hedge on that basis, which introduces potential volatility into our IAS 19 reporting. The large increase in our IAS 19 pension surplus reported this year is largely attributable to a combination of wider credit spreads and lower interest rates. This could reverse in the future.

Prior to the declaration of our 2014 final dividend, our economic capital surplus[4] increased marginally to £8.4 billion (*2013: £8.3 billion*), with a coverage ratio of 182% (*2013: 182%*), and is £8.0 billion after the early declaration of our final dividend, which we announced on 2 December 2014 coincident with the proposed Friends Life acquisition. The coverage ratio is 178% after deducting the accrual of the final dividend, which was reasonably foreseeable at year end. We have also improved our modelling and methodology to improve the quality of our estimate of economic capital surplus during the year.

IGD surplus was stable at £3.6 billion prior to the declaration of our 2014 final dividend (*2013: £3.6 billion*) and reduced to £3.2 billion after. The redemption of hybrid debt during the year reduced our surplus by £0.2 billion.

Liquidity at Group centre is £1.1 billion as at the end of February 2015 (February 2014: £1.6 billion), and within our risk appetite. External and internal debt reduction, pension contributions, external dividends and the capitalisation of our internal reinsurance company offset remittances received from businesses and disposal proceeds.

6 Italy excludes Eurovita.
7 On a constant currency basis.
8 Net of tax and controlling interests.

Solvency II

Next year we expect to report our economic capital surplus on a Solvency II basis, which comes into effect from 1 January 2016. We continue to work with regulators on the application of Solvency II principles to our business, and will submit our Group internal model for formal regulatory review in June this year. Friends Life will be on a standard formula basis for reporting under Solvency II from year end 2015. Once Friends Life becomes part of Aviva, we will begin transitioning Friends to our internal model.

As we have said previously, there remains uncertainty regarding certain significant issues under Solvency II regulations and their interpretation by regulators. Our reported economic capital surplus and its composition may differ under Solvency II from the current regulatory regime. Regardless, we are currently managing the Group taking into account our understanding of how Solvency II principles are likely to apply from 2016 onwards.

Leverage

In 2014, we made meaningful progress in bringing leverage down to desired levels. In the first half of the year we called £240 million of debt instruments with coupons in excess of 10% without refinancing.

The lower interest rate environment and better financial position of the Group allowed us to raise €700 million of Lower Tier 2 subordinated debt with a 3.875% coupon. In Q4 2014, we called a €700 million Direct Capital Instrument (DCI) with a 4.7291% coupon.

Lower debt coupled with growth in our net asset value has resulted in our leverage ratios falling to 28% (*2013: 31%*) on an S&P basis and 41% (*2013: 48%*) of tangible capital on an IFRS basis. Following the integration of Friends Life, we see no need to further de-lever. However, there is still further opportunity to optimise our capital structure and financing costs.

We continue to reduce the intercompany loan that exists between our main UK general insurance legal entity, Aviva Insurance Limited, and the Group. The loan balance is currently £2.8 billion and we remain on track to achieve our objective of reducing this to £2.2 billion by the end of 2015.

Summary

Considering Aviva's overall turnaround in terms of capital, liquidity and internal and external leverage together, the Group has made substantial progress in improving its financial flexibility over the last two years. At the end of 2012, Aviva was reliant on expected proceeds from divestitures, with just £5.3 billion in economic capital surplus, low liquidity at the centre, lower excess centre cash flow from operations, a £5.8 billion intercompany loan balance, and external debt leverage approximating 50%. Entering 2015 we are much stronger on all these measures, our final dividend has been increased 30% to 12.25p per share, and we are looking forward to completing the proposed acquisition of Friends Life, which we expect to close in the second quarter of the year.

> Our challenge in 2015 through 2017 is to develop our capabilities around the True Customer Composite and Digital First, and shift towards investing in growth.
>
> Tom Stoddard
> CFO

IFRS profit before tax

This measures our total statutory IFRS profit before tax attributable to shareholders during the year.

It includes operating profit, as well as non-operating items such as restructuring costs, impairments, investment variances and profits or losses arising on disposals.

Total profit before tax of £2,339 million includes £2,281 million from continuing operations and £58 million from discontinued operations.

Operating profit performance in the year is set out on page 10.

On a continuing basis, non-operating items contributed £108 million to total profit (*2013: £768 million loss*). The two main reasons for the improvement are lower integration and restructuring costs and positive investment variances (*2013: negative variances*).

Integration and restructuring costs of £140 million (*2013: £363 million*) are £223 million lower due to a significant reduction in transformation spend. 2014 costs primarily relate to preparation for Solvency II.

Total investment variances and economic assumption changes were £188 million positive (*2013: £352 million adverse*). In the non-life business this included positive short-term fluctuations of £261 million, mainly due to a decrease in risk-free rates increasing fixed income security market values in the UK, Canada and France. Economic assumption changes were £145 million adverse as a result of lower discount rates. In the life business, investment return variances were £72 million positive, mainly driven by lower risk free rates and narrowing credit spreads on government and corporate bonds in Italy and Spain.

Profit before tax from discontinued operations was £58 million (*2013: £1,273 million*) and relates to our US Life and related internal asset management businesses.

2014

£2,339m profit

2013	2012
£2,819m profit	£(2,521)m loss

Maidstone, United Kingdom

Time for tea

The British are famous for taking their tea very seriously – so much so that England is home to an exhibition of no fewer than 6,700 teapots. It's called Teapot Island and Keith and Sue Blazye, its owners, are one of our customers.

As Sue Blazye explains: "We woke up on Christmas morning and came downstairs to find our exhibition under three feet of water because a local river had flooded. It was horrendous."

Mr and Mrs Blazye wanted to get the exhibition up and running in time for the start of the tourist season and they didn't want to disappoint their customers.

Mr and Mrs Blazye and our case manager, Helen Anderson, worked closely with the loss adjuster to work out what the Blazyes wanted and how it could be delivered.

Opening in time wouldn't have been possible using standard drying and repair techniques. So our drying consultants found a way to get the repairs done in time. We use these new approaches more often now.

Thanks to Mr and Mrs Blazye's commitment, the partnership between our claims manager and the loss adjuster, and the innovative approach to getting the drying and repairs done, Teapot Island opened its doors to visitors in time for the start of the tourist season.

Helen Anderson said: "I've worked for Aviva for 13 years and this was one of the most unusual and complex claims I've worked on – but also one of the most gratifying. Delivering for our customers in this way is the best bit of my job."

Watch the Blazye's story at www.aviva.com/media/video-interviews/

"This is our life and we wanted it back to normal as quickly as possible. We were so impressed with the help and support that Aviva offered."

— Sue Blazye

UK Life

> Offering customers a digital one stop shop for all their insurance and savings needs gives us a unique competitive advantage.
>
> David Barral
> CEO, Aviva UK Life

Overview

We are a leading life insurer in the UK and Ireland with an overall market share of nearly 10%[1]. We offer a broad range of life insurance, investment, pension and health insurance products.

Much of our business is sold through a strong network of independent financial advisors and strategic partnerships with leading banks and retail brands in the UK. An increasing percentage is purchased direct by customers as we continue to simplify our products and make it easier for them to buy and self-serve online.

We received a record number of awards in 2014. These included Protection Provider of the Year, Health Provider of the Year (for the 5th year running) and a five star rating for life and pensions at the Financial Adviser Service Awards.

Strategy

Our strategy is to improve customer engagement and create deeper and stronger relationships with them. We are also focused on simplifying our business model and putting Digital First to enhance the services we offer while reducing costs and improving efficiency. This means we will increase our cash flow to the Group and grow our new business to deliver the investment thesis of cash flow plus growth.

We will grow our business and future cash flows by focusing on specific areas of the market: our back book, retirement, corporate benefits for Small and Medium-sized Enterprises (SMEs) and protection. We have one of the largest back books in the UK, with three million customers and £85 billion of assets under management. We can manage it more efficiently through rigorous capital management, automation, reducing our costs and improving customer service and retention.

The proposed acquisition of Friends Life would create the UK's leading insurance, savings and asset management business with 16 million customers[2], equivalent to accessing one in four UK households. These customers would benefit from a stronger, more diversified and resilient Group with a good range of products. We would have a leadership position in corporate pensions, a market expected to more than triple in ten years. We also expect the value of new business (VNB) in protection to increase significantly and would have the opportunity to sell our broader range of at-retirement products into the enlarged customer base.

Financial performance

We delivered a good set of results despite a challenging market and regulatory environment. We increased our cash remittance to the Group centre by 18% to £437 million by improving our capital efficiency and reducing operating expenses by 7%.

Life operating profits increased to £1,039 million, which included a £282 million benefit from longevity assumption changes. Excluding non-recurring items, profits have decreased 10% with the benefits of cost savings offset by the impact of reduced annuity trading and lower expected investment returns as a result of de-risking activity.

VNB was up 1% to £482 million, with strong trading in equity release products and increased sales of bulk purchase annuities and protection partly offsetting the decline in volumes of individual annuities.

1 Association of British Insurers (ABI) stats published Q3 2014 – based on Annual Premium Equivalent.
2 Based on customer numbers as at 31 December 2013 and prior to the deduction of overlapping customers.

Performance indicators[3]

£437m
(2013: £370m)
Cash remitted to Group

£1,039m
(2013: £952m)
Life operating profit

£565m
(2013: £607m)
Operating expenses

£482m
(2013: £477m – restated[4])
Value of new business

Operational highlights

In 2014 we:
- Focused our strategy on specific market segments, and our competitive advantage of offering customers a 'one stop shop' for all their insurance and savings needs
- Progressed our preparation for the implementation of Solvency II
- Achieved our best ever customer satisfaction scores (Relationship Net Promoter Score®).
- On 1 January 2015, we completed the transfer of our Irish Life business into our UK Life company, releasing further capital to the Group.

Market context and challenges

The UK is Aviva's home base and we are a British champion. There are opportunities for growth including the Government's pension reforms which give consumers flexibility in how and when they access their pension savings. The challenge will be providing them with the appropriate level of support within the constraints of the developing regulatory framework for advice.

We are continuing to reduce our reliance on individual annuities following reforms to the market announced in the 2014 Budget. We intend to mitigate loss of VNB through increased sales of income drawdown, equity release and Bulk Purchase Annuities (BPAs).

Assuming the proposed acquisition of Friends Life completes, one in four existing pension customers in the UK will be Aviva customers. That provides the opportunity to offer pensions, drawdown, equity release and long-term care, and create long-term value for shareholders. Similarly, our strengths in the employer-sponsored pension market mean we are well-placed to capitalise on pension saving through large employers and small businesses, including auto-enrolment.

The protection market is a strategic priority. The proposed acquisition of Friends Life would make us number one in protection[5], with an unrivalled product range and distribution reach, whether that is through intermediaries or, increasingly, direct-to-consumer.

Case study

Auto-enrolment

Auto-enrolment means that all UK employers must offer and enrol their employees into a suitable pension scheme by early 2018 at the latest, depending on the number of employees they have. To help employers, we've developed an online service to help them assess whether their employees have to be registered, make sure they make the minimum contributions and produce documents for employees or remind employers when they have to act. They might, for instance, have to re-register an employee who had previously opted out. It means employers can meet their obligations as easily as possible. And that means they have more time to concentrate on their business.

www.aviva.co.uk/auto-enrolment/

Priorities

In 2015 we will:
- Deliver simplicity and convenience for customers and contribute to the Group's cash flow
- Begin to integrate Friends Life, should the proposed acquisition complete
- Support our customers to take advantage of the Government's pension freedoms by providing a full suite of market leading retirement products
- Launch a new Direct-to-Consumer investment platform to provide customers with a digital online service with easy ready-made packaged solutions
- Build on our existing strengths in protection by launching an innovative product range and increasing our growing direct-to-consumer business
- Continue to manage capital, costs and retention in our back book more efficiently, unlocking value and improving cash flow.

> We aim to delight our customers, partners and shareholders by delivering innovative solutions.
>
> Chris Wei
> CEO, Global Life Insurance and Chairman, Asia

3 Including Ireland Life.
4 Comparatives have been restated to reflect the changes in MCEV methodology. Refer to the glossary for further details.
5 Protection ranking based on 9M14 APE obtained from the Association of British Insurers.

General insurance UK & Ireland and Canada

> Building on our leading position we will look to make the most of our unique opportunity as the leading UK composite insurer.
>
> Maurice Tulloch
> Chairman, Global General Insurance and CEO, Aviva UK & Ireland General Insurance

Our general insurance strategy

General insurance is integral to Aviva's strategy of becoming a True Customer Composite, meeting all customer needs across life, general and health insurance, and asset management. It is an important part of Aviva's diverse business model and contributes approximately 28% of the Group's operating profits, with general insurance operations in seven markets.

A critical component of our general insurance business is a focus on our general insurance fundamentals: underwriting, pricing, claims management, predictive analytics and cost efficiency.

In a rapidly changing world, fuelled by digital, it is critical to share best practice across our businesses. Our expertise and experience will enable Aviva to grow our general insurance business.

Our strategy is to ensure all the businesses within Aviva work closely to share their insight and innovations to provide better services to customers across their markets and deliver value to our shareholders.

UK & Ireland

Overview

We are a leading general insurer in both the UK and Ireland, with a market share of 10.5%[1] and 13.3%[2] respectively, providing a wide range of products to personal and business customers.

We have a multi-distribution network, providing our products and services directly to customers, via broker intermediaries and strategic partners. The quality of the service we provide to our customers was recognised through a number of awards in 2014, most notably the Insurance Times General Insurer of the Year, Digital Insurer of the Year and Insurer Innovation of the Year. We also received the Customer Experience Award Intermediary (Post magazine awards), and Best Car Insurance Provider.

Strategy

We aim to provide our customers with the products and quality of service they expect by ensuring our products meet evolving consumer needs and provide value. We leverage our extensive expertise in underwriting, pricing and analytics in the design process.

This will ultimately enable us to improve our cost efficiency, accelerate our automation and grow our operating earnings and so contribute to delivering the investment thesis of cash flow plus growth.

We will grow our UK business by focusing on our UK direct and broker channels, and we will make the most of the unique opportunity offered by being the leading UK composite insurer.

We aim to increase the average length of time our customers stay with us, while improving our analytics so we provide them with the products they want delivered how they want it.

The MyAviva app will continue to be at the heart of the digital services we offer our customers. We aim to deliver simpler digital solutions that make it easier for our customers to do business with us.

We will continue to take an industry lead on issues that increase costs for our customers, such as fraudulent whiplash claims.

1 Datamonitor UK Insurance Competitor Analytics 2014.
2 Irish Insurance Federation, 2013.

Financial performance

Financial performance for the year has been good, with improvement seen in most of the key financial metrics.

Our combined operating ratio improved 2.3 percentage points to 94.9%, with improvements in both the UK and Ireland. Operating profit for the UK & Ireland is marginally higher at £499 million (*2013: £489 million*), with higher underwriting profits partly offset by a reduction in investment return mainly as a result of reductions in the internal loan during the year. Operating expenses are 8% lower at £755 million, with continued focus on cost control in both our UK and Ireland businesses.

Cash remittances for the UK and Ireland of £294 million were down 15% as a result of the lower interest received following the reductions in the internal loan.

In the UK, the combined operating ratio improved 2.2 percentage points to 94.8%. A better commercial lines result - particularly in motor – was partly offset by lower personal lines profits, which declined primarily due to less favourable weather-related claims experience in 2014 than 2013. In Ireland, the general insurance COR improved 2.6 percentage points to 96.6%.

Operational highlights

In 2014 we:

- Improved our customers' satisfaction for both motor and home claims. We are the first insurer to publish how our customers rate our service on our website using the Defaqto star ratings
- Successfully launched multi-car products for existing customers in personal lines. Our UK Direct customers have rated us 4.5 out of 5 for motor insurance and 4.6 out of 5 for home insurance
- Performed strongly in commercial lines despite a highly competitive market. This was achieved through product breadth, brand and customer service
- Received high levels of customer satisfaction for the way in which we dealt with more than 50,000 weather-related claims over the 2013/14 winter period, the majority as a result of storm damage
- Drove forward our digital offer by rolling out the benefits of the MyAviva app for customers. MyAviva has now 1.3 million registered users
- Acted as an industry and customer champion. We have continued to campaign against fraudulent whiplash claims as part of our Road to Reform campaign
- Continued the turnaround of our business in Ireland by seizing the opportunities presented by the economic recovery, and the outstanding levels of brand awareness and relationships we enjoy
- Grew the market share in our Irish business for the first time in eight years, with a 9% increase in policy count and delivered market leading customer service satisfaction, including a 37% increase in our Relationship Net Promoter Score®
- Made key appointments to the Leadership team to guarantee an even greater focus on meeting our customers' needs, including Colm Holmes as Chief Financial Officer, Adam Kornick as Global Analytics Director and Lindsey Rix as Chief Operations Officer.

Performance indicators: UK & Ireland

£294m
(2013: £347m)
Cash remitted to Group

£499m
(2013: £489m)
General insurance and health operating profit

£755m
(2013: £818m)
Operating expenses

94.9%
(2013: 97.2%)
Combined Operating Ratio (COR)

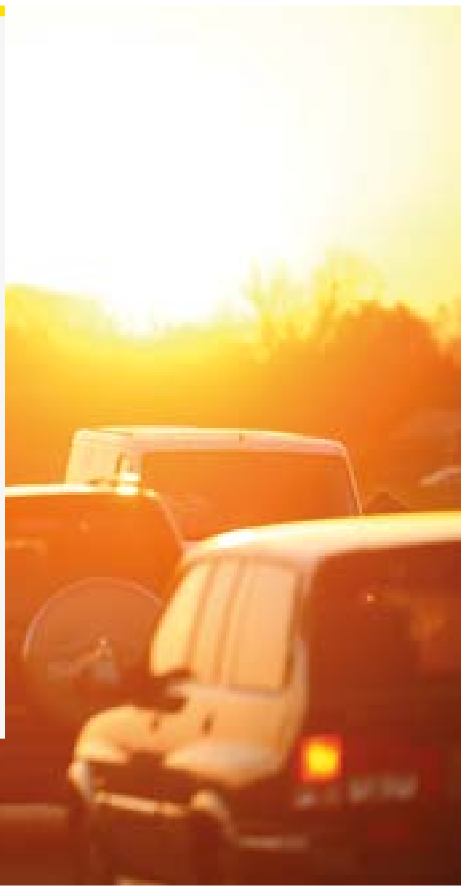
Supporting our customers

How would you feel if you were taken to court for something you didn't do? Aviva customer Belinda Ellis faced this after hitting a stationary van when parking her car. Months later, the van owner took her to court to pursue a claim for whiplash; Aviva defended Mrs Ellis against this charge.

"It should never have gone to court, but Aviva were behind me and supported me. The judge awarded in our favour, and it's just brilliant that Aviva is prepared to back anybody who is willing to take it right to the end."

Aviva is proud to support their customers in this way, keeping insurance premiums to a minimum, and sending a strong message out to those who decide to make disingenuous claims.

www.broker.aviva.co.uk/compensation_culture/



Market context and challenges

Market conditions for private motor and home insurance remain highly competitive and we expect this to continue. Customers are rightly price conscious and this will not change.

Customers have grown accustomed to price comparison websites in personal lines. We will respond to this challenge by developing market-leading direct products and services, and investing in digital to sharpen our competitive edge.

Increased insurance capacity in the Small and Medium-sized Enterprise (SME) sector will increase competition. We continue to succeed in this market because of the quality of our service and relationship management of SMEs. Aviva is uniquely well placed to be a trusted advisor and offer a complete one-stop-shop for SMEs. Less complex products for commercial lines are increasingly transacted online. We will respond to this by further developing our FastTrade system, the online platform that allows brokers to trade SME business, to form the basis for the services we offer.

Priorities

In 2015 we will:

- Deliver market-leading customer service and products to increase average holdings per customer, as well as growing our business through new customers
- Enhance our predictive analytics, so we can better assess risk, behaviour and tailor products to our customers' needs
- Develop an iPad and Android tablet version of the MyAviva mobile app and work with Aviva's other businesses to roll out MyAviva
- Campaign on key industry initiatives that matter to our customers such as motor market reform, including fraudulent whiplash claims, industrial deafness claim management, and Flood Re
- Continue to build on our strong performance in Ireland with a tailwind from GDP growth and lower unemployment.

Canada

Overview

We are one of Canada's leading general insurers, with a 7.8%[3] market share. We provide personal, home and motor insurance; small and medium-size enterprise commercial insurance, (including motor, property, liability, boiler and machinery, and surety) and a range of niche personal insurance products.

Most of our business is intermediated, with our products sold through a network of independent broker partners.

Strategy

Our objectives are to build on our existing service to our customers, improve the ease of doing business with our distribution partners, diversify our geographic exposure and build our digital capability, including in telematics. Aviva Canada is a cash generator with a strong track record of delivering cash returns to the Group.

We are improving the service we offer our customers by creating more ways of accessing our products directly, including digital self-service. This will mean our customers can deal with us when, where and how they want.

We are specifically focusing on developing our direct digital capability, but are also supporting our broker partners to help them integrate digital technology, to better serve our customers and stay competitive.

We are also developing telematics technology, which provides customer analytics so we can offer motor insurance based on vehicle use. This customises pricing to reflect how customers drive and rewards good driving behaviour. Our first step is to offer a young drivers' solution in Ontario, distributed through our broker network.

We will continue to collaborate and share our expertise in underwriting and analytics with other general insurance businesses in the Group in order to benefit our customers.

> We are improving our services so our customers can deal with us when, where and how they want.
>
> Greg Somerville
> CEO Canada

Case study

Drive safely, save money

Our Aviva Drive app is a great example of how we tailor products and prices for our customers – and save them money. It monitors driving behaviour over a combined distance of 200 miles, gives a score – and a discount. Denise, 26, is a new mum to Pippa and works with her husband – so they were keen to keep insurance costs as low as possible. She scored nine out of ten and cut her premium by 20%. Even if she had scored poorly, her premiums would have stayed at their original level. Denise said: "Having a baby and knowing I had the chance to lower my premiums made me more conscious about driving safely."

www.aviva.co.uk/drive/

Financial performance

During 2014 the Canadian dollar weakened by 13% (average rate) against sterling, significantly affecting all metrics from a Group perspective.

Cash remittances improved by 6% to £138 million (up 15% on a constant currency basis) and operating expenses were £316 million (*2013: £378 million*), down 16% or 6% lower on a constant currency basis.

However, general insurance operating profit was 23% lower at £189 million (13% lower on a constant currency basis). The reduction in profits included lower underwriting profits of £83 million (*2013: £117 million*), reflecting higher large losses and lower prior year reserve releases partly offset by expense savings in all lines and an improvement in the underwriting result for commercial lines. In addition weather experience, although better than 2013, impacted profits, with a harsher winter in the first quarter of the year followed by hail storms in Alberta in August. As a result there has been a 1.5 percentage point deterioration in the combined operating ratio to 96.1%.

3 MSA Research Inc., 2013 online database.

Longer term investment return was also lower at £112 million (down 17%) as a result of lower reinvestment yields.

Operational highlights

In 2014 we:

- Successfully executed our growth strategy in personal lines in Western Canada, increasing and diversifying our geographic exposure and increasing gross written premiums by 17%
- Responded to severe weather, which led to an increased frequency of claims (8.6% in 2014 versus 8.4% in 2013), including 1,300 households adversely impacted by the polar vortex, which caused an ice storm in Toronto
- Used technology to streamline our business processes in commercial lines. We have improved efficiency, underwriting, risk selection, and pricing sophistication, leading to a better service for brokers and customers
- Transformed how we deal with claims in personal lines, leading to a more efficient and cost effective process and better customer service
- Created innovative ways to combat insurance fraud using predictive analytics and anti-fraud capabilities. We continue to work closely with Aviva's UK general insurance business on building these capabilities. We are also improving our claims management and quality of customer service by embedding these capabilities in our underwriting processes
- Donated CAN$1 million to community projects through The Aviva Community Fund (ACF), now in its sixth year.

Market context and challenges

The industry as a whole faces challenges from the severity and frequency of the bad weather experienced over the last two years. We are responding to this by reassessing our exposure to risk, reviewing our products, pricing and our flood mapping.

We will also continue to work with the public authorities in Ontario to reduce claims costs and lower premiums to make car insurance more affordable and accessible in our largest market. We support the steps taken by the Ontario Government so far and will continue to ensure a sustainable and affordable solution for the people of Ontario.

Priorities

In 2015 we will:

- Make the most of the unique opportunity of being a composite insurer by expanding our range of offerings to include health and accident products. We will also introduce an Overland Water Coverage Option for home insurance, to provide water damage coverage for certain categories of claims not previously covered by the industry
- Broaden our distribution reach to customers, especially through digital
- Continue to invest in telematics and digital so our services and propositions are better for our broker partners and customers
- Serve our customers better by continuing to deliver improved automation in commercial lines
- Utilise new technology, such as the 'Real Time Gateway' (RTG), so we can offer customers a price based on a more sophisticated assessment of risk. This will improve operational efficiency, effectiveness and profitability
- Continue to simplify and streamline our processes, resulting in more customer-focused, efficient and effective ways for our customers to interact with us.

Responding to extreme weather

The winter of 2013-14 was particularly harsh in Canada, with rarely-encountered weather conditions such as the polar vortex and frost quakes. Bitterly cold temperatures, plus snow and ice, dominated the weather from November to April. Aviva Canada helped 1,300 households impacted by the polar vortex which caused a devastating ice storm in Toronto. The damage cost the insurance industry over CAN$200 million. We're working with the Insurance Bureau of Canada and the industry to use technology to provide affordable insurance, help customers manage risk and prepare them for future risks.

Performance indicators: Canada

£138m
(2013: £130m)
Cash remitted to Group

£189m
(2013: £246m)
General insurance operating profit

£316m
(2013: £378m)
Operating expenses

96.1%
(2013: 94.6%)
Combined Operating Ratio (COR)

Europe

> What excites me is the prospect of becoming a True Customer Composite insurer and developing state-of-the-art digital services for our customers.
>
> David McMillan
> Chairman, Global Health Insurance and CEO, Europe

Europe

Overview

We are focused on five markets in Europe: France, a mature cash-generating business, with excellent distribution and good prospects for further growth; Poland[1] and Turkey, two of the strongest growth markets in Europe, with relatively under-penetrated insurance sectors[2] where we are building long-term value; and Spain and Italy, our two turnaround businesses where we have been improving capital efficiency and cash generation.

Our European businesses enjoy strong market positions in life insurance and we are a composite in three markets, with general insurance businesses in France, Italy and Poland. We have around 10.5 million customers in Europe.

Our strategy

Our Europe-wide strategy is to deliver sustainable and reliable cash remittances to the Group. Over the last year we continued to reshape our portfolio, exiting sub-scale, unprofitable businesses and focusing on capital light products. We have made some progress in improving operating efficiencies, but we can still do more in this area.

Our European businesses have also delivered significant growth as a result of shifting our focus to more profitable products, such as unit-linked and zero per cent guarantee saving products in our developed markets, while continuing to profitably grow our business in Poland and Turkey.

Going forward, our priority is to capitalise on the potential of the composite model, build scale in protection and general insurance, and further strengthen our distribution, especially by developing our digital capability.

Market context and challenges

We expect stronger employment and disposable income to drive demand for life and savings products across the region. We are well positioned for a macro recovery in Europe but we are not dependent on it and have achieved growth despite the challenges in the Eurozone.

Digital will continue to be a key differentiator for insurers, as customers are increasingly looking for more efficient and customised service through new technologies and channels.

Financial performance

Our European businesses have delivered strongly on cash flow and growth. In particular, we have increased cash remittances by 17% to £454 million, grown VNB by 19% to £392 million and reduced operating expenses by 7% to £596 million.

Life operating profit of £852 million was broadly flat year-on-year, but improved by 5% on a constant currency basis primarily driven by France and Poland. Excluding Eurovita, Aseval and CxG, which have been sold, life operating profit grew 5% (11% in constant currency) with improvements across all markets.

General insurance operating profit of £113 million was also in line with 2013, but 4% up on a constant currency basis, driven mainly by improvements in Italy partly offset by adverse weather experience in France. Combined operating ratio in Europe improved to 97.7%.

1 Aviva's Polish business also has management responsibility for Aviva's operation in Lithuania.
2 Defined as total premiums as a proportion of GDP.
3 Restated to reflect the changes in MCEV methodology. Refer to the glossary for further details.

Performance indicators

£454m
(2013: £388m)
Cash remitted to Group

£852m
(2013: £851m)
Life operating profit

£113m
(2013: £112m)
General insurance and health operating profit

£596m
(2013: £644m)
Operating expenses

£392m
(2013: £329m restated[3])
Value of new business[4]

97.7%
(2013: 98.1%)
Combined Operating Ratio (COR)

France

Overview

Aviva France has been a stable cash-generating business, with a well diversified distribution network and good prospects for further growth.

We have more than three million customers in France and offer a full range of life, protection, pension, general insurance, health and asset management products.

We have significant strength in distribution, with half of our profits from channels we own or control. We have a tied agency network of over 900 agents and a majority stake in UFF, the largest IFA network in France.

We enjoy a longstanding and strong relationship with Association Française d'Epargne et de Retraite (AFER), the largest retirement savings association in France. We also have a strong direct business with 450,000 customers with Aviva Direct, the largest direct provider of funeral protection[5], and 200,000 with Eurofil, our non-life brand and the second largest direct general insurer in the market.

Our focus is on building on our existing strength in distribution and developing our digital and multi-access capability. We also have a significant opportunity to make the most of the composite model, by making all our products available to all customers through all channels.

Financial performance

France delivered profitable growth while continuing to increase cash remittances and operating profits, despite adverse weather affecting our general insurance business. Performance in the year improved across all five key financial metrics although the weakening of the Euro affected all metrics from a Group perspective.

Cash remittances were up 4% to £245 million and total operating profit increased 1% to £452 million (6% up in constant currency) driven by a strong performance in the life business. The combined operating ratio improved 0.2 percentage points to 96.9% despite the adverse weather experienced during the year. Operating expenses reduced 7% to £396 million.

VNB increased 19% to £205 million due to increased volumes and a continued shift in product mix towards more profitable unit-linked investments.

Operational highlights

In 2014 we:
- Increased the weight of unit-linked sales as a proportion of total saving products sales from 22% in 2013 to 28% in 2014
- Used Systems Thinking to simplify our processes, enabling us to improve operational efficiency and meet our customers' needs more effectively
- Improved our online presence, focusing on our product offering and providing quicker quotations
- Integrated our direct sales force network into UFF to improve efficiency.

Market context and challenges

France is a stable market with a large, well-developed insurance sector. We expect higher growth in protection and retirement sales as a result of demographic changes and decreased government provision.

Priorities

In 2015, we will:
- Build our multi-access capabilities, so that customers can interact with us how and when they want, at different stages of their engagement with us
- Increase our presence in the protection and creditor market
- Improve the profitability of our general insurance business
- Take further action on our back book and improve operating efficiencies.

Poland

Overview

Aviva Poland provides life and general insurance products, pensions and asset management. We are a well established leading financial institution in Poland in a market with strong potential for further growth. The Polish market is relatively under-developed, with insurance penetration of only 3.4%[6] (against a Europe-wide average of 6.8%[6]), but has a population with growing disposable income and consumption.

We have particular strengths in distribution through the country's largest life insurance direct sales network of more than 2,100 advisers and through our bancassurance agreement with BZ WBK, the third largest bank in Poland and part of the Santander Group.

We also operate a subsidiary in Lithuania, where we are the largest life insurer[7].

Financial performance

Aviva Poland delivered strong growth in VNB (25%) to £64 million benefiting from regulatory pension changes in Lithuania and an increase in sales of higher margin protection products. Operating profit of £192 million improved 4% (9% in constant currency), driven by the life business. Cash remittances increased 25% to £106 million.

Our selective underwriting approach in a highly competitive market led to a reduction in general insurance volumes with a combined operating ratio for the year of 96.0%.

4 Excludes Eurovita, Aseval and CxG.
5 Federation Francaise des Societies d'Assurance.
6 Swiss Re, Sigma, 2014.
7 Bank of Lithuania, http://www.lb.lt/monthly_statistics_1.

Operational highlights

In 2014 we:

- Further strengthened our distribution by rejuvenating our direct sales force, launching new initiatives to increase agents' activity and productivity
- Launched our New Network, Aviva financial centres offering financial products, including insurance, mortgages and loans. We have a physical presence in ten new branches and 100 advisors in large cities where we are under-represented
- Further enhanced our digital capability, including establishing our virtual branch.

Market context and challenges

Relatively low insurance penetration in Poland continues to represent a significant opportunity, especially around young and affluent segments of the population. Competitive pricing in general insurance will continue to put pressure on margins and efficiency. We expect to see our Polish business grow as the insurance sector matures.

Priorities

In 2015, we will:

- Invest in our existing distribution, building digital capabilities, improving remuneration and introducing new digital sales tools
- Further grow our bancassurance business with BZ WBK by offering innovative products and improving customer retention
- Aim to become the most trusted financial services brand and the first choice insurer for key market segments, including middle income and affluent customers, and the family segment.

Simplicity and convenience

Our Aviva Italia app lets our customers deal with us when and how they want. They can get access to our agents' contact details, find out more about our products, make a claim or report an incident and manage their policies in a secure client area. That delivers the simplicity and convenience our customers want.

www.avivaitalia.it/aviva-app

Turkey

Overview

AvivaSA is one of Turkey's leading private pension and life insurance companies, with nearly two million customers.

Our joint venture with Sabancı Group, one of Turkey's leading conglomerates, sells life and pensions products through banks and agents. Our main distribution channel is Akbank, one of Turkey's largest privately owned banks, with over 900 branches, and part of the Sabancı Group.

We also employ the largest life and pension direct sales force in Turkey, with over 600 people, and the fastest growing agency channel, with over 130 agencies. In addition, our corporate channel is ranked number one in employer sponsored group pension contracts[8].

Financial performance

Life operating profit of £10 million (*2013: £8 million*) reflects improved returns from our individual pension business.

VNB of £30 million is down 19% primarily due to adverse foreign exchange movements. On a constant currency basis, VNB is down 3%, mainly driven by a reduction in our share of the business following the partial IPO in November 2014.

Operational highlights

In 2014 we:

- Launched an initial public offering for a minority stake in AvivaSA, which valued our business at TL1.7 billion (£469 million) and realised £40 million in cash
- Extended our exclusive bancassurance agreement with Akbank for another seven years, until 2029
- Improved the productivity and profitability of our network of agents by launching new products.

Market context and challenges

Despite uncertainties, we believe this market offers strong long-term potential for profitable growth, with its young population, good economic growth and increasing demand for financial products. We are well-placed to make the most of the growth opportunities.

Priorities

In 2015 we will:

- Continue to grow our pensions and protection sales, focusing on maximising the value of our distribution agreement with Akbank
- Continue to build our retail network and improve its productivity
- Leverage the opportunity in affinity to access the substantial customer base of other Sabancı Group companies, working closely with some of the largest retailers in Turkey, in sectors such as electronics and energy supply.

Italy

Overview

We are a mid-sized composite insurer, offering life, general and health insurance. We are in the top four in the protection market[9] and have a growing position in the general insurance market.

We operate through strong bancassurance partnerships, with three of the five top banks in Italy – Banco Popolare, UBI Banca, and UniCredit. We also operate through a distribution network of around 600 agents and brokers.

We have made significant progress in restructuring our business and improving our performance. We remain focused on capital efficiency and delivering cash to the Group. We have moved from turning around the business to seizing strategic opportunities and maximising the potential of the composite model.

Financial performance

There has been good progress with improvements across all key financial metrics. During 2014 we delivered improved cash remittances of £32 million (*2013: £12 million*) and a 47% increase in VNB[10] to £63 million, which was due to increased volumes and improved margins on bonds and savings products.

Total operating profit marginally increased to £172 million (*2013: £169 million*). Life operating profits were stable at £142 million. Excluding Eurovita, life profits were up 13% (19% in constant currency) driven by improved product mix.

There was also a small increase in profits in our general insurance business, which led to a 1.2 percentage point improvement in the combined operating ratio to 94.0%.

8 Pension Monitoring Centre, Turkey.
9 IVAA - Istituto per la Vigilanza Sulle Assicurazioni.
10 Excludes Eurovita.

Operational highlights

In 2014 we:
- Made significant progress in transforming our business
- Simplified our holding company structure to improve cash flow and increase dividends
- Completed the sale of our stake in Eurovita to JC Flowers
- Simplified our life joint ventures and extended our bancassurance agreements with UBI Banca and UniCredit, prioritising protection and zero per cent guarantee products
- Invested in digital apps and portals for our customers and agents.

Market context and challenges

The Italian insurance market is expected to show signs of recovery.

The recent trend of general insurers adopting a more technical approach to pricing and focusing on operational efficiencies in Italy is expected to continue. We have taken pricing action in general insurance, deepened our use of analytics and made product changes to improve profitability.

In life insurance, customer demand for with-profit products will continue but the market is now becoming accustomed to lower/zero percent guarantee products. From July 2014 all new policies distributed are zero percent products. The protection market is expected to grow as the economy starts to recover.

Priorities

In 2015 we will:
- Deliver improved value from our extended life bancassurance agreements, focusing on the protection market
- Accelerate growth in our general insurance business, by building our retail distribution and enhancing our technical capabilities
- Invest in digital and position ourselves to make the most of opportunities in this space.

Spain

Overview

We provide life and pensions products through our bancassurance partners and our retail business and have around 1.1 million customers. We are sixth[11] in life premiums and fifth[11] in individual protection by market share.

In Spain we have strong bancassurance relationships, and operate a small but growing retail business. The business has shown resilience and we continue to make progress with our turnaround and are well positioned to take advantage of improving economic conditions.

Financial performance

The Spanish economy continues to present challenges to the business. Despite this, our key metrics demonstrate the progress we have made in our turnaround and that we are well positioned to take advantage of improving economic conditions.

During the year we have significantly improved cash remittances to the Group, which were up 33% to £68 million which includes a one-off dividend of £19 million.

VNB[12] has grown 20% to £30 million due to expense reductions and improved margins on with-profits business following management actions to reduce guarantees. Excluding Aseval and CxG, which were sold in April 2013 and December 2014 respectively, operating profit was broadly stable at £101 million (*2013: £102 million*) but up 5% in constant currency.

Operational highlights

In 2014 we:
- Successfully completed the sale of our stake in CxG to NCG Banco for £221 million, following a favourable award by the Spanish arbitration court
- Introduced new products, offering cover against specific conditions, such as breast or prostate cancer.

Market context and challenges

The restructuring of the banking sector is expected to complete in 2015, which will bring stability to the bancassurance sector. Lending conditions are expected to remain challenging, which will impact upon credit-linked insurance products.

Priorities

In 2015 we will:
- Consolidate our bancassurance franchise with key partners as the restructuring of the banking sector in Spain completes
- Continue to grow our retail business profitably and invest in digitising our operations and services
- Further improve customer retention rates to generate additional value from the back book
- Continue to promote debate on sustainable savings and help people understand their financial decisions, through the pioneering work of the Aviva Savings and Pensions Institute.

Supporting our deaf and hearing-impaired customers

There are around half a million deaf or hearing impaired people in France. Aviva Sourds is tailored for them. In 2014 we expanded this service, building on the pilot we set up in 2012. Now there's a dedicated team of agents, fluent in French sign language, who also provide information on our products through Skype, Elision (a web-based simultaneous interpreting service), email, SMS, video-calls and fax and, if customers are in the Paris area, face-to-face meetings. It's another example of Aviva serving customers how they want and when they want.

Find out more about our wider impact at
www.aviva.com/corporate-responsibility/

11 ICEA - Investigación Cooperativa entre Entidades Aseguradoras y Fondos de Pensiones, Q3 2013.
12 Excludes Aseval and CxG.

Asia

> The outlook for Aviva Asia is promising. By leveraging our strengths, the depth of our partnerships, our multi-distribution channels and shared expertise we can deliver significant growth in Asia.
>
> Chris Wei
> CEO, Global Life Insurance and Chairman Asia

Overview

We have a presence in Greater China (China, Hong Kong and Taiwan), South East Asia (Singapore, Indonesia and Vietnam) and India.

We offer savings, protection, accident and health insurance to individual and corporate customers, and in Singapore we offer motor, home and travel products, as well as a fund management platform, Navigator.

We have three million customers across our markets[1]. We have leading insurance operations in Singapore (where we are ranked fourth[2] in life business) and China (where we are a leading foreign insurer in seven of the 12 provinces in which we operate).

Hong Kong, Taiwan, Indonesia and Vietnam offer us attractive opportunities for growth.

Across Asia we operate a multi-distribution strategy which includes bancassurance, agents, financial advisers, telemarketing and a direct sales force. We are also investing in other channels such as direct marketing affinity and digital to differentiate ourselves from competitors.

Strategy

Our strategy is to continue to capitalise on the significant potential for growth in our selected markets. We will do this by providing an excellent service to customers through our distribution network, harnessing the potential of our local partners' brands and customer reach.

We will embrace the True Customer Composite model by delivering Aviva's strengths across life, health, general insurance and asset management.

We will strengthen our ability to achieve growth across the region by developing our capabilities in digital, analytics and customer marketing.

Financial performance

Performance in Asia has been encouraging, with cash remittances up 15% to £23 million and particular improvement in our key VNB metric.

We achieved a 23% increase in VNB in 2014 to £127 million, driven by growth in China and Singapore. China's VNB grew 94% to £31 million driven by a shift towards higher margin protection products, and Singapore's VNB increased 14% to £87 million benefiting from the inclusion of health business in VNB.

Life operating profits reduced by 9% to £87 million, mainly driven by the investment in implementing our joint venture in Indonesia (see below), as well as the sale of our business in South Korea and adverse foreign exchange movements. Operating expenses, 7% lower at £80 million, were stable on a constant currency basis.

General insurance COR improved to 97.8%, with the prior year impacted by a one-off increase in reserves in the Singapore motor book following a change in the reserving methodology.

Operational highlights

In 2014, we:
- Launched our joint venture with Astra International in Indonesia in November
- Shifted our product mix, emphasising value growth over pure volume growth, and improved distribution mix towards profitable channels

1 As at 31 December 2014.
2 LIA statistics, by Individual Life APE.

- Expanded our multi-distribution platforms in a disciplined manner – growing our agency channel in China and Vietnam, strengthening our bancassurance business in Singapore, Indonesia and Taiwan, growing our business through financial advisers in Singapore and China, and enhancing our direct distribution capabilities
- Continued to collaborate with our strong partners: COFCO in China; DBS in Singapore and Hong Kong; Astra and Bank Permata in Indonesia; First Financial Holding in Taiwan and Vietinbank in Vietnam
- Rolled out electronic applications on mobile tablets for new business for our bancassurance customers in Singapore, achieving an e-submission rate of 80%. This has also been rolled out in the agency channel in China
- Rolled out our "All-in-one" comprehensive protection product in China, which successfully met increasing customer demand for protection against cancer, illness and major diseases.

Market context and challenges

The Greater China and South East Asia markets are expected to deliver relatively good GDP growth in 2015. China is currently the fifth largest life insurance market in the world, and is expected to overtake Japan as Asia's largest market in the next decade[3].

Despite several years of healthy growth in new business, Singapore, Hong Kong and Taiwan still have large protection gaps and ageing populations, which provide considerable opportunities for health, retirement and protection product propositions. Indonesia and Vietnam have large populations and growing consumer classes, but low insurance penetration which we expect to increase over the coming years.

The combination of favourable demographic trends, low insurance penetration and the region's rapidly expanding middle class makes Asia attractive to life insurance companies. Our challenge in this competitive environment is to differentiate ourselves with a compelling strategy, by offering unique value-adding customer propositions and delivering an efficient and seamless customer experience.

The regulatory landscape continues to evolve, with a focus on risk and solvency management, as well as greater interest in sales practices. All international insurers, like Aviva, benefit from being able to draw on their experience of other regulatory environments around the world to respond to these regulatory changes effectively.

Priorities

Our priorities are to:
- Continue to strengthen our multi-distribution platforms, including investing in direct marketing, affinity and digital
- Capitalise on the strong distribution strength and customer reach of our partners and further expand these partnerships in all markets
- Develop a comprehensive range of products spanning savings, protection, health and retirement to better meet customers' needs
- Capitalise on the potential of the composite model by further expanding our multi-line business in Singapore and seeking opportunities in other markets
- Put Digital First by launching digital sales applications across our Asian markets, starting with Singapore, China and Indonesia
- Strengthen our digital capabilities and invest in a regional digital lab to nurture collaboration and innovation.

Performance indicators

£23m
(2013: £20m)
Cash remitted to Group

£87m
(2013: £96m)
Life operating profit

£2m loss
(2013: £1m profit)
General insurance and health operating profit

£80m
(2013: £86m)
Operating expenses

£127m
(2013: £103m – restated[4])
Value of new business[5]

97.8%
(2013: 108.1%)
Combined Operating Ratio (COR)

Astra Aviva Life

Khor Hock Seng, CEO, Aviva Asia (pictured right), led the launch of Astra Aviva Life. He said: "In November, we launched our joint venture in Indonesia, Astra Aviva Life, with our partner, Astra, one of Indonesia's largest listed conglomerates. It provides high quality protection and investment products, drawing on the strength of both companies, in one of the world's fastest growing insurance markets. Our goal is to become a top five insurance provider in Indonesia. This exciting venture exemplifies our objective to be Not Everywhere, but in markets where we can make a major impact."

3 Swiss Re Sigma 2014.
4 Comparatives restated for the change in MCEV methodology. Refer to glossary for further details.
5 Excludes Malaysia (VNB in 2013 including Malaysia was £104 million).

Aviva Investors

> It's still early days in our efforts to transform Aviva Investors but the signs are extremely encouraging — maybe even better than we had anticipated.
>
> Euan Munro
> CEO, Aviva Investors

Overview

We are Aviva's investment management business, with £246 billion assets under management.

Strategy

Our ambition is to make Aviva Investors a world-leading asset manager in outcome oriented solutions. In doing so, we aim to make a greater contribution to the profits of the Aviva Group.

Aviva Investors' activities are core to the strategy of the Group as a whole, firstly in reaching our potential as a True Customer Composite by capitalising on the opportunities between asset management and Aviva's life insurance business.

Secondly, we aim to increase our contribution to the Group by utilising our expertise and skills managing Aviva's own funds and becoming a renowned manager of other investors' funds.

Our strategy revolves around putting our customers at the heart of everything we do. No matter who they are, customers want their asset manager to offer them simple financial products delivering specific outcomes. We believe that whether it is a pension scheme, corporation, financial adviser or individual saver, what matters to them is achieving reliable capital growth, securing a reliable income stream, obtaining a return that exceeds inflation or increasing the likelihood they will meet a specific future financial liability.

In serving our customers, we aim not to offer an à la carte menu of investment options, but investment outcomes that are created by bringing together our expertise and skills, global reach and best execution and as such deliver customers income and savings goals at a reasonable price.

The Aviva Investors Multi-Strategy (AIMS) fund range has been created with the aim of delivering these specific investment outcomes. We believe this will prove attractive to investors. As we are one of the few players in this segment of our industry, if our funds are successful we should be able to grow our assets under management significantly and in turn our contribution to Aviva's profits.

So far we have created the first two funds in our AIMS range. The first, which was launched in July 2014, aims to deliver steady capital growth. The second – launched in December – is designed to generate a reliable income stream. Both funds invest across a wide range of diversified asset classes and geographies, drawing on investment ideas from across our business.

To date, the AIMS Target Return Fund has performed impressively and this has already been recognised by clients. The AIMS fund range has now just over £1 billion of assets under management eight months after launch.

Moreover, we are confident assets under management are set to grow further in coming months. The fund has already achieved positive 'buy' ratings from several pension consultants. This is translating into business opportunities across the globe, as evidenced by recent inflows from the UK, France and Ireland. In January 2015, we entered into a strategic partnership with a major US distributor to retail clients, Virtus Investment Partners Inc. to bring our AIMS target return strategy to the United States retail marketplace. This marked an important step in our strategic priority for 2015 of entering new markets.

Performance indicators

£16m
(2013: £14m)
Cash remitted to Group

£63m profit
(2013: £26m loss)
Total operating profit comprising:

£79m (2013: £68m)
Fund management

£2m (2013: £2m)
Pooled pensions

£18m loss (2013: £96m loss)
Other operations

£298m
(2013: £290m)
Operating expenses

£246bn
(2013: £241bn)
Assets under management

Financial performance

Cash remittances were up 14% to £16 million. Fund management profits also improved, up 16% to £79 million, which included a £12 million contribution from the UK retail fund management business which transferred to Aviva Investors from UK Life in May 2014. Assets under management increased by 2% to £246 billion, with favourable market movements partly offset by net redemptions and the disposal of River Road Asset Management.

In February 2015, Aviva Investors reached a settlement with the FCA for certain systems and controls failings that happened between August 2005 to June 2013 and agreed to pay a fine of £17.6 million. Provision for this cost has been made and is fully reflected within the FY14 result. We ensured no customers were disadvantaged.

2013 operating profit included an adverse impact of £96 million, reflecting the compensation in respect of the breaches of the dealing policy and associated costs.

Towards sustainable capital markets

We've been around for 319 years and we're a business that looks to the long term and looks at how to overcome long-term risks. We think there are strategic risks to economic growth in the future:

- An assumption of unlimited natural resources. This creates a fundamentally flawed pricing system in capital markets.
- Capital markets that are systematically short term. This magnifies the problems associated with a flawed system.

To take a lead on these issues, in June 2014, we launched our Roadmap for Sustainable Capital Markets which sets out clear and practical recommendations on how our capital markets could promote and support sustainable growth.

www.aviva.com/roadmap/

Operational highlights

In 2014, aside from laying the foundations for becoming a global leader in outcome-orientated solutions, we:

- Significantly strengthened our risk and control team, with Steve Farrall appointed as our new Chief Risk Officer and Robin Mitchell as Global Head of Compliance
- Strengthened our executive team with the appointment of Mark Versey as Director of Client Solutions and Susan Ebenston as Chief Operating Officer. David Lis was promoted to the position of Chief Investment Officer, Equities and Multi-Assets, and Mark Connolly was appointed as Chief Investment Officer, Fixed Income
- Streamlined our business, for example we sold our Asia-Pacific real-estate funds business and River Road.

Market context and challenges

Aggressive action by central banks in lowering interest rates has led to suppressed market volatility and good performance across a wide range of asset classes. However with interest and bond rates already so low it is hard to be very optimistic about prospective returns. The low to non-existent returns available on the lowest risk assets has led to some increased risk appetite among institutional investors, however regulatory pressures are preventing this from going too far. We see this as presenting a very real opportunity for an asset manager like us to use our experience in risk management and investment insight across a broad range of asset classes to deliver the outcomes the institutional investor is looking for and which can no longer be achieved by the traditional approaches.

Priorities for 2015

We will:

- Continue to put our clients at the heart of everything we do
- Strengthen our relationship with Aviva Group businesses to make maximum use of Aviva's powerful brand and sales network
- Widen our distribution network, with products available through Aviva and third party platforms
- Enter new markets, such as the United States
- Operate as a globally integrated business in order to continue developing investment propositions that are relevant to our clients.
- Create a streamlined and simple business model that is able to harness scalability within the organisation.

Aviva Investors

AIMS for more

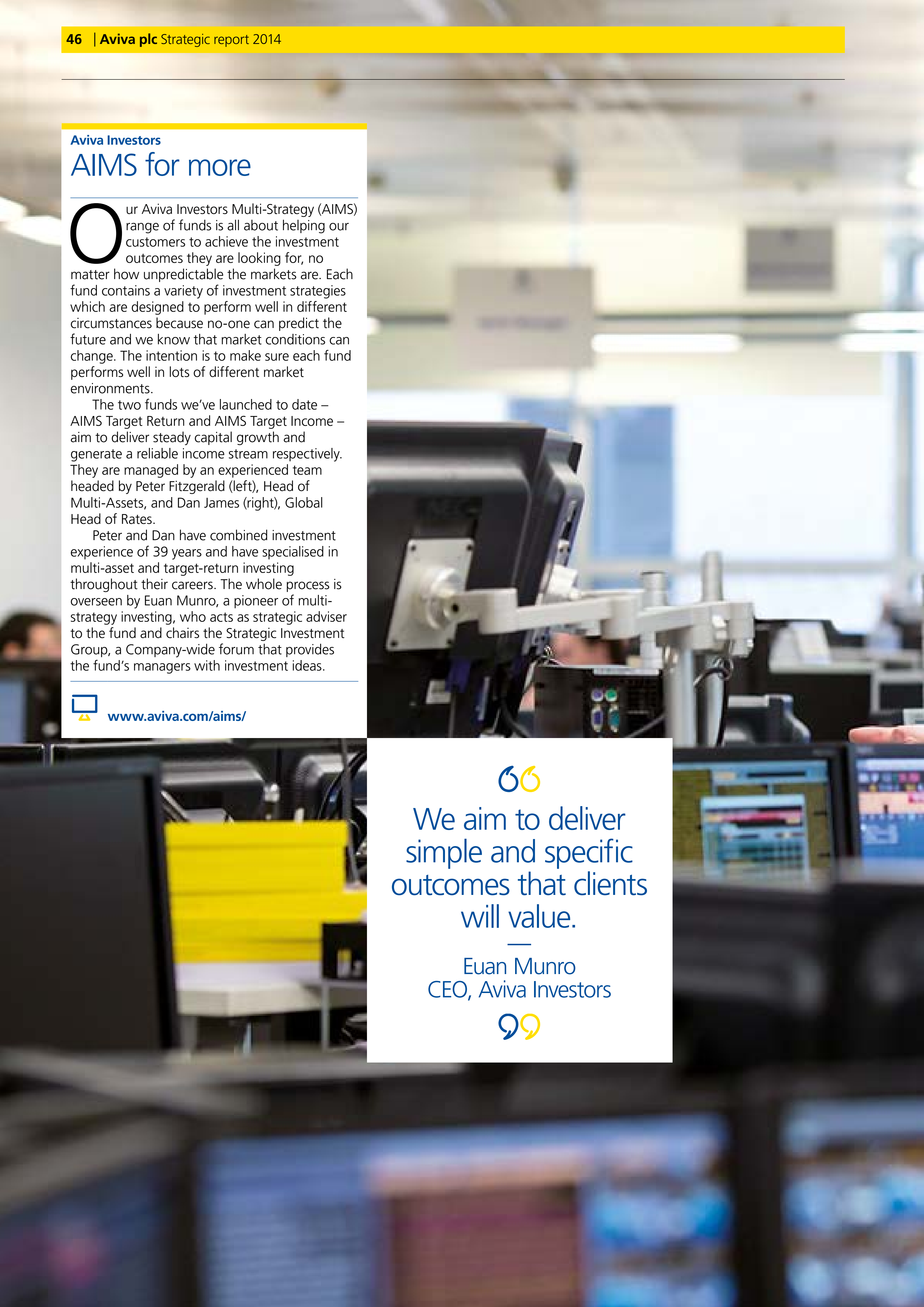
Our Aviva Investors Multi-Strategy (AIMS) range of funds is all about helping our customers to achieve the investment outcomes they are looking for, no matter how unpredictable the markets are. Each fund contains a variety of investment strategies which are designed to perform well in different circumstances because no-one can predict the future and we know that market conditions can change. The intention is to make sure each fund performs well in lots of different market environments.

The two funds we've launched to date – AIMS Target Return and AIMS Target Income – aim to deliver steady capital growth and generate a reliable income stream respectively. They are managed by an experienced team headed by Peter Fitzgerald (left), Head of Multi-Assets, and Dan James (right), Global Head of Rates.

Peter and Dan have combined investment experience of 39 years and have specialised in multi-asset and target-return investing throughout their careers. The whole process is overseen by Euan Munro, a pioneer of multi-strategy investing, who acts as strategic adviser to the fund and chairs the Strategic Investment Group, a Company-wide forum that provides the fund's managers with investment ideas.

www.aviva.com/aims/

> We aim to deliver simple and specific outcomes that clients will value.
>
> Euan Munro
> CEO, Aviva Investors



Building the future

This section sets out our strategy in relation to our people, the environment, climate change and sustainability, as well as social, community and human rights issues

26,364
Employees

65%
(2013: 56%)
2014 employee engagement

Silver award
DOW JONES
Sustainability Index

We are a Living Wage Employer

Stonewall TOP 100 EMPLOYERS 2015

Our people

Below we set out our people strategy:

Achievement

To drive performance, we will:

- Recognise exceptional performance and reward outcomes
- Ensure our goal-setting and reward systems drive improved performance year-on-year
- Constantly seek new knowledge and better ways of doing things
- Gain competitive advantage through our ability to execute brilliantly
- Provide clarity and enable accountability.

Potential

To reach our full potential, we will:

- Attract and develop people who are the envy of the industry
- Inspire our people to dream more, learn more, do more and become more
- Identify and invest in people who are critical to our future success
- Ensure our performance is improved by embracing people who think and act differently
- Value both leadership and technical expertise.

Collaboration

To encourage teamwork, we will:

- Invite challenge and ask fierce questions with the right intent
- Use a single set of global metrics
- Work and win together readily adopting good ideas from others
- Enable transparent and engaging conversations
- Ensure our office space and IT encourage teamwork.

Corporate responsibility

Below we set out our corporate responsibility strategy:

Environment and climate change

To reduce our impact on the environment and climate change, we will:

- Manage our environmental risks and help customers to adapt to climate change
- Work with policy makers and other stakeholders to tackle climate change
- Encourage our customers, suppliers and people to make sustainable choices.

Trust and transparency

To build trust and be more transparent, we will:

- Strengthen Aviva's business and reputation by embedding our business ethics code
- Demonstrate our sustainability in products, services and procurement through clear and transparent reporting
- Engage with our stakeholders to build strategic relationships and evolve our strategy.

Community development

To best develop the communities we live and work in, we will:

- Act responsibly in our communities to extend our positive impact through expertise and partnership
- Partner with experts to use our insight and expertise as a catalyst to create positive social change
- Support our people with volunteering time and matched fundraising for causes that matter to them.

Our people in action

Embedding our purpose and values

In 2014 we focused on embedding our purpose, values and their associated behaviours across Aviva. We believe our customers, communities and shareholders will benefit as we simplify our business, challenge the status quo, and tackle the issues that are important to them. We started with a "Leading Our Strategy" event for all our 3,500 Aviva leaders globally to help them focus on what our purpose and values mean both for the organisation and for each employee. Those leaders then delivered a training programme to all employees, called "Exploring Our Strategy", to immerse them in Aviva's strategy. This was designed to support our people to set goals for their work and personal lives, to help them make a more personal connection with Aviva's values and strategy. When we measured progress at the end of 2014, 83% of our people agreed they know how the Aviva values apply to their role.

"We are changing our culture and supporting our people to achieve their potential, so they can best serve our customers and enable us to achieve outstanding performance."

Christine Deputy
Group HR Director
(pictured left)

Our people

Our people strategy is about changing our culture and supporting our people to achieve their potential, so they can best serve our customers and enable us to achieve outstanding performance. Our people thesis sets out how we will be different to other employers.

Transforming our culture

In our 319 year history, the important things have never changed – people matter to us. There are a number of social and demographic trends affecting workplaces across the globe and these are having an impact upon our global workforce.

These include increased cultural diversity, ageing workforces and a scarcity of talent in some areas. Digital trends include the ubiquity of mobile technology and a culture of constant connectivity.

To meet these challenges, we need to continue recruiting talented colleagues, improving performance management and boosting employee engagement.

Engaging with our people

We want our people to feel valued and ensure they can help shape Aviva's future, so we encourage open, two-way conversations with our people. In 2014 we used new ways of engaging with our people through digital channels. This included a series of live events presented by members of the Group Executive team, who spoke informally about key elements of our strategy and answered employees' questions. Videos and transcripts of these events were made available to all employees via the intranet.

We have introduced quarterly surveys – called Snapshot – asking a randomly-selected group of employees for their direct feedback. These surveys give us insights which we have used to help make positive changes for our people.

We have taken the same approach into our annual, all-employee survey, 'Voice of Aviva'. This helps us to understand our people and identify what we need to keep doing and where we can improve. This year over 25,000 colleagues took part.

We measure progress in this area through levels of employee engagement. 2014 saw engagement improve 9% points to 65%, driven by a double-digit uplift in trust of our senior leaders, as well as advances in levels of pride, motivation and advocacy. Our engagement rating is now 3% points above the norm in the global financial services sector.

The survey told us that 87% of our employees feel informed about important events (26% points above global financial services' norms), 81% understand our business priorities, 92% understand what is expected of them, and 82% feel it is safe to challenge the way we do things.

The survey also identified areas where we need to make further progress. Only two in three employees say that they feel recognised, highlighting the importance of individual and team praise. Additionally our people asked for more practical opportunities to collaborate with colleagues to benefit customers.

Our people managers across the world held open conversations with their teams about the survey results, and agreed actions they can take together. Aviva's senior leaders spent time hosting 'town halls' and all-employee calls where they shared their response to results and announcements, and committed to actions they would take as leaders. We also held employee consultative forums in the UK and Europe to support further conversations about how we develop the business.

Our focus for 2015 and beyond will be on continuing our communication efforts, increasing transparency with our people and customers, building our leadership capability and creating a culture of collaboration and recognition.

Leadership development

In 2014, we transformed our approach to leadership development, focusing on achieving outstanding performance. We have developed a leadership model and a programme to build capability in our leaders, called 'Leading@Aviva'. This new approach has been developed in conjuction with the Group Executive team and senior leaders in each market, and we plan to deliver 'Leading@Aviva' to all 3,500 people managers globally in 2015. This will ensure that building our people's capability will become an everyday element of Aviva's leadership culture.

Learning and development

We are committed to providing an environment in which our people can continue to grow and thrive. We want our people to build careers at Aviva. We are therefore encouraged that 72% told us that in the previous six months they had the opportunity to develop their skills.

In addition to more traditional technical skills training (such as courses and computer-based training), our people like to work on projects which stretch and develop them in their current job. One of the ways in which we are delivering this is through Systems Thinking, a key differentiator for Aviva. We encourage employees to develop better ways of working and to make processes simpler for customers. We have extended the roll-out of Systems Thinking to all levels in some areas of Aviva's business. This is being supported by an immersive programme targeted at senior leaders to help them understand Systems Thinking. This has been delivered to 400 senior leaders in 2014, with more sessions planned in 2015.

Increasing diversity and inclusion

In 2014, we looked afresh at our Diversity and Inclusion strategy. Our core belief is that we will improve Aviva's performance by embracing people who think and act differently. As a result, alongside building an inclusive and engaging culture, our immediate aim is to increase our overall diversity across all levels in the organisation, with an initial focus on gender.

Half our employees and customers are women. Yet only 21% of our senior management team and subsidiary board members, 19% of our Group Executive and 18% of our Board are female.

We believe striking a gender balance will enrich and improve our decision-making and therefore business performance as a whole. To this end, in 2014 we signed up to the UK Government's 'Think, Act, Report' initiative which encourages companies to disclose progress on equal pay and gender equality.

We are committed to achieving, by the end of 2015, the recommendation of Lord Davies' Women on Boards Review that 25% of our Board membership should be female. In 2014, we put two new subsidiary board policies in place to increase board diversity in our Irish business and Aviva Investors.

In addition we focused on expanding and building the vibrancy of our employee-run women's networks, including introducing new networks in the UK and Canada.

2014 also saw our Aviva Pride network, focused on Lesbian, Gay, Bisexual and Transgender (LGBT) issues, grow its membership in the UK. The network is a powerful voice in Aviva on LGBT issues, and works with HR, Marketing and customers to make improvements. Aviva Pride also works in the community to raise funds for the Albert Kennedy Trust. Aviva was ranked 15th in the Stonewall Top 100 list of Britain's most gay-friendly workplaces.

Our fairness and equality policies in the UK, and their equivalent policies globally, ensure that Aviva fully supports employees who have a protected characteristic or who are from an under-represented group, ensuring no fear of bias for training, promotion or reward.

> "The restructure and overall growth of the business has been brilliant. Aviva is moving forward with the times and introducing more online services and fresh ideas."
>
> 'Voice of Aviva' employee comment

We are committed to ensuring we provide full and fair consideration to applications for employment from people with disabilities, as well as supporting employees who become disabled during their employment. We adapt the working environment and where we can, offer flexible working practices to ensure the retention of our employees, no matter what their personal circumstances.

Attracting and retaining talent

We continued to focus on attracting and retaining the best talent with a particular focus on attracting talent in digital, predictive analytics and actuarial to support our strategy. In 2015, we will launch a new global onboarding programme.

Safety and wellbeing

We carried out a "How we work" survey in 2014. This confirmed that our people wanted a more inspiring environment, with more thinking time and space to increase collaboration. We are responding to this, for example by incorporating new quiet working areas.

To help our people maintain a healthy working life, we offer a number of initiatives including flexible working hours, career breaks and employee assistance programmes. In 2014, we launched well-being training for all our people as part of our "Essential Learning" programme.

Corporate Responsibility

Our Corporate Responsibility (CR) strategy is underpinned by Aviva's purpose and values. It sets out our approach to the environment and climate change, sustainable and transparent business practices, and community development.

During 2014, we engaged with our stakeholders on the way we run our business. In 2015, we will launch our new strategy, responding to the evolving needs of our people, customers, shareholders and employees.

Our business standard is how we ensure we meet our CR commitments, and helps us deliver our strategy. CR is also embedded in our risk management framework.

Trust and transparency

We want all our stakeholders to trust us. We are committed to making sure that we communicate with our customers in a straightforward and transparent way. This commitment is reflected in our customer business standard.

Business ethics

We aim to uphold the highest ethical standards in managing our business. This commitment is set out in our business ethics code. In 2014, 96% of Aviva employees confirmed they had read, understood and accepted the code (*2013: 95%*).

Financial crime

We are responsible for managing the risks of financial crime so that the costs are not passed on to our customers. Our employees receive annual training on financial crime prevention. Our global confidential malpractice reporting service 'Right Call' provides the means to report employee fraud. All cases reported are referred for independent investigation. In 2014, 39 cases were received through 'Right Call'. 33 cases reached conclusion and six cases remain under investigation. There has been no material litigation arising from cases reported through our malpractice reporting service in 2014.

Leading public debate

Aviva continues to take a lead in tackling systemic environmental, social and governance issues relating to the financial services sector. Our strong partnerships with governments, regulators, companies, Non-Governmental Organisations (NGOs) and investors mean that we can play an important role in promoting responsible investment in markets around the world.

Last year we responded to a number of key policy consultations focusing on the UN's Post-2015 Sustainable Development Goals, the EU's 2020 Strategy and Flood Re (the UK scheme to make sure all households can get affordable flood insurance). This year we have encouraged policy makers to tackle the risks of climate change. We hosted the launch of the UK Government's vision for the 2015 UN Climate Negotiations, at which the Secretary of State for Energy and Climate Change spoke.

Human rights

Our respect for human rights is embedded in how we do business. For example, we do not insure tobacco, arms and munitions manufacturers and we do not invest our money in cluster munitions manufacturing. Aviva is committed to upholding globally accepted human rights principles which are reflected in the following:

- UN Universal Declaration of Human Rights (UNUDHR)
- UN Nations Guiding Principles for Business and Human Rights
- International Labour Organization (ILO) core labour standards
- UN Global Compact
- UN Women's Empowerment Principles.

As part of our work in embedding human rights into how we do business, we focus on five human rights stakeholder groups:

Employees
We manage our risks by delivering on our commitment to respect and promote fair reward, diversity and inclusion, equal opportunities, labour relations and freedom of association.

Supply chain
We ask our suppliers to disclose their human rights policies, and engage with them where necessary to address any concerns we have. Our procurement contracts require suppliers to commit to the ILO core labour standards and uphold the UNUDHR.

Customers
Our business ethics code requires us to conduct business in a way which respects human rights. This includes being clear in our communications and processing personal data responsibly.

Community
Our corporate responsibility, climate change and environmental practices are aligned to the UNUDHR, ILO core labour standards and UN Global Compact principles.

Investments
We embed the UN Principles of Responsible Investment across all asset classes. Where human rights risks are identified in our holdings, we engage with companies to address our concerns. We do not invest in companies which manufacture cluster munitions.

Community development

Aviva has a long history of investing in communities. By focusing on the issues that matter most to our customers and those that are most closely aligned to our expertise, we maximise the value of our investment.

We work with partners such as the Red Cross and Macmillan Cancer Support for our customers and communities. We also work to increase access to insurance. For example, we are the largest provider in the UK of social housing tenants' contents insurance.

This year our community development contribution was £6.3 million. This includes our contribution to supporting emergencies such as the Ebola epidemic.

Employee involvement

We encourage all our employees to take up to three days paid leave a year to volunteer. In 2014, 23% of employees volunteered 40,220 hours (*2013: 41,223 hours*).

We continue to encourage volunteering related to our people's skills across the business.

"Businesses which act in a sustainable and responsible manner are more likely to achieve long-term success."

Steve Waygood
Chief Responsible Investment Officer, Aviva Investors

Community fund

Since its launch in 2008, the Aviva Community Fund (ACF) in Canada has helped 91 community organisations and contributed CAN$4.5 million to local community projects. We have collaborated across the Group to replicate this model.

The UK Broker Fund has invested £300,000 since 2010 and in 2014 Aviva Poland launched its fund, which attracted over one million votes for community projects to support young families. In 2015 we will launch more funds in the UK, Europe & Asia.

Environment and climate change

We judge the importance of environmental issues based on the impact on our customers, our business and our stakeholders. Climate change is society's most pressing environmental challenge and the most directly relevant to our business. We have a commercial interest in making sure risks do not become uninsurable and in understanding the potential long-term impact on our investments.

Extreme weather events pose a serious risk to our business and customers, leading to potential fluctuations in claims and challenges to how we price risk. We are using our expertise as insurers, such as our knowledge of historical weather events and cutting-edge predictive modelling, to map future scenarios, and reduce the risk to our customers and our business.

We are also seeking to reduce our own environmental impact, including improving our energy efficiency, investing in the low-carbon economy and understanding our indirect impact, such as through our supply chain.

We are also building environmental benefits into our products and services, for example in the way in which we settle claims. In the UK, where possible, we now aim to clean and deodorise items damaged by fire on site rather than removing them and potentially replacing them. This means fewer goods go to waste.

Controlling our impact

We publish annual Group performance data for our CO_2e emissions, waste and water consumption. Our carbon footprint boundaries identify the scope of the data we monitor and the emissions we offset. We report on all of the Greenhouse Gas (GHG) emission sources on a carbon dioxide emissions equivalents basis (CO_2e) as required under the Companies Act 2006 (Strategic Report and Directors' Reports) 2013 Regulations.
Our reporting follows the GHG Protocol Corporate Accounting and Reporting Standard, and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2014.

In line with this we report emissions which are within our organisational boundary. We therefore do not have responsibility for any emission sources that are not included in our business operations.

Case study

Street to School

Aviva's five-year global Street to School programme came to an end in December 2014. It has exceeded its goals. Having set out to help only 500,000 children, the programme helped over one million children globally. We are proud to be the leading corporate body supporting the campaign for street children to be recognised in the UN Convention on the Rights of the Child. This has helped put street children back on the UN policy agenda.

We are proud of what Street to School has achieved together with our partners, people and customers. Over the last five years our employees have volunteered over 95,000 hours of their time for Street to School, and raised more than £1.7 million.

Although the global partnership programme has come to an end, Aviva will continue to advocate on behalf of street children through our work with the Consortium for Street Children and the UN. Our longstanding work in parts of Asia will also continue for another two years.

Controlling our impacts:
Aviva's carbon footprint boundaries
Covering 100% employees
Reporting and offsetting

Scope 1 – Aviva controls directly
Greenhouse gases emitted directly from activities Aviva owns or part-owns
Gas | Fugitive emissions* | Company car fleet

Scope 2 – Aviva controls indirectly
Greenhouse gases emitted indirectly from consumption of purchased electricity, heat or steam
Electricity

Scope 3 – Aviva influences
Greenhouse gases emitted indirectly from all other sources
All air travel | Rail travel | Grey fleet** | Waste | Water | Rental cars

* Greenhouse gas leaks from air conditioning systems.
** Personal business mileage.

We have used the two most appropriate intensity measures to our business: tCO_2e per employee and tCO_2e per £ million Gross Written Premiums which are expressed in the table below.

Aviva plc – Global greenhouse gas emissions data

Tonnes CO_2e	2014	2013	2012
Scope 1	20,031	21,787	23,849
Scope 2	46,231	56,842	75,733
Scope 3	17,662	26,688*	13,181*
Absolute CO_2e footprint**	83,924	105,317*	112,763*
CO_2e tonnes per employee	2.4	2.8*	2.6*
CO_2e tonnes per £m GWP	3.87	4.78*	4.96*
Carbon offsetting***	(83,924)	(115,889)	(132,827)
Total net emissions	0	(10,572)	(20,064)

Scope 1 – operational emissions from owned sources e.g. gas, vehicle fleet as part of product/service.
Scope 2 – operational emissions from non-owned sources e.g. electricity.
Scope 3 – business activity emissions from non-owned sources – e.g. business travel.
* Restated.
** Limited assurance provided by PricewaterhouseCoopers LLP.
*** Carbon offsetting through the acquisition and surrender of emissions units on the voluntary market.

Aviva goes beyond the requirements of the 2013 Regulations and also reports on business travel and other scope three emissions.

We purchase 56% of our electricity from renewable sources round the world. However, the UK Government conversion factors require that the CO_2e element of UK renewable electricity should be reported as grid average. For our unavoidable remaining carbon emissions we offset these to the value of 100% through the acquisition and surrender of emission units on the voluntary carbon market (VERs).

We are liable under the Carbon Reduction Commitment Energy Efficiency Scheme whereby we reported total emissions of 97,323 tCO_2e costing £1.16 million. The boundaries of measurement and reporting differ from our global operations emissions, being restricted to the UK businesses emissions from building energy and including the property portfolio of our investment funds managed by Aviva Investors.

In 2014, we met our long term target to cut CO_2e emissions by 20% between 2010 and 2020 achieving a reduction of 32%. As we have reached our target ahead of schedule, we are developing a new more ambitious target as part of our new strategy. In 2014, we cut our emissions by 4% compared with 2013.

We have been rated by CDP as the lowest carbon intensive insurer in its global performance ranking.

We were the first carbon neutral insurer worldwide in 2006 and we continue to offset all operational emissions. Our offsetting projects have also impacted nearly 500,000 lives (in terms of improved health) since 2012.

Leading responsible investment

We believe that businesses which act in a sustainable and responsible manner are more likely to achieve long-term success, benefiting their customers and society as a whole.

Aviva is a founding signatory to the UN Principles for Responsible Investment. We were one of the first global fund managers to integrate environmental, social and governance (ESG) issues into our investment decision-making and to exercise our leverage as an institutional investor to drive changes in business practices, especially through voting at Annual General Meetings.

We exercise stewardship by encouraging greater transparency, more sustainable practices and better corporate governance. By doing so we shape new corporate behaviour that helps to reduce the risks for our clients.

We aim to challenge accepted practices and promote fresh debate in industries in which we invest. In doing so, we create shareholder value whilst building a legacy for our customers and communities.

In June, our Group CEO, Mark Wilson, launched Aviva's 'Roadmap for Sustainable Capital Markets', which sets out recommendations to regulators and policy makers for transforming and aligning incentives in order to create a more sustainable economy. We have championed these reforms within the UK and at the EU and UN.

Join the debate on responsible investment at www.aviva.com/roadmap/

32%
Progress against long-term CO_2e target

2.4
CO_2e tonnes per employee

Case study

Reducing carbon emissions and supporting communities

We have long taken responsibility for the environmental impacts of our business. In 2006, we were the first global insurance group to offset our total operational emissions and become carbon neutral.

In our offsetting process we make a measurable difference to people as well as the environment.

We have worked closely with ClimateCare to develop a new way to measure and report the impact of offsetting our carbon emissions based on the methodology we use to measure our community investment impact. Our support not only reduces carbon emissions but also has an impact on people's health, resilience and livelihoods. One of the projects we support, Lifestraw water filters, means people do not have to boil drinking water on open fires. This saves them money, reduces their exposure to toxic fumes and protects local forests.

So far, in just three years, we have made a measurable difference to the lives of just under 500,000 people in countries including Kenya, India and China.

FTSE4Good

CDP CLIMATE DISCLOSURE LEADER 2014

Lille, France

Support for social enterprises

The Social Entrepreneurship sector in France is booming. But these businesses often struggle to find the funding to support their continued development.

Aviva Impact Investing France, run by Aviva France and Le Comptoir de L'Innovation, makes pioneering investments over five to seven years to support French social enterprises in their take-off and growth phases.

In December 2014 they made their first investment in a recycling factory in Lille called Le Relais (shown right). It's the leader in France in the collection, sorting and recovery of second-hand clothing and textiles and has, since 1984, created 2,700 jobs.

Aviva's investment is in partnership with Minot Recyclage Textile (MRT). Clothes which can't be re-used get a new life as non-woven felts, geotextiles, cleaning cloths or as thermal or acoustic insulation material.

> "We are delighted to invest in a sustainable business such as Le Relais – and contribute to creating a more sustainable future."
>
> Philippe Gravier
> CFO Aviva France

Risks and risk management

By focusing on four core business lines – life, general and health insurance and asset management – we have chosen to accept the risks inherent in these lines of business

We achieve significant diversification of risk through our scale, our multi-product offering to customers, the differing countries we choose to operate in and through the different distribution channels we use to sell products to our customers.

Our business is about protecting our customers from the impact of risk. We receive premiums which we invest in order to maximise risk-adjusted returns, so that we can fulfil our promises to customers while providing a return to our shareholders. In doing so, we accept the risks set out below:

Risks customers transfer to us	Risks from investments	Risks from our operations and other business risks
General insurance risk: Arising from loss events (fire, flooding, windstorms, accidents etc.). **Health insurance risk:** Healthcare costs and loss of earnings arising from morbidity risk (customers falling ill). **Life insurance risk:** Includes longevity risk (annuitants living longer than we expect), mortality risk (customers with life protection dying), expense risk (the amount it costs us to administer policies) and persistency risk (customers lapsing or surrendering their policies). Some of our life and savings contracts provide guaranteed minimum investment returns to customers, and as a result we accept from them investment type risks such as **credit** and **market risk** in order to offer upside potential but provide protection against the downside.	Uncertain returns on our investments as a result of **credit risk** (actual defaults and market expectation of defaults) and **market risks** (resulting from fluctuations in asset values, including equity prices, property prices, foreign exchange rates and interest rates) affect our ability to fund our promises to customers and other creditors, as well as pay a return to our shareholders. **Liquidity risk** is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. 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.	**Operational risk** is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment. Such operational failures may adversely impact customers directly or our reputation with the public, customers, agents and regulators, and impair our ability to attract new business. **Asset management risk** is the risk of customers redeeming funds, not investing with us or switching funds, resulting in reduced fee income. We manage funds on behalf of our customers, so they do not have to manage the credit, market and operational risks which otherwise they would have to manage themselves.

> The key is to understand the risk that you're taking and the reward that you get from it.
>
> John Lister
> Group Chief Risk Officer

How we manage our risks

Our core expertise is understanding and managing these risks, so that we can competitively price our products, deliver on our promises to customers and provide sustainable earnings growth to our shareholders.

We manage risk through our choice of business strategy, underpinned by our business culture and values, continuously seeking to identify opportunities to maximise risk-adjusted returns. Rigorous and consistent risk management is embedded across the Group through our risk management framework, which includes the following key elements:

1. Our risk appetite framework

2. Our risk management processes

3. Our risk governance

Our risk management framework

1. Our risk appetite framework

Our risk appetite framework comprises:

- **Overarching risk appetites:** Quantitative expressions of the level of risk we can support (e.g. capital we are prepared to put at risk)
- **Risk preferences:** Qualitative statements on the risks we believe we are capable of managing to generate a return, risks we can support but need to be controlled, and risks we seek to avoid or minimise
- **Operating risk limits and tolerances:** Quantify specific boundaries (e.g. limits on specific risks).

The Aviva Board has approved four risk appetite statements:

- **Economic capital:** Based on economic capital at risk in an extreme loss event over a one year time horizon
- **European Insurance Groups Directive (IGD) capital:** Based on maintaining an appropriate level of required regulatory solvency capital in a severe loss event
- **Liquidity:** Based on stressing one year forecast central liquid assets and cash inflows and outflows (covering Group centre costs, debt costs and dividends)
- **Franchise value:** Long-term sustainability depends upon the protection of franchise value and good customer relationships. As such, Aviva will not accept risks that materially impair the reputation of the Group and requires that customers are always treated with integrity.

Risk appetites are clearly defined, refreshed on a regular basis and form part of the planning process. Risk appetites exist in aggregate and by risk type.

2. Our risk management processes

The core business processes we use to identify, measure, manage, monitor and report (IMMMR) risks, delivered by our organisation and people, are set out below:

Identify and measure

Risk identification is carried out on a regular basis, including as part of the business planning process and any major business initiatives, and draws on a combination of internal and external data, covering both normal conditions and stressed environments. Risks are recorded on a business-wide key risk register.

We measure risks on the basis of economic capital (as well as other bases if appropriate) to determine their significance, relative to the potential return and to appropriately direct resources to their management.

Manage and monitor

Monitoring ensures that the risk management and mitigation approaches (accept, avoid, transfer, control) in place are effective. Monitoring may also identify risk-taking opportunities.

We regularly monitor our risk exposures against risk appetites, as well as key risk indicators against operating and financial risk limits and tolerances. Early warning indicators are monitored as triggers for management action, such as putting into effect pre-prepared contingency plans.

We monitor the effectiveness of controls in place to manage operational risks, including compliance with the Group's internal business standards.

Report

Risk reporting is dynamic, focused on:

- Material risks and trends
- Performance and the impact on the risk profile, historical and prospective
- Decisions, taking account of risk reward trade-offs
- Projections/forward-looking views
- Mitigating actions
- Risk vs. appetite

Supported by our organisation and people

Good risk management is supported by our staff having clear roles and responsibilities, the right skills and capabilities, and the right incentives and rewards. We strive to embed a risk-aware culture and values in our business through employee training and communications.

3. Our risk governance

Risk is governed through group-wide risk policies and business standards, risk oversight committees and clear roles, responsibilities and delegated authorities. The Aviva plc Board is responsible for setting the Group's risk appetite and establishing and operating controls to assess and manage the risks. The Board delegates 'day-to-day' risk management to the Group CEO, who delegates operational aspects to executives within the Group through delegated authority letters.

Line management in the business is accountable for risk management, which together with the risk function and internal audit form our 'three lines of defence' of risk management.

1st line

Functions (Product development/ Underwriting/ Sales & Distribution/ Customer service/Claims handling/ Finance & Capital/Investment/IT/HR/ Legal/Procurement)

Accountable for the management of all risks relevant to the business of the function.

2nd line

Risk (including regulatory compliance and actuarial oversight functions)

Accountable for providing objective challenge and oversight of the business' management of all risks and for developing and maintaining the risk management framework.

3rd line

Internal Audit

Accountable for providing reliable independent assessment and reporting to the Group and business unit Audit and Risk Committees, Board members and Executive Management of Aviva plc and its subsidiaries on the adequacy and effectiveness of the risk management and control frameworks operated by the 1st and 2nd lines of defence.

Principal risk types

The types of risk to which the Group is exposed, described in the table below, have not changed significantly over the year. The principal impact on the Group's risk profile of the planned acquisition of Friends Life, subject to successful completion, will be to increase our exposure to equity price risk and UK life insurance risks, in particular persistency risk. The operational risks of integration will also require close management.

Risk type	Risk preference	Mitigation
Credit risk • Credit spread and default ◆	We take on credit risk as we believe we have the expertise to manage it. As an insurer, we benefit from being able to invest for the long term due to the relative stability and predictability of our cash outflows.	• Risk appetites set to limit overall level of credit risk • Credit limit framework imposes limits on credit concentration by issuer, sector and type of instrument • Investment restrictions on sovereign and corporate exposure to some eurozone countries • Credit risk hedging • Specific asset de-risking
Market risk • Equity price ◆ • Property • Interest rate • Foreign exchange • Inflation	We actively seek some market risks as part of our investment and product strategy. We have a limited appetite for interest rate, foreign exchange and inflation risks as we do not believe that these are adequately rewarded.	• Risk appetites set to limit exposures to key market risks • Active asset management and hedging in business units • Scaleable Group-level equity and foreign exchange hedging programme • Pension fund de-risking • Asset and liability duration matching limits impact of interest rate changes and actions taken to manage guarantee risk, through product design
Life and health insurance risks • Longevity ◆ • Persistency • Mortality • Morbidity • Expenses • New business	We take measured amounts of life and health insurance risks where we have the appropriate core skills in underwriting. We like longevity and mortality risks as they diversify well (i.e. have little or no correlation) against other risks we retain.	• Risk appetites set to limit exposures to key life and health insurance risks • Risk selection and underwriting on acceptance of new business • Product design that ensures products and propositions meet customer needs • Use of reinsurance to mitigate mortality/morbidity risks • Staff pension scheme longevity swap covering approximately £5 billion of pensioner in payment liabilities
General insurance risk • GI catastrophe • GI reserving (latent and non-latent) • GI underwriting / new business	We take general insurance risk in measured amounts for explicit reward, in line with our core skills in underwriting and pricing. We have a preference for those risks that we understand well, that are intrinsically well managed and where there is a spread of risks in the same category. GI risk diverisifies well with our life insurance and other risks.	• Risk appetites set to limit exposures to key general insurance risks • Extensive use of data, financial models and analysis to improve pricing and risk selection • Underwriting limits linked to delegations of authority that govern underwriting decisions • Product development in management framework that ensures products and propositions meet customer needs • Documented claims management philosophies and procedures • Use of reinsurance to reduce the financial impact of a catastrophe and manage earnings volatility
Liquidity risk	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.	• Maintaining committed borrowing facilities (£1.55 billion)[1] from banks • Asset liability matching methodology develops optimal asset portfolio maturity structures in our businesses to ensure cash flows are sufficient to meet liabilities • Commercial paper issuance • Contingency Funding Plan in place to address liquidity funding requirements in a significant stress scenario
Asset management risk • Retention • New business • Expenses	Risks specific to asset management should generally be reduced to as low a level as is commercially sensible, on the basis that taking on these risks will rarely provide us with an upside.	• Product development and review process • Investment performance and risk management oversight and review process • Propositions based on customer needs • Client relationship teams managing client retention risk
Operational risk • Conduct & reputation • Legal & regulatory • People • Process • Data security • Technology	Operational risk should generally be reduced to as low a level as is commercially sensible, on the basis that taking operational risk will rarely provide us with an upside, and operational failures may adversely impact our reputation, impairing our ability to attract new business, or lead to poor customer outcomes.	• Application of enhanced business standards covering key processes • Monitoring of controls through assurance activity and information on the operation of the control environment from management, internal audit and risk functions, supported by operational risk and audit registers and first line control logs • Scenario based approach to determine appropriate level of capital for operational risks • Conduct risk management framework

◆ Aviva's top three risks ranked by economic capital at risk in a 1-200 year loss event over a one year time horizon.

1 As at 31 December 2014.

Emerging risks and causal factors

We also manage and monitor risks and causal factors which may impact our longer term profitability and viability, in particular our ability to write profitable new business. For example, such risks and factors include:

- **Climate change** – potentially resulting in higher than expected weather-related claims and inaccurate pricing of general insurance risk.
- **New technologies –** failure to understand and react to the impact of new technology and its effect on customer behaviour and how we distribute products could potentially result in our business model becoming obsolete.
- **Regulatory change** – our businesses face considerable regulatory change as a result of Solvency II, our designation by the Financial Stability Board as a Global systemically important insurer (G-SII) and developments in conduct regulation, which will affect how much capital we hold, how we operate and how we sell and distribute our products. While ongoing consultations on implementing standards and supervisory guidelines have reduced the level of uncertainty over the final capital impact on our business of Solvency II (effective 1 January 2016), some uncertainty remains, including over the outcome of the Group's application to use an internal model to calculate our capital requirements.
- **Political risk** – governments in the markets in which we operate incentivise long-term saving and private pension provision through tax benefits, while also providing an alternative through state provision. In some markets there are (or could be in the future) restrictions and controls on premium rates, rating factors and charges. Any change in public policy could influence the demand for, and profitability of, our products. For example, in March 2014 the UK Government announced the end of compulsory annuitisation, which has significantly reduced demand for individual annuities. The diversity of our product offering and the geographies in which we operate partly mitigates this risk.
- **Cyber crime** – criminals may attempt to access our IT systems to steal or utilise company and customer data, or plant malware viruses, in order to access customer or company funds, and/or damage our reputation and brand. While we have IT security and data encryption to prevent this happening, the increasing sophistication of criminals and the focus on digital automation as part of our strategy make this an increasing risk.

Case study

Being prepared for the worst

The Group and its businesses have contingency plans in place to ensure a swift and effective response in case risks crystallise into major loss events, including:

- **Financial Event Response Plans** – to ensure we can respond promptly to severe adverse financial events (e.g. equity market crash, sovereign default etc.) that may weaken the financial position of Aviva
- **Business Continuity Plans** – to ensure we can continue to operate and serve our customers in the event of terrorism, pandemic, cyber-attack or other events disrupting our operations
- **Major Incident Response Plans** – to ensure we can maintain our level of customer service in response to a spike in demand resulting from a major weather event (e.g. floods, windstorms) or other loss event.

We use 'war-gaming' to test the effectiveness of our plans in the event these risks crystallise.

- **Prolonged low interest rate environment** – if current low interest rates continue for a prolonged period it will adversely affect the 'spread' we can earn between the returns we can offer customers and the return we earn on our investments, as well as the attractiveness of the returns we can offer to new customers.
- **Macroeconomic growth** – the slowdown in economic growth in Asia, and re-emerging concerns over the economic performance of the eurozone, could precipitate a wider global economic slowdown, which could adversely impact our investments, customer retention and new business levels.
- **New and emerging latent claims** – new claims on policies written a long time in the past may arise as a result of future court judgements extending liability, new legislation, new historic evidence and interpretation, emerging medical science on health effects of long-term exposures to chemicals etc. Examples over the last 30 years include asbestosis, repetitive strain injury and industrial deafness.
- **Medical advances and healthier life styles** – medical advances and healthier life styles may increase life expectancy of our annuitants and thus future payments over their lifetime may be in excess of the amounts we currently expect. Historic examples include the positive impact on life expectancy of reduced rates of smoking over the last 40 years.
- **Pandemics, new diseases and antibiotic resistance** – the adverse impact on mortality could negatively impact the profitability of our life protection products, increase private health insurance claims, and even affect general insurance claims. A pandemic might also disrupt our operations.
- **Big Data** – failure to keep pace with the use of data to price more accurately and to detect insurance fraud could lead to loss of competitive advantage and financial losses.
- **Changes in customer behaviour** – changes in the legal environment or as a result of advances in technology may change the rates at which customers exercise options embedded in their contracts or enable them to take advantage of additional information available to them to exercise options in a way that is adverse to us.

See pages 18 and 52 on how we address the risks of new technologies and climate change through our business strategies and corporate responsibility respectively.

Dear shareholder

Your Board firmly believes that a sound governance framework is essential in supporting management in delivering the Group's strategy to drive business success.

Our governance responsibilities are particularly important when significant transactions are being considered

John McFarlane
Chairman

This ensures that your investment and the assets of the Company are protected. As a Board we take these governance responsibilities seriously and they are particularly important when significant or transformational transactions are being considered.

This is clearly the case in respect of the proposed acquisition of Friends Life. Given the materiality of the transaction, the Board as a whole carefully deliberated the merits of the transaction, ensured that a robust due diligence process was followed and fully considered the risks, mitigations and opportunities presented by the transaction. This oversight will continue throughout the acquisition process. The Board will continue to ensure that the same high standards of internal control and risk management are implemented throughout the enlarged Group to support its long-term success. I believe management has a clear plan to achieve the strategy agreed by the Board and this will continue to evolve as we integrate Friends Life.

Key activities during 2014

Board
Reflecting on the results of the Board and Committees effectiveness evaluation conducted at the end of 2013, the Board considered the balance of skills, knowledge and experience on the Board and its committees. The committees were all considered effective, however the Board agreed that there was merit in making some changes to the membership of some of the committees.

Governance Committee
We have further refined this committee's remit during the year to include oversight responsibility for conduct risk, in particular in relation to those risks that may impact customer outcomes and have a potential reputational impact. This has been a key focus of the committee during the year with a push for consistent management information on conduct risk. The committee also became responsible for monitoring talent management and development programmes, and during the year implemented initiatives to ensure that robust succession plans are in place and a sustainable future workforce is created.

Audit Committee
The Audit Committee continued to monitor the internal control environment and the nine key control topics identified by management (see the Audit Committee's report in the Annual report and accounts for further details). In particular, new protocols are being developed to improve oversight of the Group's joint ventures. The committee is

also overseeing the rollout of the Integrated Assurance Framework (IAF) across the Group. In time this will provide a central mechanism to further improve the monitoring and management of the Group's control environment.

The committee also continued to monitor the integrity of the Group's financial reporting, focussing on their fair presentation, the reasonableness of financial assumptions and judgement factors and the appropriateness of accounting policies.

In the 2013 Annual report and accounts we reported that we had identified controls failings in Aviva Investors that happened between August 2005 to June 2013. In February 2015, Aviva Investors reached a settlement with the FCA in relation to this and agreed to pay a fine of £17.6 million. Aviva Investors has committed significant resources to enhancing its control environment. Aviva Investors has fixed the issues, improved the systems and controls and made substantial changes to the management team.

Risk Committee

During the year the committee closely scrutinised the Group's work towards compliance with Solvency II (SII), reviewing and approving interim measures on the path to compliance, including an Internal Model Validation Business Standard and, later in the year, the methodology and assumptions for the Individual Capital Adequacy submission to be made in 2015.

With the Group's designation as a Global Systemically Important Insurer (G-SII), it was important for the committee to scrutinise the G-SII recovery and resolution plans. The committee also reviewed management plans to address potential future capital requirements that might be required either as a result of either being classified as a G-SII or the transition to Solvency II.

Remuneration Committee

As advised in last year's Annual report, during 2014 the committee undertook a strategic review of executive remuneration to ensure that the Directors' Remuneration Policy remained fit for purpose, aligned to the achievement of strategy, competitive, consistent with good governance and regulatory practice and compliant with relevant regulation. It was recognised at the time that such a strategic review might require the Company to propose changes to the policy at the 2015 annual general meeting (2015 AGM). Details of the review process, consultation and conclusions reached by the committee can be found in the Directors' remuneration report in the Annual report and accounts, as can detail of the proposed revised policy. We are confident that we now have a fair and balanced set of policy changes, which align the interests of executives with the long term success of the Company, and hope you support these at this year's AGM.

Nomination Committee

The principal role of the committee is to keep under review the composition of the Board to ensure that it has the right balance of skills, knowledge, experience and diversity. Increasing female representation on the Board to at least 25% remains our firm aim; however appointments will not be made on the basis of gender alone and will be made on merit and have regard to other criteria identified by the committee.

During the year, Scott Wheway chaired committee meetings to consider candidates to be appointed as Chairman upon my retirement following the 2015 AGM. Details regarding the process by which Sir Adrian Montague was recommended to the Board are set out in the Nomination Committee's report in the Annual report and accounts.

The proposed acquisition of Friends Life has given the committee an opportunity to consider the composition of the Board of the enlarged Group. As a result, the committee has recommended to the Board that Andy Briggs and Sir Malcolm Williamson be appointed as directors of the Board following successful completion of the transaction.

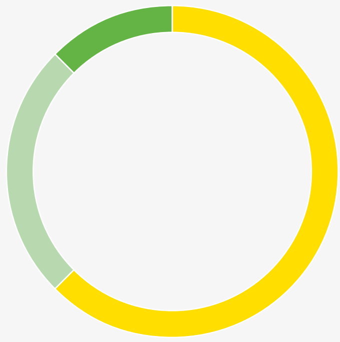
Having considered each Non-Executive Director's independence, each director's contribution to the Board, and their suitability for re-election, the committee supports the re-election of all Board members standing for re-election at the 2015 AGM.

UK Corporate Governance Code

During the year the Company has been compliant with all relevant provisions of the 2012 UK Corporate Governance Code (the Code). A new version of the Code was published in September 2014 and the Company intends to be compliant with all new relevant provisions in the timeframes dictated by the Code. We disclose details of how we comply with the Code throughout the Directors' and corporate governance report and the Directors' remuneration report in the Annual report and accounts.

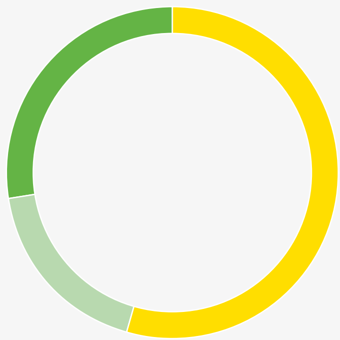
John McFarlane
Chairman
4 March 2015

Length of tenure of Non-Executive Directors



0-3 years	5
3-6 years	2
6-9 years	1
+9 years	0

Geographical mix



UK	6
US	2
Australasian	3

Board of directors

We have a strong, experienced and diverse Board with a good balance of skills


05


01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02


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It will be a privilege to chair Aviva's Board.

—

Sir Adrian Montague, CBE

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01. John McFarlane
Chairman

02. Mark Wilson
Group Chief Executive Officer

03. Tom Stoddard
Chief Financial Officer

04. Sir Adrian Montague, CBE
Senior Independent Director

05. Glyn Barker
Independent Non-Executive Director

06. Patricia Cross
Independent Non-Executive Director

07. Michael Hawker, AM
Independent Non-Executive Director

08. Gay Huey Evans
Independent Non-Executive Director

09. Michael Mire
Independent Non-Executive Director

10. Bob Stein
Independent Non-Executive Director

11. Scott Wheway
Independent Non-Executive Director

John McFarlane
Chairman
b.1947

John was appointed to the Board in September 2011 and became Chairman on 1 July 2012. He chairs the Nomination Committee. He is Chairman of FirstGroup plc (transport operator), and is a Non-Executive Director of Barclays plc (banking), Westfield Corporation (retail mall developer and operator) and Old Oak Holdings Ltd (financial holding company).

Previously, John was Chief Executive Officer of Australia and New Zealand Banking Group Ltd (banking), Executive Director at Standard Chartered plc (banking), head of Citicorp Investment Bank Ltd and later head of Citicorp and Citibank in the United Kingdom and Ireland (banking). Formerly a Non-Executive Director of The Royal Bank of Scotland Group plc (banking) and Capital Radio plc (media) and a director and council member of the London Stock Exchange. He was also a Non-Executive Director of the Securities Association (UK securities regulator), the Auditing Practices Board (auditing regulator) and the Business Council of Australia. He has extensive experience in banking, including investment, corporate and retail banking, and in general management, insurance, strategy, risk and cultural change.

On 12 September 2014, it was announced that John McFarlane would step down as Chairman of the Aviva Group. John will remain as Chairman of the Aviva Group until the conclusion of the 2015 AGM, at which point Sir Adrian Montague will be appointed in his place, subject to his re-election.

Mark Wilson
Group Chief Executive Officer
b.1966

Mark joined the Board in December 2012 and became the Group Chief Executive Officer on 1 January 2013. He was formerly Chief Executive Officer and President of AIA Group (insurance) which he repositioned into the leading pan-Asian insurance company, improved its market valuation, successfully navigated the company through the global financial crisis and prepared it for an IPO. The company emerged as a stronger and significantly more valuable independent entity, leading to the largest IPO in corporate history in Hong Kong.

Mark was previously Chief Executive Officer of AXA China and Chief Executive Officer of AXA South East Asia (insurance). He also held a number of senior management positions at National Mutual (insurance) in New Zealand, where he progressed through many of the major business functions, gaining a deep and broad knowledge of the business.

Mark has over 25 years of operational and executive experience in the insurance industry across life assurance, general insurance and asset management, in both mature and growth markets. He has extensive experience of leading major international insurance companies and has an excellent track record as a focused and inspirational business leader.

Tom Stoddard
Chief Financial Officer
b.1966

Tom joined Aviva in April 2014 as Chief Financial Officer and a member of the Aviva Group Executive. He has worked primarily as an investment banker, including advising Aviva. He also has experience as a corporate lawyer and an asset based lender. From 2008 to 2014, Tom was Senior Managing Director, Head of Global Financial Institutions Advisory, at the investment and advisory firm Blackstone Advisory Partners LP with responsibility for successfully driving Blackstone's business of advising banks, insurers and other financial institutions globally on M&A and restructuring.

He also held senior investment banking positions at Donaldson, Lufkin & Jenrette (investment company) and its successor, Credit Suisse (financial services holding company), where he led the global insurance group as Managing Director. Tom also practiced corporate and securities law with Cravath, Swaine & Moore LLP (U.S. law firm) from 1992 to 1994.

Sir Adrian Montague, CBE
Senior Independent Director
b.1948

Sir Adrian was appointed to the Board in January 2013 and became Senior Independent Director in May 2013. He is a member of the Audit, Governance and Nomination Committees. He is currently Chairman of 3i Group plc (private equity), The Manchester Airport Group plc and The Point of Care Foundation (charity) and a Non-Executive Director of Skanska AB (construction) and Cellmark Holdings AB (forest products).

He was formerly Chairman of Anglian Water Group Ltd (utilities), Friends Provident plc (life insurance), British Energy Group plc (utilities), Michael Page International plc (recruitment), and Cross London Rail Links Ltd (Crossrail) and was formerly Deputy Chairman of Network Rail Ltd (railway network provider), Partnerships UK plc (public private partnership) and UK Green Investment Bank plc (investment bank).

He was also previously Chief Executive of the Treasury Taskforce and a trustee of Historic Royal Palaces. Sir Adrian has significant experience in the financial services industry and in government and regulatory circles. He is a qualified solicitor and was formerly a partner at Linklaters & Paines.

On 12 September 2014, it was announced that John McFarlane would step down as Chairman of the Aviva Group. John will remain as Chairman of the Aviva Group until the conclusion of the 2015 AGM, at which point Sir Adrian Montague will be appointed in his place, subject to his re-election.

Glyn Barker
Independent Non-Executive Director
b.1953

Glyn was appointed to the Board in February 2012 and is Chairman of the Audit Committee and a member of the Risk and Nomination Committees. He is currently Chairman of Irwin Mitchell (law firm), a Non-Executive Director of Transocean Limited (offshore drilling), Berkeley Group Holdings plc (construction) and a trustee of English National Opera. He was formerly Vice Chairman, UK of PricewaterhouseCoopers LLP with responsibility for leading the executive team for Europe, Middle East, Africa and India region following a long and successful career with the firm. Glyn has extensive experience as a business leader and a trusted adviser to FTSE100 companies and their boards on a wide variety of corporate and finance issues. He possesses a deep understanding of accounting and regulatory issues together with in-depth transactional and financial services experience.

Patricia Cross
Independent Non-Executive Director
b.1959

Patricia joined the Board in December 2013. She chairs the Remuneration Committee and is a member of the Audit and Nomination Committees. She is currently a Non-Executive Director of Macquarie Group Limited (banking) and Macquarie Bank Ltd (banking) and Chairman of the Commonwealth Superannuation Corporation (Federal Government pension fund).

She is a Director of the Grattan Institute (Australian think tank) and an Ambassador for the Australian Indigenous Education Foundation (charity). Patricia was formerly a Non-Executive Director of Qantas Airways Ltd (airline) and National Australia Bank Ltd (NAB) (financial services). She was a Non-Executive Director at Wesfarmers Ltd (conglomerate including insurance), Suncorp-Metway Ltd (insurance and banking) and AMP Ltd (wealth management and life insurance). She was formerly Chairman of the Qantas Superannuation Fund (pension fund), Deputy Chairman of Victoria's Transport Accident Commission (statutory insurer, Australia) and served in honorary Australian Government roles including the Australian Financial Centre Forum and the Financial Sector Advisory Council, as well as on numerous charities. She was also Executive General Manager, wholesale banking and finance at NAB, and held a number of senior executive positions at Chase Manhattan Bank and Banque Nationale de Paris (banking).

Patricia has significant experience as both an Executive and Non-Executive Director across a wide range of financial services and other regulated industries in the U.S., Europe and Australia.

Michael Hawker, AM
Independent Non-Executive Director
b.1959

Michael was appointed to the Board in January 2010 and is Chairman of the Risk Committee and a member of the Audit and Nomination Committees. He is currently Non-Executive Director of Macquarie Group Limited, Macquarie Bank Limited (banking) and Washington H Soul Pattinson and Company Ltd (investment). Michael is Independent Non-Executive Chairman of the Australian Rugby Union, Non-Executive Director of SANZAR Pty Ltd and is Non-Executive of the International Rugby Board (rugby union). With respect to medical research, Michael is Chairman of The George Institute for Global Health (research institution). He was formerly Chief Executive and Managing Director of Insurance Australia Group (insurance), Group Chief Executive of business and consumer banking at Westpac Banking Corporation (banking) and Chairman of the Insurance Council of Australia (insurance representative body).

Michael brings to the Board a wealth of knowledge and experience gained over a long career in the banking and insurance industries, in both executive and non-executive roles in Europe, Asia and Australia.

Gay Huey Evans
Independent Non-Executive Director
b.1954

Gay was appointed to the Board in October 2011, is a member of the Risk, Remuneration and Nomination Committees, and chaired the Governance Committee until February 2014. She is currently a Non-Executive Director of ConocoPhillips (exploration and production), Bank Itau BBA International Ltd (banking), and the Financial Reporting Council.

Gay is also a member of the management board of the panel of finance experts of the Panel of Recognised International Market Experts in Finance and a Trustee of Wellbeing of Women (UK). She was formerly Vice Chairman of the Board of International Swaps and Derivatives Association, Inc. (ISDA), Vice Chairman, Investment Banking & Investment Management at Barclays Capital (banking), a Non-Executive Director of The London Stock Exchange Group plc (stock exchange) and a trustee of The Wigmore Hall Trust (charity). Prior to that, Gay held senior management positions at Citi Alternative Investments (investments) and Bankers Trust Company (banking).

Gay has over 30 years of experience within the financial services industry, having held key positions in government and in a number of global financial and banking institutions and the Financial Services Authority (regulatory predecessor to the PRA and FCA).

Gay will retire from the Board from the conclusion of the 2015 AGM.

Michael Mire
Independent Non-Executive Director
b.1948

Michael was appointed to the Board in September 2013 and is a member of the Governance, Risk and Nomination Committees. He is currently the Senior Independent Director at the Care Quality Commission (the UK Government body which regulates the quality of health and adult social care and gives ratings to all hospitals, whether public or private, adult social care homes and services, and primary medical care practices).

Michael was a Senior Partner at McKinsey & Company (consultancy) where he worked for more than 30 years until July 2013. Initially an Associate in the financial services practice at McKinsey, he became a Partner in 1984 and Senior Partner in 1991 and his career focused on financial services, retail and transformation programmes.

He started his career at Rothschild (financial advisors) in 1970 as an Analyst and then a Foreign Exchange Dealer and spent three years seconded to the Central Policy Review Staff (now the Number 10 Policy Unit) to work on major initiatives including industrial policy and social security reform. Michael has extensive experience of advising companies on the implementation of transformation programmes and also has an in-depth understanding of the financial services sector.

Bob Stein
Independent Non-Executive Director
b.1949

Bob was appointed to the Board in January 2013 and is a member of the Nomination, Risk and Remuneration Committees. He is currently a Non-Executive Director and Chair of the Audit Committee of Assurant, Inc (US specialty insurance), is a Director and Chair of the Audit Committee of Resolution Life Holdings, Inc. and is a trustee emeritus of the Board of trustees of the US Actuarial Foundation.

Bob spent most of his working life at Ernst & Young (accountancy) in the US, where he held a number of managing partner roles including actuarial, insurance and financial services practices in the US and globally, culminating in being Managing Partner, Global Actuarial Practice.

Bob brings significant accounting and financial services experience to the Board.

Scott Wheway
Independent Non-Executive Director
b.1966

Scott was appointed to the Board in December 2007, is Chairman of the Governance Committee and is a member of the Audit and Nomination Committees. He is currently a Non-Executive Director of Santander UK plc (retail bank).

He was formerly Chief Executive Officer of Best Buy Europe (retail services), Director of The Boots Company plc (now known as The Boots Company Ltd) (pharmacy), Managing Director and Retail Director of Boots the Chemist at Alliance Boots plc and Director of the British Retail Consortium (trade association for the UK retail industry). He has previously held a number of senior executive positions at Tesco plc, including Chief Executive of Tesco in Japan.

Scott has a wealth of business experience in the retail sector and his understanding of customer priorities has been greatly beneficial in driving the customer agenda and excellence in customer service within the business.

Group executive

01. Mark Wilson
Group Chief Executive Officer

Go to page 64 to read Mark's biography.

02. Tom Stoddard
Chief Financial Officer

Go to page 64 to read Tom's biography.

03. Nick Amin
Chief Operations and Transformation Officer

Nick joined Aviva in 2013 and has a strong international background in consumer banking and insurance; and significant experience of general management, business operations and transformation projects over a 40 year career. Nick is responsible for driving the transformation programme across the Group, to improve profitability and efficiency.

04. David Barral
Chief Executive Officer, Aviva UK & Ireland Life Insurance

David joined Aviva in 1999 and has spearheaded the UK Life business' activities to champion the customer. He is a Board Representative of the Association of British Insurers, as well as chairman of the ABI Retirement and Savings Committee. In 2015, David's priorities include continuing to adapt to changes to the UK annuities market, launching a new retirement solutions direct-to-customer platform and maximising the opportunity of auto-enrolment.

05. Paul Boyle
Chief Audit Officer

Paul joined Aviva in 2010 and leads the Internal Audit function which independently assesses the effectiveness of the Group's systems and controls for managing risk. Paul has been a catalyst for a number of improvements in those systems and controls. Paul is a Chartered Accountant and was previously Chief Executive of the Financial Reporting Council.

06. Andrew Brem
Chief Digital Officer

Andrew joined Aviva in late 2014 and is accountable for Aviva's digital product innovation and transformation as our customers increasingly choose digital as their preferred way of dealing with us. Andrew has held significant e-commerce and digital leadership roles in international and retail consumer businesses.

07. Kirstine Cooper
Group General Counsel and Company Secretary

Kirstine joined Aviva in 1991 and is the Group General Counsel and Company Secretary. She is responsible for providing legal and company secretarial services to the Board and Group; legal risk management; corporate responsibility and public policy. She has held a number of legal roles across the Group.

08. Christine Deputy
Group HR Director

Christine joined Aviva in 2013 and is responsible for Human Resources and communications. She aims to support employees to reach their full potential, to better serve our customers and to enable Aviva to achieve outstanding performance. Christine has a proven track record of leading HR functions and delivering cultural change programmes.

09. Khor Hock Seng
Chief Executive Officer, Aviva Asia

Khor joined Aviva in 2013 and is responsible for Aviva's Asian businesses including our new joint venture in Indonesia, Astra Aviva Life. He has over 30 years of experience within the insurance market in Asia and uses his deep business understanding and extensive knowledge of the Asian market and culture to drive Aviva's success in the region.

10. John Lister
Group Chief Risk Officer

John joined Aviva in 1986 and leads Aviva's Risk function, regulatory compliance and Solvency II implementation. The function challenges and oversees the Group's management of risks, and develops and maintains the risk management framework. A qualified fellow of the Institute of Actuaries, he has held a number of senior roles in the UK Life business, including Finance Director.

11. David McMillan
Chairman Global Health Insurance and Chief Executive Officer, Aviva Europe

David joined Aviva in 2002 and is responsible for Aviva's European and Indian businesses and oversees all Health businesses across the Group - a key growth area and part of our composite offering. David recently led the restructuring of our Italian business as well as the IPO of Aviva's Turkish Life joint venture. He has held a number of senior roles at Aviva.

12. Euan Munro
Chief Executive Officer, Aviva Investors

Euan joined Aviva in early 2014 and recently launched a multi-strategy funds range. In 2015 he aims to widen Aviva Investors' distribution network, harness scalability within the organisation and develop investment propositions for customers. Prior to joining Aviva in January 2014, Euan held a number of senior leadership roles at Standard Life, with responsibility for fixed income and multi-asset management.

13. Monique Shivanandan
Chief Information Officer

Monique joined Aviva in 2014. To achieve the Digital First strategy her priorities are to transform the Group's IT estate, ensure that the Group maximises digital capability and that our customers' digital experience is in a secure environment. She has held senior technology positions in both the telecommunications and banking sectors.

14. Maurice Tulloch
Chairman Global General Insurance and Chief Executive Officer, Aviva UK & Ireland General Insurance

Maurice joined Aviva in 1992 and oversees the general insurance businesses globally, and leads the UK & Ireland General Insurance business. He is at the forefront of change to the industry and is Chairman of the Association of British Insurers' General Insurance Management Committee. He was formerly Chief Executive Officer of Aviva Canada.

15. Chris Wei
CEO Global Life Insurance and Chairman Asia

Chris joined Aviva in October 2014 and is responsible for the overall growth and profitability of Aviva's Life Insurance businesses. He aims to achieve this by providing excellent customer service and expanding our multi-distribution platforms. Prior to joining Aviva Chris was Group CEO of Great Eastern Holdings Ltd, a leading insurance company in Asia.

16. Jason Windsor
Chief Capital and Investments Officer

Jason joined Aviva in 2010 and is responsible for capital management and allocation, investments, treasury and reinsurance. His aim is to achieve better returns on capital and investments across the Group, consistent with the strategic anchor and risk appetite. He was previously a Managing Director in the Financial Institutions Group at Morgan Stanley.

Extract of Directors' remuneration report

This section of the Strategic report shows a summary of the pay received by executive and non-executive directors in respect of 2014. For full details on both our proposed remuneration policy and our application of the current remuneration policy during 2014, please refer to the full Directors' Remuneration Report (DRR) section of the Annual Report and Accounts. The DRR also contains a detailed letter from the Chairman of the Remuneration Committee, Patricia Cross, summarising the objectives of our reward policy and of the Strategic Reward Review undertaken during 2014.

Single total figures of remuneration for 2014 – Executive Directors and Non-Executive Directors (audited information)

The table below sets out in the required form the total 2014 remuneration for each of our Directors who served with the Company during 2014.

Total 2014 remuneration – Executive Directors and Non-Executive Directors

	Basic salary / Fees		Benefits		Annual bonus[2]		LTIP		Pension[3]		Total	
	2014 £000	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013 £000	**2014 £000**	2013[5] £000
Executive Directors												
Mark Wilson	**980**	980	**54**	239	**1,274**	1,103	**-**	-	**292**	293	**2,600**	2,615
Thomas Stoddard	**458**	-	**83**	-	**526**	-	**-**	-	**120**	-	**1,187**	-
Former Executive Director												
Patrick Regan[1]	**175**	720	**5**	37	**-**	-	**-**	-	**48**	199	**228**	956
Total emoluments of Executive Directors	**1,613**	1,700	**142**	276	**1,800**	1,103	**-**	-	**460**	492	**4,015**	3,571
Chairman/executive chairman												
John McFarlane	**550**	550	**61**	101	**-**	-	**-**	-	**-**	-	**611**	651
Current Non-Executive Directors												
Glyn Barker	**136**	122	**1**	-	**-**	-	**-**	-	**-**	-	**137**	122
Patricia Cross	**123**	8	**1**	1	**-**	-	**-**	-	**-**	-	**124**	9
Michael Hawker	**136**	137	**1**	1	**-**	-	**-**	-	**-**	-	**137**	138
Gay Huey Evans	**104**	105	**1**	1	**-**	-	**-**	-	**-**	-	**105**	106
Michael Mire	**103**	29	**1**	1	**-**	-	**-**	-	**-**	-	**104**	30
Sir Adrian Montague	**138**	113	**15**	2	**-**	-	**-**	-	**-**	-	**153**	115
Bob Stein	**104**	89	**1**	1	**-**	-	**-**	-	**-**	-	**105**	90
Scott Wheway	**124**	118	**1**	1	**-**	-	**-**	-	**-**	-	**125**	119
Total emoluments of NEDs[4]	**1,518**	1,271	**83**	109	**-**	-	**-**	-	**-**	-	**1,601**	1,380
Total emoluments of All Directors	**3,131**	2,971	**225**	385	**1,800**	1,103	**-**	-	**460**	492	**5,616**	4,951

Notes
1 Mr Regan tendered his resignation as CFO on 22 January 2014 and left the Board and the Group on 28 March 2014, and so received no bonus award for 2013 or 2014.
2 Bonus payable in respect of the financial year including any deferred element at face value at date of award.
3 Pension contributions consist of employer contributions into the defined contribution section of the Aviva Staff Pension Scheme, excluding salary exchange contributions made by the employees, plus payments in lieu of pension above the lifetime or annual allowance caps.
4 The total amount paid to NEDs in 2014 was £1,601,000 which is within the limits set in the Company's articles of association, which have previously been approved by shareholders.
5 The prior year total has been recalculated to show the directors that continued in office during all or part of the current year and excludes remuneration of directors that left in the prior year.

Independent auditor's report to the members of Aviva plc

We have examined the supplementary financial information included within the Strategic Report for the year ended 31 December 2014, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Reconciliation of Group operating profit to profit for the year, the Consolidated statement of financial position and related notes.

Respective responsibilities of the directors and the auditors

The directors are responsible for preparing the Strategic Report, in accordance with the Companies Act 2006 which includes information extracted from the full annual financial statements and the auditable part of the Directors' remuneration report of Aviva plc for the year ended 31 December 2014.

Our responsibility is to report to you our opinion on the consistency of the summary financial information, included within the Strategic Report with those full annual financial statements and the auditable part of the Directors' remuneration report.

This statement, including the opinion, has been prepared for and only for the Company's members as a body and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances disclosed in the summary financial information to full annual financial statements. Our audit report on the company's full annual financial statements and the auditable part of the Directors' remuneration report describes the basis of our opinion on those financial statements and the auditable part of that report.

Opinion

In our opinion the supplementary financial information is consistent with the full annual financial statements and the auditable part of the Directors' remuneration report of Aviva plc for the year ended 31 December 2014.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
London
4 March 2015

1 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 full annual financial statements or the supplementary financial information since they were initially presented on the website.
2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The auditors' report in the annual report and accounts for the year ended 31 December 2014 was unqualified and does not contain any statement under section 498(2) (accounting records or returns inadequate or accounts or directors' remuneration report not agreeing with records or returns) or section 498(3) (failure to obtain necessary information and explanations) of the Companies Act 2006 and the auditors' statement in that annual report and accounts under section 496 (whether strategic report and directors' report is consistent with accounts) of that Act was unqualified.

Consolidated income statement

For the year ended 31 December 2014

	2014 £m	2013 £m	
	Continuing operations	Continuing operations	Discontinued[1] operations
Income			
Gross written premiums	**21,670**	22,035	1,589
Premiums ceded to reinsurers	**(1,614)**	(1,546)	(100)
Premiums written net of reinsurance	**20,056**	20,489	1,489
Net change in provision for unearned premiums	**1**	134	—
Net earned premiums	**20,057**	20,623	1,489
Fee and commission income	**1,230**	1,279	28
Net investment income	**21,889**	12,509	2,340
Share of profit after tax of joint ventures and associates	**147**	120	—
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**174**	115	808
	43,497	34,646	4,665
Expenses			
Claims and benefits paid, net of recoveries from reinsurers	**(19,474)**	(22,093)	(2,037)
Change in insurance liabilities, net of reinsurance	**(5,570)**	2,493	(312)
Change in investment contract provisions	**(6,518)**	(7,050)	(31)
Change in unallocated divisible surplus	**(3,364)**	280	—
Fee and commission expense	**(3,389)**	(3,975)	(438)
Other expenses	**(1,979)**	(2,220)	(293)
Finance costs	**(540)**	(609)	(16)
	(40,834)	(33,174)	(3,127)
Profit before tax	**2,663**	1,472	1,538
Tax attributable to policyholders' returns	**(382)**	(191)	—
Profit before tax attributable to shareholders' profits	**2,281**	1,281	1,538
Tax expense	**(983)**	(594)	(265)
Less: tax attributable to policyholders' returns	**382**	191	—
Tax attributable to shareholders' profits	**(601)**	(403)	(265)
Profit after tax	**1,680**	878	1,273
Profit from discontinued operations	**58**	1,273	
Profit for the year	**1,738**	2,151	
Attributable to:			
Equity shareholders of Aviva plc	**1,569**	2,008	
Non-controlling interests	**169**	143	
Profit for the year	**1,738**	2,151	
Earnings per share			
Basic (pence per share)	**50.4p**	65.3p	
Diluted (pence per share)	**49.6p**	64.5p	
Continuing operations – Basic (pence per share)	**48.4p**	22.0p	
Continuing operations – Diluted (pence per share)	**47.7p**	21.8p	

1 Discontinued operations represent the results of the US life and related internal asset management businesses (US Life) until the date of disposal (2 October 2013). See IFRS Financial Statements note 4 in our Annual report and accounts for further details.

Consolidated statement of comprehensive income

For the year ended 31 December 2014

	2014 £m	2013 £m
Profit for the year from continuing operations	**1,680**	878
Profit for the year from discontinued operations[1]	**58**	1,273
Total profit for the year	**1,738**	2,151
Other comprehensive income from continuing operations:		
Items that may be reclassified subsequently to income statement		
Investments classified as available for sale		
Fair value gains	**62**	19
Fair value (losses)/gains transferred to profit on disposals	**(7)**	1
Share of other comprehensive income of joint ventures and associates	**22**	(37)
Foreign exchange rate movements	**(396)**	(35)
Aggregate tax effect – shareholder tax on items that may be reclassified into profit or loss	**(9)**	(14)
Items that will not be reclassified to income statement		
Owner-occupied properties – fair value gains/(losses)	**7**	(2)
Remeasurements of pension schemes	**1,662**	(674)
Aggregate tax effect – shareholder tax on items that will not be reclassified into profit or loss	**(347)**	125
Other comprehensive income, net of tax from continuing operations	**994**	(617)
Other comprehensive income, net of tax from discontinued operations[1]	**—**	(319)
Total other comprehensive income, net of tax	**994**	(936)
Total comprehensive income for the year from continuing operations	**2,674**	261
Total comprehensive income for the year from discontinued operations[1]	**58**	954
Total comprehensive income for the year	**2,732**	1,215
Attributable to:		
Equity shareholders of Aviva plc	**2,642**	1,038
Non-controlling interests	**90**	177
	2,732	1,215

1 Discontinued operations represent the results of the US life and related internal asset management businesses (US Life) until the date of disposal (2 October 2013). See IFRS Financial Statements note 4 in our Annual report and accounts for further details.

Reconciliation of Group operating profit to profit for the year

For the year ended 31 December 2014

	2014 £m	2013 £m	
	Continuing operations	Continuing operations	Discontinued[1] operations
Operating profit before tax attributable to shareholders' profits			
Life business	**1,979**	1,901	272
General insurance and health	**808**	797	—
Fund management	**86**	93	31
Other:			
Other operations	**(105)**	(90)	(4)
Corporate centre	**(132)**	(150)	—
Group debt costs and other interest	**(463)**	(502)	(9)
Operating profit before tax attributable to shareholders' profits	**2,173**	2,049	290
Integration and restructuring costs	**(140)**	(363)	(3)
Operating profit before tax attributable to shareholders' profits after integration and restructuring costs	**2,033**	1,686	287
Adjusted for the following:			
Investment return variances and economic assumption changes on long-term business	**72**	(49)	452
Short-term fluctuation in return on investments on non-long-term business	**261**	(336)	—
Economic assumption changes on general insurance and health business	**(145)**	33	—
Impairment of goodwill, associates and joint ventures and other amounts expensed	**(24)**	(77)	—
Amortisation and impairment of intangibles	**(90)**	(91)	(9)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**174**	115	808
Non-operating items before tax	**248**	(405)	1,251
Profit/(loss) before tax attributable to shareholders' profits	**2,281**	1,281	1,538
Tax on operating profit	**(561)**	(534)	(83)
Tax on other activities	**(40)**	131	(182)
	(601)	(403)	(265)
Profit after tax	**1,680**	878	1,273
Profit from discontinued operations[1]	**58**	1,273	
Profit for the year	**1,738**	2,151	

1 Discontinued operations represent the results of the US life and related internal asset management businesses (US Life) until the date of disposal (2 October 2013). See IFRS Financial Statements note 4 in our Annual report and accounts for further details.

Consolidated statement of financial position

As at 31 December 2014

	2014 £m	Restated[1] 2013 £m	Restated[1] 2012 £m
Assets			
Goodwill	**1,302**	1,476	1,520
Acquired value of in-force business and intangible assets	**1,028**	1,068	1,084
Interests in, and loans to, joint ventures	**1,140**	1,200	1,390
Interests in, and loans to, associates	**404**	267	265
Property and equipment	**357**	313	391
Investment property	**8,925**	9,451	9,939
Loans	**25,260**	23,879	24,537
Financial investments	**202,638**	194,027	189,651
Reinsurance assets	**7,958**	7,220	6,684
Deferred tax assets	**76**	244	188
Current tax assets	**27**	76	67
Receivables	**5,933**	7,476	8,034
Deferred acquisition costs and other assets	**5,091**	3,051	3,778
Prepayments and accrued income	**2,466**	2,635	2,776
Cash and cash equivalents	**23,105**	26,131	24,213
Assets of operations classified as held for sale	**9**	3,113	42,603
Total assets	**285,719**	281,627	317,120
Equity			
Capital			
Ordinary share capital	**737**	736	736
Preference share capital	**200**	200	200
	937	936	936
Capital reserves			
Share premium	**1,172**	1,165	1,165
Merger reserve	**3,271**	3,271	3,271
	4,443	4,436	4,436
Shares held by employee trusts	**(8)**	(31)	(32)
Other reserves	**229**	475	1,675
Retained earnings	**4,617**	2,348	1,389
Equity attributable to shareholders of Aviva plc	**10,218**	8,164	8,404
Direct capital instruments and fixed rate tier 1 notes	**892**	1,382	1,382
Non-controlling interests	**1,166**	1,471	1,574
Total equity	**12,276**	11,017	11,360
Liabilities			
Gross insurance liabilities	**113,445**	110,555	113,091
Gross liabilities for investment contracts	**117,245**	116,058	110,494
Unallocated divisible surplus	**9,467**	6,713	6,931
Net asset value attributable to unitholders	**9,482**	10,362	9,983
Provisions	**879**	984	1,119
Deferred tax liabilities	**1,091**	563	547
Current tax liabilities	**169**	116	112
Borrowings	**7,378**	7,819	8,179
Payables and other financial liabilities	**12,012**	11,945	12,051
Other liabilities	**2,273**	2,472	1,842
Liabilities of operations classified as held for sale	**2**	3,023	41,411
Total liabilities	**273,443**	270,610	305,760
Total equity and liabilities	**285,719**	281,627	317,120

1 The statement of financial position has been restated following the adoption of amendments to IAS 32 *'Financial Instruments: Presentation'*. For further details see IFRS Financial Statements note 1 in our Annual report and accounts. There is no impact on the result or the total equity for any period presented as a result of this restatement.

Approved by the Board on 4 March 2015.

Thomas D. Stoddard
Chief Financial Officer

This strategic report with supplementary material is only an extract from the company's annual report and accounts. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the full annual report and accounts. A copy of the full accounts can be obtained free of charge as detailed in the Shareholder services section.

Company number: 2468686

1 – Basis of preparation

This strategic report comprises the strategic report included in the full annual report and accounts, and supplementary financial information. The Summary Consolidated Financial Statements included in this strategic report with supplementary material, have been extracted from the Consolidated Financial Statements of Aviva plc ("the Company") and its subsidiaries (collectively known as "Aviva").

This is a summary of information in the consolidated financial statements set out in the Aviva plc annual report and accounts 2014. It does not contain sufficient information to allow as full an understanding of the results and state of affairs of the Group as would be provided by the annual report and accounts 2014.

The consolidated financial statements and those of Aviva plc have been prepared and approved by the directors in accordance with International Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU) and those parts of the Companies Act 2006 applicable to those reporting under IFRS.

The comparative figures in the consolidated financial statements have been restated following the Group's adoption of the amendments to IAS 32 Financial Instruments: Presentation in line with the transitional provisions in the standard. The adoption of these amendments does not have an impact on the profit or loss or on equity reported for any period presented.

Included in the Summary Consolidated Financial Statements, is the Reconciliation of Group operating profit to profit for the year. For management's decision making and internal performance management, the Group focuses on a non-GAAP operating profit measure that incorporates an expected return on investments supporting its long-term and non-long-term businesses. Short-term realised and unrealised gains and losses are treated as non-operating items.

2 – Dividends and appropriations

This note analyses the total dividends and other appropriations we paid during the year. The table below does not include the final dividend proposed in December 2014 because it is not accrued in these financial statements.

	2014 £m	2013 £m
Ordinary dividends declared and charged to equity in the year		
Final 2013 – 9.40 pence per share, paid on 16 May 2014	**277**	—
Final 2012 – 9.00 pence per share, paid on 17 May 2013	**—**	264
Interim 2014 – 5.85 pence per share, paid on 17 November 2014	**172**	—
Interim 2013 – 5.60 pence per share, paid on 15 November 2013	**—**	165
	449	429
Dividends waived/unclaimed returned to the company	**(3)**	—
Preference dividends declared and charged to equity in the year	**17**	17
Coupon payments on direct capital instruments and fixed rate tier 1 notes	**88**	92
	551	538

In December 2014, the directors proposed a final dividend for 2014 of 12.25 pence per ordinary share *(2013: 9.40 pence)*, amounting to £361 million *(2013: £277 million)* in total. Subject to approval by shareholders at the AGM, the dividend will be paid on 15 May 2015 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2015.

3 – Subsidiaries

a) Acquisitions

There have been no material acquisitions during the year.

On 2 December 2014 Aviva plc and Friends Life Group Limited ("Friends Life") announced they had reached agreement on the terms of a recommended all share acquisition of Friends Life by Aviva plc. The proposed acquisition is subject to a number of conditions including approval from shareholders at a general meeting on 26 March 2015. If the conditions to the proposed transaction are satisfied, it is expected to complete in the second quarter of 2015.

b) Disposal and remeasurement of subsidiaries, joint ventures and associates

The profit on the disposal and re-measurement of subsidiaries, joint ventures and associates comprises:

	2014 £m	2013 £m
Spain – long-term business	**132**	197
Italy – long-term business	**(6)**	(178)
Korea	**2**	(20)
Turkey – general insurance	**(16)**	(9)
Aviva Investors	**35**	—
Turkey – long-term business	**15**	—
Indonesia	**(3)**	—
Ireland – long-term business	**—**	87
Malaysia	**—**	39
Russia	**—**	1
Czech Republic, Hungary and Romania	**—**	1
Poland	**—**	(4)
Other small operations	**15**	1
Profit on disposal and remeasurement from continuing operations	**174**	115
Profit on disposal and remeasurement from discontinued operations (see (c) below)	**58**	808
Total profit on disposal and remeasurement	**232**	923

c) Discontinued operations – US Life

On 21 December 2012, the Group announced that it had agreed to sell US Life for consideration of £1.0 billion including the shareholder loan. Following classification as held for sale, US Life was remeasured to fair value less costs to sell in 2012 resulting in an impairment loss of £2,359 million recognised as a loss on remeasurement of subsidiaries.

The sale of US Life completed on 2 October 2013 and the transaction proceeds received were based on the estimated earnings and other improvements in statutory surplus over the period from 30 June 2012 to 30 September 2013. The final purchase price was subject to customary completion adjustments. A profit on disposal of £808 million was recorded in 2013, reflecting management's best estimate of the completion adjustments as of 31 December 2013.

In 2014, the Group paid a settlement of £20 million related to the purchase price adjustment. 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.

Shareholder profile as at 31 December 2014

By category of shareholder	Number of shareholders	%*	Number of shares	%*
Individual	530,405	97.50	245,842,458	8.33
Banks and nominee companies	11,815	2.17	2,640,824,058	89.50
Pension fund managers and insurance companies	282	0.05	1,611,105	0.05
Other corporate bodies	1,527	0.28	62,209,719	2.11
Total	**544,029**	**100**	**2,950,487,340**	**100**

By size of shareholding	Number of shareholders	%*	Number of shares	%*
1–1,000	493,005	90.62	135,763,008	4.60
1,001–5,000	45,333	8.33	85,991,246	2.91
5,001–10,000	3,172	0.58	22,086,301	0.75
10,001–250,000	1,958	0.36	82,002,362	2.78
250,001–500,000	151	0.03	52,963,150	1.80
500,001 and above	409	0.08	2,539,223,495	86.06
American Depositary Receipts (ADRs)+	1	0.00	32,457,778	1.10
Total	**544,029**	**100**	**2,950,487,340**	**100**

+ The number of registered ordinary shares represented by ADRs. Please note that each Aviva ADR represents two (2) ordinary shares.
* Percentages do not necessarily add up due to rounding.

2015 financial calendar

Aviva General Meeting in respect of the proposed Acquisition of Friends Life	11am on 26 March 2015
Annual General Meeting	11am on 29 April 2015
Announcement of first quarter Interim Management Statement*	7 May 2015

* The full financial calendar will be available at www.aviva.com/investor-relations/financial-calendar

2014 final dividend dates – ordinary shares

Ex-dividend date (ordinary)*	8 April 2015
Record date (ordinary and ADR)	9 April 2015
Last day for Dividend Reinvestment Plan election	23 April 2015
Dividend payment date*	15 May 2015

* Please note that the ADR local payment date will be approximately five business days after the proposed dividend date for ordinary shares. The ex-dividend date for ADR holders will be 7 April 2015.

Annual General Meeting (AGM)

- The 2015 AGM will be held at The QEII Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Wednesday, 29 April 2015 at 11am.
- Details of each resolution to be considered at the meeting are provided in the Notice of AGM, which is available on the Company's website at www.aviva.com/agm.
- Shareholders can vote electronically at www.investorcentre.co.uk/eproxy, in person by attending the meeting, or by completing and returning the relevant voting card(s) by post.
- The voting results for the 2015 AGM will be accessible on the Company's website at www.aviva.com/agm shortly after the meeting.
- If you are unable to attend the AGM but would like to ask the directors a question in connection with the business of the meeting, please e-mail the group company secretary at aviva.shareholders@aviva.com.

AGM voting instructions

- Completed proxy instructions must be submitted to the Company's Registrar, Computershare Investor Services PLC (Computershare), to arrive by no later than:
  - Monday, 27 April 2015 at 11am for ordinary shareholders; and
  - Friday, 24 April 2015 at 11am for members of the Aviva Share Account and participants in the Vested Share Account and the Aviva All Employee Share Ownership Plan.
- ADR holders should submit instructions to Citibank, N.A., the Depositary, by no later than 10am on Thursday, 23 April 2015.

Dividends

- Dividends on ordinary shares are normally paid in May and November – please see the table above for the key dates in respect of the 2014 final 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.
- 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. For further information please visit www.aviva.com/ecomms. Completed application forms must be sent to the Company's Registrar, Computershare, by no later than 5pm on 23 April 2015.

Direct credit of dividend payments

- If you would like to have your cash dividends paid directly into your bank or building society account, or to have your dividends reinvested please visit www.aviva.com/dividends for more information or contact 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.

Manage your holdings online
You can view and manage your shareholding online at: www.aviva.com/ecomms. To log in you will require your 11 digit Shareholder Reference Number (SRN), which you will find on your proxy or voting card, latest dividend stationery, or any share certificate issued since 4 July 2011.

Please help us to be environmentally friendly and elect to receive electronic communications by registering your email address online, or by contacting Computershare directly.

Useful links for shareholders

Online shareholder services centre
www.aviva.com/shareholderservices

Dividend information for ordinary shares
www.aviva.com/dividends

Annual General Meeting information and electronic voting
www.aviva.com/agm
www.investorcentre.co.uk/eproxy

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

Form 20-F

Aviva is a foreign private issuer in the United States of America and is subject to certain reporting requirements of the Securities Exchange Commission (SEC). Aviva files its Form 20-F with the SEC, copies of which can be found at www.aviva.com/reports.

Aviva plc Annual report and accounts
Aviva plc Annual report and accounts are intended to provide information about the Company's activities and financial performance in the previous year.

This Strategic report is only part of the Company's Annual report and accounts.

You can view the full Aviva plc Annual report and accounts online at www.aviva.com/2014ar or alternatively you can order a printed copy by contacting Computershare.

You can change how you receive shareholder documents and if you would prefer to receive the full Annual report and accounts in future, please contact Computershare to make your election.

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 Aviva plc 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.

Contact details

Ordinary and preference shares – Computershare

For any queries regarding your shareholding, or to advise of changes to your personal details, please contact the Company's Registrar, Computershare:

By telephone: 0871 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

Be on your guard – beware of fraudsters!
Please be very wary of any unsolicited telephone calls or correspondence offering to buy shares at a discount or offering free financial advice or company reports.

Millions of people fall victim to scams every year, from experienced investors to people dealing with a large sum for the first time. The Financial Conduct Authority (FCA) has found that share fraud victims lose an average of £20,000.

The FCA takes action against fraudsters; for tips on how to protect your savings please visit www.fca.org.uk/scams.

- Remember: if it sounds too good to be true, it probably is!
- Keep in mind that firms authorised by the FCA are unlikely to call you out of the blue with an offer to buy or sell shares.
- Do not get into conversation, note the name of the firm contacting you and hang up.

For more information please visit the warning to shareholders page at www.aviva.com/shareholderservices.

Glossary

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 annuity

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 to 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 contracts plus 10% of single premium contracts.

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, building societies or other groups sell insurance and investment products to their customers or members on behalf of other financial providers.

Big Data

Large volumes of data which are a valuable source of information used to identify customer behaviours.

Cash remittances

Dividends paid by our operating businesses to the Group.

Combined operating ratio (COR)

A financial measure of insurance underwriting profitability 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. A COR below 100% indicates profitable underwriting.

Cost income ratio

Operating expenses expressed as a percentage of operating profit before Group debt costs and operating expenses.

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.

Economic capital

A measure of the financial strength of the business; an economic capital surplus represents the excess of available economic capital over required economic capital where the 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 third parties.

Excess centre cash flow

A measure of excess cash flow, calculated by deducting central operating expenses and debt financing costs from cash remitted by business units.

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 value).

Financial Conduct Authority (FCA)

One of the two bodies (along with the PRA) which replaced the Financial Services Authority from 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 advice on financial matters.

International financial reporting standards (IFRS)

These are accounting regulations designed to ensure comparable financial statements 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.

Insurance penetration

The insurance penetration rate indicates the level of development of the insurance sector in a country. The penetration rate is measured as the ratio of premium underwritten in a particular year to the GDP of that country.

Latent claims

General insurance claims that are often not made until many years after the period of cover provided, due to the impact of perils or causes not becoming evident for a number of years. Sources of latent claims include asbestos-related diseases, environmental pollution and industrial deafness.

Long-term and savings business

Collective term for life insurance, pensions, savings, investments and related business.

Market Consistent Embedded Value (MCEV)

A measure of the value of a life business to its shareholders; it is the sum of the value of the shareholders net assets and the present value of the amounts generated by the in-force business that will be distributable to shareholders in the future, where the assumptions used to calculate future profits are consistent with current market prices for traded assets.

MCEV restatement

Methodology change effective 1 January 2014 applied retrospectively to extend the scope of covered business and change the application of the liquidity premium. Details of these changes can be found in our MCEV Report at www.aviva.com/investor-relations/.

Net flows

Investment sales and acquistions less client redemptions and disposals.

Net written premiums

Total gross written premiums for the given period, less premiums paid over or 'ceded' to reinsurers.

New business strain (NBS)

The name given to the 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 profit

This is 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, exceptional and other items.

Present value of new business premiums (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)

One of the two bodies (along with the FCA) which replaced the Financial Services Authority from 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 is due to become effective from 1 January 2016.

Financial Reporting Council Guidance on Internal Control

The Guidance on Risk Management, Internal Control and Related Financial and Business Reporting sets out best practice on internal controls for UK listed companies, and provides additional guidance in applying certain sections of the UK Corporate Governance Code.

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 and operating assumptions which are the same 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.

Cautionary statement

This document 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", "estimates" 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 document 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, including any as a result of the proposed acquisition of Friends Life; 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 proposed 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 (and also Part II (Risk Factors) of the prospectus published by Aviva on 19 January 2015 in relation to the proposed recommended all-share acquisition of Friends Life by Aviva).

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 announcement are current only as of the date on which such statements are made.

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In this report we have included genuine examples of people whose experiences bring to life what we do every day for our customers. We would like to thank the customers who took part and invited us into their homes and businesses, to allow us to share their stories, and our people for their dedication to our customers.

To find out more, view our video at **www.aviva.com**

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