

With-Profits continues to protect customers from market fluctuations

- With-profits investments provide protection for customers who want to invest in the stock market, but don't want to be exposed to the full impact of volatile market conditions.
- A £10,000 With-Profits Bond bought 10 years ago is now worth £16,236, giving customers an annual return of 5.0%. This has significantly outperformed a bank or building society average savings account return of 1.7% a year and the average return from the ABI Mixed Investment 20-60% Shares – Life sector, over the same period.
- These annualised returns on a £10,000 investment compare performance over the last 10 years:

Aviva With-Profits Bond	£16,236 or 5.0% a year
ABI UK Mixed Investment 20%-60% Shares – Life sector (notes 1&2)	£15,131 or 4.2% a year
Average savings account (see notes 1, 2 & 3)	£11,846 or 1.7% a year

- In 2014, we added £1,109 million in bonuses (£444 million in annual bonuses and £665 million in final bonuses).

2014 overview

Investment markets continued to fluctuate throughout 2014. Although there were steady improvements in global and domestic economic data, shares fell back towards the end of the year as concerns re-emerged about the impact of weak economic growth in the euro zone. As a result, the FTSE 100 Index returned -2.71% at the end of 2014 compared to +14.4% over the same period in 2013. (see notes 1&4).

Against this backdrop, the diversified portfolio of assets in Aviva's With-Profits Funds, helped to drive gains during 2014, with the Property holding returning 14.9% and Gilts and Corporate Bonds returning 7% and 8% respectively. Overall, our main With-Profits Fund delivered an estimated return of 8.0% gross (6.7% after tax).

How have investments in Aviva's With-Profits Fund grown over the last 12 months?

This table shows how two types of investments in Aviva's main With-Profits Fund have performed:

	10-year With-Profits bond	25-year Mortgage Endowment
Date taken out	1 January 2005	1 January 1990
Amount invested	£10,000 lump sum	£50 a month
Growth during 2014	£579 or 3.7%*	£1,098 or 4.4%*
Current value	£16,236 (a return of 5.0% a year)	£26,778 maturity value** (a return of 4.3% a year)

* The growth figures are after tax and charges

** The mortgage endowment has also benefited from valuable life cover during the 25 year period

Aviva's Managing Director, Existing Business UK & Ireland Life - Stephen Shone said:

Our with-profits funds continue to perform well for our customers. With average savings accounts yielding low returns and stock market fluctuations an ongoing concern, the key strength of with-profits is its ability to invest in a wide range of assets, whilst protecting from the full effects of volatile markets.

The diversified portfolio in Aviva's funds, helped to deliver gains during 2014.

Once again, Aviva's prudent management of the with-profits funds is providing reassurance for customers investing for the medium and long term.

Key bonus rate changes from 1 January 2015

Annual bonus rates

- We have increased annual bonus rates for current and recently marketed **unitised** products to 4.00% for pensions (up from 3.75%) and to 3.75% for stakeholder pensions (up from 3.5%).(note 5)
- We have kept annual bonus rates at 3.00% for bonds.(note 5)
- Most **conventional** annual bonus rates remain the same.

Final bonus rates

- Most final bonus rates have either increased or remained the same.
- For Unitised business, average life payouts have increased by 0.2% and average pension payouts have increased by 3.2%.
- For Conventional business, average life payouts have increased by 2.5% and average pension payouts have increased by 4.5%.

With-Profits Income Fund

- The majority of customers invested in this fund will see income levels either increase or remain the same.

Market Value Reduction

Market value reductions (MVRs) have been reduced or removed for most unitised business. 98% of this business is now MVR free.

Changes in payouts in more detail

To give you an idea of the effect of the changes, the table below shows the payout values and annual growth for a bond, pension and endowment investing in the main With-Profits Fund. We've also included the value of an average savings account over the same period.

Product (term)	Investment details (started on)	Total investment	Payout value 1 Jan 2015 and annual yield	Increase in payout value over last year (excluding premiums)	Average savings account payout and annual yield (note 3)
Unitised bond (5 years)	£10,000 single premium (1 Jan 2010)	£10,000	£12,079 3.8% a year	£396 3.4%	£10,413 0.8% a year
Unitised bond (10 years)	£10,000 single premium (1 Jan 2005)	£10,000	£16,236 5.0% a year	£579 3.7%	£11,846 1.7% a year
Unitised pension (20 years)	£200 month from 1 Jan 1995 (based on male, policy maturing at age 65)	£48,000	£84,169 5.3% a year	£5,146 6.7%	£61,649 2.4% a year
Conventional endowment (25 years)	£50 month from 1 Jan 1990 (based on male, non smoker, age 29)	£15,000	£26,778 4.3% a year	£1,098 4.4%	£20,231 2.3% a year

The table shows typical changes in policy value over the last 12 months. The figures don't necessarily reflect the changes to an individual policy. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The 20-year pension value at 1 January 2015 assumes retirement at the selected retirement age and so benefits from the guarantee of no market value reduction at that time. (Source: Aviva)

The table also gives details of an equivalent payout value from an average savings account available from a bank or building society. The average savings account shown is the Moneyfacts Average up to 90 days notice. Some savings accounts may deliver a higher yield. (Source: Lipper IM (note 1)).

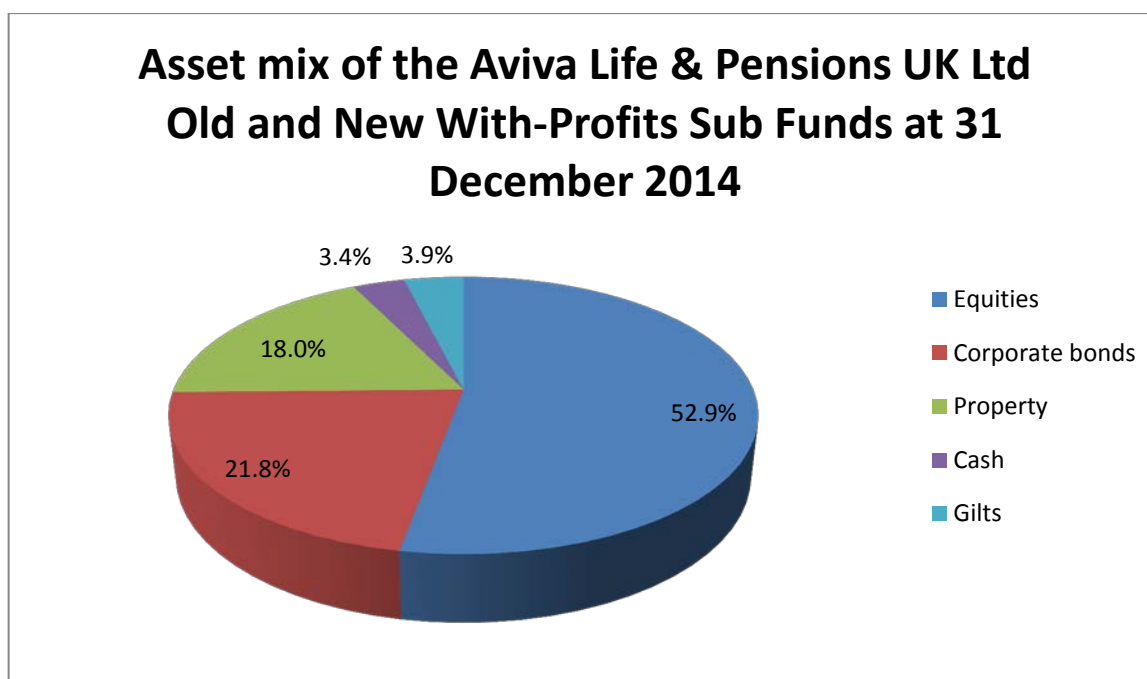
Money in a savings account is accessible and safe, and interest, once earned, is guaranteed. In comparison, with-profits investments are for the medium-to long-term and the value could fall. It is possible you may not get back the amount you invested. Past performance is not a guide to the future. The value of investment-linked funds can go down as well as up and is not guaranteed.

Notes

- (1) Source: Lipper IM (Investment Management).
- (2) Figures from 1 January 2005 to 1 January 2015. All values are net of charges and tax
- (3) The average savings account used is the Moneyfacts Average up to 90 days' notice £10,000 Index.
- (4) The FTSE returns are based on the closing index prices only
- (5) The annual bonus rates are before management charges

About the fund, customer numbers and underlying assets

- At the end of December 2014, the total value of all Aviva's With-Profits Funds was approximately **£43 billion** with over **1.2 million** customers.
- The Aviva Life & Pensions UK Ltd Old and New With-Profits Sub Funds delivered an estimated investment return of **8.0%** before tax (**6.7%** after tax) in 2014.
- The equity backing ratio (the amount of equities and property) of the Aviva Life & Pensions UK Ltd Old and New With-Profits Sub Funds is **70.9%** (at 31 December 2014).



Further information

If you have any questions about your investment in with-profits, you should talk to your financial adviser. They will consider your current circumstances and financial goals. If you don't have a financial adviser, you can find one in your area at unbiased.co.uk. A financial adviser is likely to charge you for their services.

The Money Advice Service also has a website dedicated to financial education, which includes information about with-profits investments, moneyadvice.service.org.uk.

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