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# AVIVA

Aviva plc  
Half Year Report 2023



# News Release

16 August 2023

## Aviva plc 2023 Interim Results Announcement

**Strong first half with profitable growth momentum across the Group**  
**Group operating profit<sup>†,1</sup> up 8% and Solvency II own funds generation<sup>†</sup> up 26%**  
**Confident outlook for 2023, expect to exceed Group medium-term targets**  
**Interim dividend per share up 8% to 11.1p**

Operating profit <sup>†,1</sup>	Solvency II OFG <sup>†</sup>	General Insurance undiscounted COR <sup>†</sup>	Solvency II shareholder cover ratio <sup>†</sup>	2023 interim dividend
<b>£715m</b>	<b>£648m</b>	<b>94.8%</b>	<b>202%</b>	<b>11.1p</b>
+8%	+26%	+1pp	-10pp	+8%
HY22 <sup>2</sup> : £661m	HY22 <sup>3</sup> : £514m	HY22 <sup>2</sup> : 93.8%	FY22: 212%	HY22: 10.3p

### Amanda Blanc, Group Chief Executive Officer, said:

"Aviva is delivering consistently strong and profitable growth. In the first half of 2023 we grew sales, operating profit and dividends for our shareholders. Our excellent trading momentum is a direct result of the decisions we have taken over the last three years to re-focus Aviva. Today, Aviva has leading positions in growing markets, providing strong resilience in the current economic climate.

"In the UK & Ireland, general insurance premiums were up 13%, with healthy sales in both our commercial and personal lines businesses, where our Aviva Zero product has now attracted 250,000 new policies since launch. In Wealth, our market-leading Workplace business grew net flows by 25%. We continue to see very strong demand for private health insurance, with sales increasing by 58% as we expanded our services to corporate and individual customers. Our excellent Canadian general insurance business is also growing well, with sales 12% higher as a result of a strong performance in commercial lines, and the continued success of our local banking partnership.

"Aviva's cash and capital position is robust and, in line with our guidance, we have increased the interim dividend by 8% to 11.1p, and estimate full year 2023 operating profit growth of 5% to 7%. We expect to make further strong progress with our clear strategy, growth opportunities in all of our markets, and the £1 billion investment well underway to accelerate our future performance.

"Aviva's performance and prospects have been transformed from just a few years ago. Today's Aviva is about delivery and momentum, and these results show that Aviva is consistently meeting its promises. We expect to exceed our financial targets and we are making progress each quarter, as we said we would. I remain confident and excited that there is so much more Aviva can and will achieve."

### Strong first half results with continued profitable growth momentum

- Group operating profit<sup>†,1</sup> up 8% to £715m (HY22<sup>2</sup>: £661m). Operating EPS<sup>†,4</sup> up 10% to 19.9p (HY22<sup>2,4</sup>: 18.1p).
- Solvency II operating own funds generation (OFG)<sup>†</sup> up 26% to £648m (HY22<sup>3</sup>: £514m). On track to exceed our target of £1.5bn OFG<sup>†</sup> per annum by 2024. Solvency II operating capital generation (OCG)<sup>†</sup> up 9% to £580m (HY22<sup>3</sup>: £532m).
- Solvency II return on equity 10.8% (HY22: 6.7%).
- General Insurance gross written premiums (GWP)<sup>†</sup> up 12% to £5,274m (HY22: £4,694m). Undiscounted COR<sup>†</sup> of 94.8% (HY22<sup>2</sup>: 93.8%) and discounted COR of 91.3% (HY22: 92.8%). Operating profit<sup>†,1</sup> up 29% to £470m (HY22<sup>2</sup>: £364m).
- Insurance, Wealth & Retirement (IWR) VNB<sup>†</sup> up 7% to £319m (HY22<sup>3</sup>: £297m), and operating value added<sup>†</sup> up 32% to £640m (HY22: £486m).
- Baseline controllable costs<sup>†,5</sup> flat at £1,340m (HY22: £1,342m), absorbing c.7% of inflation. With our continued focus on cost efficiency we now expect to deliver our 2024 target of £750m gross cost reduction a year early.
- Cash remittances<sup>†</sup> of £825m were up 3% (HY22: £798m). On track to exceed our target of >£5.4bn cumulative cash remittances<sup>†</sup> 2022-24.
- IFRS profit for the period<sup>6</sup> of £377m (HY22<sup>2,10</sup>: £198m loss).
- Interim dividend per share up 8% to 11.1p (HY22: 10.3p); £300m buyback executed in first half.

### Capital position is strong and asset portfolio well positioned

- Estimated Solvency II shareholder cover ratio<sup>†</sup> of 202% (FY22: 212%) and centre liquidity<sup>†</sup> (July 23) of £1.6bn (Feb 23: £2.2bn).
- Solvency II debt leverage ratio<sup>†</sup> of 30% pro forma for planned debt reduction (FY22: 30%).
- Aviva's high quality shareholder asset portfolio of £78.5bn (FY22: £78.4bn) continues to perform well and is defensively positioned.

## Continued positive trading performance

- UK&I General Insurance GWP<sup>†</sup> up 13% to £3,219m (HY22: £2,840m) and undiscounted COR<sup>†</sup> of 96.3% (HY22<sup>2</sup>: 95.3%). UK personal lines GWP<sup>†</sup> grew 16% driven by strong rate increases as we continue to manage the inflationary environment, as well as new product propositions. UK commercial lines GWP<sup>†</sup> grew 11% due to rate increases and new business growth.
- Canada General Insurance GWP<sup>†</sup> up 12% in constant currency to £2,055m (HY22: £1,854m) and undiscounted COR<sup>†</sup> of 92.8% (HY22<sup>2</sup>: 91.8%). We saw excellent growth in constant currency of 17% in commercial lines and 8% in personal lines driven by rate increases and strong new business growth.
- Protection and Health sales<sup>7</sup> were up 23% with strong growth in Health and Individual Protection. VNB<sup>†</sup> was up 18% to £118m (HY22<sup>3</sup>: £100m) driven by higher volumes in Health together with beneficial assumption changes made in H2 2022.
- Wealth continued to show resilience in challenging market conditions with net flows<sup>†</sup> of £4.3bn (HY22: £5.0bn). Strong growth in Workplace net flows<sup>†</sup> was more than offset by lower net flows<sup>†</sup> in Platform.
- Retirement sales<sup>7</sup> were up 17% to £3,223m (HY22: £2,762m) with strong growth in Bulk Purchase Annuities (BPAs) and Individual Annuities. VNB<sup>†</sup> was up 2% to £74m (HY22<sup>3</sup>: £72m). The outlook for BPA volumes remains positive with a strong pipeline for the second half.
- Aviva Investors external net flows<sup>†</sup> remained positive at £0.2bn (HY22: £0.2bn) and reflect the tough market backdrop.

## Group financial performance

## Cash and liquidity

<b>General Insurance GWP<sup>†</sup></b>  <b>£5,274m</b> +12% HY22: £4,694m	<b>Insurance, Wealth &amp; Retirement VNB<sup>†</sup></b>  <b>£319m</b> +7% HY22 <sup>3</sup> : £297m	<b>IFRS profit for the period<sup>6</sup></b>  <b>£377m</b> +290% HY22 <sup>2,10</sup> : £198m loss	<b>Cash remittances<sup>†</sup></b>  <b>£825m</b> +3% HY22: £798m	<b>Centre liquidity<sup>†</sup></b>  <b>£1.6bn</b> (28)% Feb 23: £2.2bn
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## Confident outlook

Our positive momentum continued in the first half of 2023 with a strong set of results, and our diversified business model positions us well to navigate the current macroeconomic environment. This reinforces our confidence in the prospects, financial targets and outlook for the Group.

In General Insurance we remain focused on pricing appropriately for the ongoing inflationary environment. Overall, we expect the rating environment to remain favourable across both commercial and personal lines. We expect the underlying COR<sup>†</sup> to benefit from the earn through of rating actions already taken and still to come in the second half. However, we wouldn't expect the favourable weather and PYD experience of the first half to necessarily repeat.

In Insurance, Wealth & Retirement we expect to see continued growth. We anticipate continued momentum in BPAs in the second half as a growing number of pension schemes look to de-risk. In Wealth, our Workplace business will continue to offer strong growth opportunities while market conditions present a near-term challenge in Adviser Platform. We continue to expect strong demand for Protection and Health products.

We expect full year 2023 Group operating profit<sup>†1</sup> to grow between 5% to 7% from £1,350m in 2022.

We are on track to exceed our Solvency II operating own funds generation<sup>†</sup> target of £1.5bn per annum by 2024 and our cash remittance<sup>†</sup> target of >£5.4bn cumulative (2022-24). We expect to deliver our target of £750m gross cost reduction by 2024 one year early.

We remain committed to delivering for our shareholders. Consistent with previous guidance, we expect to pay a dividend of c.£915m or c.33.4p for 2023, with low-to-mid single digit growth in the cash cost of the dividend thereafter.

Under our capital framework, which remains unchanged, surplus capital is available for reinvestment in the business, bolt-on M&A and/or additional returns to shareholders. We anticipate further regular and sustainable capital returns in the future.

† Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section. Footnotes are shown on page 9

# Chief Executive's Overview

## Building on Aviva's momentum

Aviva has delivered another set of strong and profitable results. We are building a track record of consistent profitable growth which demonstrates once again, that our strategy, and the diversified business model that we have built, is the right one.

Our performance across the Group is positive. Aviva's trading momentum is a direct result of the decisions we have taken over the last three years to re-focus our portfolio on the attractive markets of the UK, Ireland and Canada - where we have the scale and proposition to beat the competition. Our continued strong performance means we expect to exceed our targets, grow our dividend and, on top of that, deliver regular, sustainable capital returns for our shareholders.

## Strong profitable growth in the first half

Our results show, yet again, that Aviva is delivering on its promises. We said we would make progress quarter by quarter and we have.

In General Insurance we delivered a strong undiscounted combined operating ratio<sup>†</sup> of 94.8% despite the ongoing impact of inflation, demonstrating the benefits of the scale and diversification of our general insurance business.

In the UK, we grew premiums<sup>7</sup> 11% in commercial lines driven by strong rate and new business growth in Mid-Market and Specialty Lines. In personal lines, Aviva Zero, our climate-conscious, digital-led motor proposition and our Quotemehappy Connect propositions fuelled 16% growth. In Canada, we grew premiums<sup>7</sup> 11%, supported by double digit growth in commercial lines driven by rate increases and strong new business in large corporate and mid-market. Our RBC partnership is going from strength to strength, whilst maintaining a strong COR<sup>†</sup>, helping drive 8% growth in personal lines.

In Insurance, Wealth and Retirement (IWR), value of new business<sup>†</sup> was up 7%, and we secured robust net flows<sup>†</sup> of £4.3bn in Wealth. Our Workplace business, the largest provider in the market, reached £100 billion AUM<sup>†</sup> and net flows<sup>†</sup> grew 25% as we won 211 new schemes in the first half. Our Advisor Platform performed resiliently delivering more than £3 billion in gross flows, and capturing 17% of market net flows in Q1. In Succession Wealth, we are growing restricted advice, adding advisers and assets from further acquisitions, and seeing flows onto Aviva's platform. In Individual Protection we have delivered sales<sup>7</sup> growth of more than 20%. And in Health, given the current pressures on public health services, we are leading the way in supporting customers, expanding our services, and growing premiums<sup>7</sup> by 58%. Finally, Retirement sales<sup>7</sup> increased 17%, with strong growth of 22% in Individual Annuities and £2.4 billion of BPA volumes, and we expect further momentum from these businesses in the second half.

We have maintained a strong grip on our cost base with half year baseline controllable costs<sup>5</sup> flat year-on-year. In the current inflationary environment, and given the growth of the business, this is an excellent performance.

Our profitability and financial positions are also strong: Solvency II own funds generation<sup>†</sup> is up 26%, operating profit<sup>†,1</sup> is up 8% and our Solvency II shareholder cover ratio<sup>†</sup> is robust at 202%.

## Consistently delivering on our promises

This strong performance means that we're set to exceed the Group targets on cash remittances<sup>†</sup> and Solvency II own funds generation<sup>†</sup>. We will also deliver our £750 million cost reduction target a year earlier than planned.

On top of delivering excellent financial results now, we are well progressed in investing a billion pounds back into the business, just as we said we would: £300 million for organic growth, £200 million for cost efficiency, and £500 million into bolt-on M&A to accelerate delivery of our strategy. These investments are clearly paying off, as you can see in the strong performance of new propositions such as Aviva Zero, which in less than 18 months has attracted over 250,000 new policies. We have also increased the number of existing customers that we can talk to about our full suite of products by 1 million.

The consistency and strength of our performance supports the delivery of attractive outcomes for our shareholders. In June we completed the £300 million share buyback and our interim dividend will be 11.1 pence per share, an increase of 8%. We expect to pay a total dividend of c.£915 million for 2023, and to grow the cash cost of the dividend by low-to-mid single digits from 2024, reflecting our confidence in the strength of the business and the underlying capital and cash generation.

Our capital management policy remains clear and consistent. Surplus capital is available for investment in the business, bolt-on M&A and additional returns to shareholders. And, as we have previously outlined, we anticipate supplementing our regular dividend with further regular and sustainable capital returns in the future.

We are also delivering for our customers, who are at the heart of our business. We want more of our customers to stay with us for longer, we want to look after more of their needs, and we are passionate about delivering great outcomes for them.

We have the largest customer franchise across UK insurers and are also number one for brand trust. We're focused on digital-led customer experience with more than six million customers now on our MyAviva app, and we continue to improve self-serve availability. We also want to meet more of our customers' needs. Today we have 4.4 million customers with two or more policies, but we see a huge opportunity to grow this over time.

We're also supporting our customers through challenging times. We have now paid over £128 million to Health customers as part of our COVID Pledge, with a final payment announced in May. In Wealth, our Adviser Platform and Direct businesses pass the full benefit of interest rate rises on cash balances to our customers.

† Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section. Footnotes are shown on page 9

## Well positioned for the future

Aviva today is a company with momentum and is transformed from a few years ago. Our performance is accelerating. We have invested in the right places and this is generating further growth.

Our consistently strong performance is testament to Aviva's unique model. We have been deliberate in re-focusing our portfolio on attractive and growing markets where we have established leadership positions. And with a balanced portfolio, we have the competitive advantage of diversification built in. We have the right strategy – and a strong, highly capable, management team – to take advantage of the opportunities in front of us.

But we're far from believing that we have achieved what needs to be done. I am personally excited that there is so much more for us to go after. Our first half performance gives us great confidence that we have all the elements in place to deliver Aviva's promise for our customers and our shareholders.

### **Amanda Blanc**

Group Chief Executive Officer

15 August 2023

	6 months 2023 £m	6 months 2022 £m	Sterling % change	Full year 2022 £m
<b>Cash remittances<sup>R,†</sup> and Centre liquidity<sup>†</sup></b>				
Group cash remittances <sup>R,†</sup>	825	798	3 %	1,845
Centre liquidity <sup>†</sup> as at end of July/February	1,598	2,735	(42)%	2,220
		Restated <sup>2</sup>		Restated <sup>2</sup>
	6 months 2023 £m	6 months 2022 £m	Sterling % change	Full year 2022 £m
<b>Profit</b>				
Business unit operating profit	957	927	3%	1,893
Corporate centre costs, Group external debt costs and Other	(242)	(266)	9 %	(543)
<b>Group adjusted operating profit<sup>1,†</sup></b>	715	661	8 %	1,350
<b>IFRS profit/(loss) for the period<sup>6,10</sup></b>	377	(198)	290 %	(1,030)
Operating earnings per share <sup>1,R,4</sup>	19.9p	18.1p	10 %	39.9p
Basic earnings per share <sup>10</sup>	12.3	(6.3)p	295 %	(34.7)p
	6 months 2023 £m	6 months 2022 £m	Sterling % change	Full year 2022 £m
<b>Operating value added<sup>†</sup></b>				
Business unit operating value added	1,161	913	27%	2,329
Corporate centre costs, Group external debt costs and Other	(241)	(267)	10%	(553)
<b>Group operating value added<sup>†</sup></b>	920	646	42%	1,776
	6 months 2023 £m	6 months 2022 £m	Sterling % change	Full year 2022 £m
<b>Controllable costs<sup>†</sup></b>				
Business unit controllable costs	1,247	1,227	2 %	2,537
Corporate centre costs and Other operations	93	115	(19)%	234
<b>Baseline controllable costs<sup>5</sup></b>	1,340	1,342	— %	2,771
Cost reduction implementation, IFRS 17 costs and other	197	103	91 %	287
Strategic investment	53	34	56 %	94
<b>Controllable costs<sup>†</sup></b>	1,590	1,479	8 %	3,152
	6 months 2023 £m	Restated <sup>2</sup> 6 months 2022 £m	Sterling % change	Restated <sup>2</sup> Full year 2022 £m
<b>Solvency II operating own funds generation (OFG)<sup>†,R</sup></b>				
Business unit Solvency II OFG	857	760	13 %	2,033
Corporate centre costs, Group external debt costs and Other	(209)	(246)	15 %	(493)
<b>Group Solvency II operating own funds generation<sup>†</sup></b>	648	514	26 %	1,540
	6 months 2023 £m	Restated <sup>2</sup> 6 months 2022 £m	Sterling % change	Restated <sup>2</sup> Full year 2022 £m
<b>Solvency II operating capital generation (OCG)<sup>†</sup></b>				
Business unit Solvency II OCG	670	731	(8)%	1,661
Corporate centre costs, Group external debt costs and Other	(90)	(199)	55 %	(309)
<b>Group Solvency II operating capital generation<sup>†</sup></b>	580	532	9 %	1,352
	6 months 2023 %	Restated <sup>2</sup> 6 months 2022 %	Sterling change	Restated <sup>2</sup> Full year 2022 %
<b>Solvency II return on equity<sup>†,R</sup></b>				
Group Solvency II return on equity <sup>†</sup>	10.8 %	6.7 %	4.1 pp	9.9 %
Group Solvency II return on equity <sup>R,†</sup> (adjusted for excess capital)	13.2 %	10.4 %	2.8 pp	15.6 %
	30 June 2023	31 December 2022	Change	30 June 2022
<b>Capital position</b>				
Estimated Solvency II shareholder cover ratio <sup>†,R</sup>	202 %	212 %	(10)pp	234 %
Estimated Solvency II surplus	£7.8bn	£8.7bn	(10)%	£10.3bn
Solvency II net asset value per share <sup>†</sup>	375p	390p	(15)p	420p
Solvency II debt leverage ratio <sup>†</sup>	32 %	31 %	1 pp	30 %
	30 June 2023 £m	31 December 2022 £m	Change	30 June 2022 £m
<b>Balance sheet</b>				
Contractual service margin (CSM)	6,637	6,463	3%	5,956
Risk adjustment	1,260	1,326	(5)%	1,621
<b>Stock of future profit<sup>†</sup></b>	7,897	7,789	1 %	7,577
IFRS Shareholders' equity (restated) <sup>†,2,8,10</sup>	8,715	9,449	(8)%	11,357
IFRS Shareholders' equity <sup>8</sup> per share (restated) <sup>†,2,10</sup>	318p	337p	(19)p	405p
Adjusted IFRS Shareholders' equity (restated) <sup>†,9,10</sup>	13,728	14,331	(4)%	15,855
Adjusted IFRS Shareholders' equity <sup>9</sup> per share (restated) <sup>†,10</sup>	501p	510p	(9)p	566p
	6 months 2023	6 months 2022	Sterling % change	Full year 2022
<b>Dividend</b>				
Interim dividend per share	11.1p	10.3p	8%	10.3p

† Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section. Footnotes are shown on page 9

# Group financial headlines

## Operating results

### Cash remittances

Cash remittances were up 3% to £825 million (HY22: £798 million) and we remain on track to meet our ambition of >£5.4 billion cash remittances (cumulative 2022-24).

### Performance

Operating profit<sup>1</sup> increased by 8% to £715 million (HY22<sup>2</sup>: £661 million) driven by strong performance in UK & Ireland General Insurance and Canada General Insurance. The Group undiscounted COR was 94.8% (HY22<sup>2</sup>: 93.8%). The Group discounted COR was 91.3% (HY22: 92.8%).

General Insurance operating profit<sup>1</sup> increased by 29% to £470 million (HY22<sup>2</sup>: £364 million), reflecting strong performance in UK & Ireland and Canada, and improved investment income in the period. Insurance, Wealth and Retirement (IWR) operating profit<sup>4</sup> was 13% lower at £436 million (HY22<sup>2</sup>: £500 million). IWR operating value added, an important measure of value creation under IFRS 17, increased 32% to £640 million (HY22: £486 million). Aviva Investors profits<sup>1</sup> of £5 million (HY22: £14 million) were lower in the period as a result of challenging market. Group debt and other interest was flat in the period while Group centre and other operations benefitted from improved investment returns.

IFRS profit/(loss)<sup>6</sup> for the period was £377 million (HY22<sup>2,10</sup>: £(198) million).

### Cost reduction

Baseline controllable costs<sup>5</sup> were flat in the period at £1,340 million (HY22: £1,342 million), absorbing c.7% of inflation. We expect to meet our ambition of £750 million of gross savings in 2023, a year earlier than anticipated.

Beyond 2023, we will continue to focus on further efficiency improvements across all markets.

### Solvency II operating own funds generation (Solvency II OFG)

Solvency II OFG increased 26% to £648 million (HY22<sup>3</sup>: £514 million) driven by increases in each of IWR, Canada and Group centre.

IWR was up 26% to £412 million (HY22: £328 million) due to increased expected investment return and a beneficial impact from an assumption change on BPA business.

General insurance increased by 6% to £365 million (HY22<sup>3</sup>: £343 million) reflecting strong growth and retention, and increased expected investment return, partly offset a return to more normal claims frequency and a higher tax rate in the UK.

Solvency II operating own funds generation has benefitted from reductions in corporate centre costs and other, which were £(118) million (HY22: £(135) million), and Group external debt costs of £(91) million (HY22: £(111) million). This is primarily as a result of higher expected investment return and debt reduction in 2022.

We remain on track to exceed our target of £1.5 billion p.a. by 2024.

### Solvency II operating capital generation (Solvency II OCG)

Solvency II OCG increased 9% to £580 million (HY22<sup>3</sup>: £532 million) driven by improved performances in the General insurance businesses and Group centre, partly offset by IWR.

IWR Solvency II OCG was £338 million (HY22: £427 million) primarily reflecting a reduction in the SCR run-off from existing business as a result of higher interest rates.

General insurance Solvency II OCG was £336 million (HY22<sup>3</sup>: £255 million) owing to increased Solvency II OFG in Canada as well as the impact of lower capital requirements following re-risking activity in the first half of 2022.

### Solvency II return on equity (Solvency II RoE)

Solvency II RoE increased by 4.1pp to 10.8% (HY22: 6.7%) and Solvency II return on equity (adjusted for excess capital) has increased by 2.8pp to 13.2% (HY22<sup>3</sup>: 10.4%), primarily reflecting the increase in Solvency II operating own funds generation over the period and lower 2023 opening capital.

## Business performance

### Insurance, Wealth and Retirement (IWR)

IWR operating value added increased 32% in the period to £640 million (HY22: £486 million). Operating value added is calculated as operating profit<sup>1</sup> plus the operating change in the CSM, and is an important KPI that captures the value being added to the Group from performance in the period.

IWR operating profit<sup>1</sup> was 13% lower at £436 million (HY22<sup>2</sup>: £500 million). Annuities and Equity release performance improved in the period mainly reflecting higher investment results from higher yields. BPA volumes were £2.4 billion in the first half (HY22: £1.9 billion) and volumes as at the date of this report are £3.4 billion. Wealth operating profit<sup>1</sup> was lower reflecting additional investment in growth in the business. Health and Protection operating profit<sup>1</sup> improved driven by strong performance across both Health and Protection and favourable experience variances. Heritage operating profit<sup>1</sup> reduction reflected the run-off of the portfolio.

Solvency II OFG increased by 26% to £412 million (HY22<sup>3</sup>: £328 million) driven primarily by Annuities and Equity Release which benefitted from higher expected investment return and favourable experience and assumption changes. Cash remittances were £714 million (HY22: £706 million).

VNB increased by 7% to £319 million (HY22<sup>3</sup>: £297 million) driven primarily by BPA, workplace, and Protection and Health.

Wealth net flows were resilient at £4.3 billion (HY22: £5.0 billion) driven by strong performance in Workplace offset by Platform which remained robust in the face of market volatility.

Baseline controllable costs<sup>5</sup> increased by 6% to £544 million (HY22: £515 million) as a result of investments in growth and inflation.

### UK & Ireland General Insurance

UK & Ireland General Insurance operating profit<sup>1</sup> was 41% higher at £230 million (HY22<sup>2</sup>: £163 million) reflecting a strong underwriting performance in an inflationary environment and improved investment income. UK & Ireland undiscounted COR was 96.3% (HY22<sup>2</sup>: 95.3%), reflecting an increase in claims frequency, increased reinsurance costs and inflationary pressures, with actions taken to mitigate these pressures continuing to earn through across 2023.

Solvency II OFG was 1% higher at £186 million (HY22<sup>3</sup>: £184 million), reflecting strong operating performance partly offset by a higher effective tax rate and the impact of ongoing inflationary pressures. Cash remittances increased 3% to £61 million (HY22: £59 million).

GWP increased 13% to £3,219 million (HY22: £2,840 million) with strong growth across all business lines. Personal lines GWP grew to £1,389 million (HY22: £1,198 million) with the majority of growth driven by rate, acquisitions and new products, partially offset by volume reductions as we continue to prioritise profit and rate discipline over volume growth. We continue to achieve strong growth in Commercial Lines as GWP reached £1,594 million (HY22: £1,430 million) driven by both rate and new business growth within SME and Specialty Lines.

Baseline controllable costs<sup>5</sup> reduced 3% to £339 million (HY22: £350 million) despite the inflationary environment, and while continuing to grow the business.

### Canada General Insurance

Canada General Insurance operating profit<sup>1</sup> increased 19% to £240 million (HY22<sup>2</sup>: £201 million), or 20% in constant currency. The result was driven by improved investment income owing to higher yields, and improved underwriting result, offset by a higher discounting unwind in the period. The undiscounted combined operating ratio was 92.8% (HY22<sup>2</sup>: 91.8%), with the increase driven by a return to more normal claims frequency offset by favourable weather and prior year releases.

Solvency II OFG was 13% higher at £179 million (HY22<sup>3</sup>: £159 million) driven by increased expected investment return and some favourable prior-year development, partly offset by increased claims frequency and severity. Cash remittances grew strongly to £36 million (HY22: £14 million).

GWP of £2,055 million (HY22: £1,854 million) was up 12% on a constant currency basis. Personal lines was up 8% in constant currency reflecting strong new business in RBC and direct, and inflationary rating actions across the portfolio. Commercial lines was up 17% in constant currency driven by the favourable rate environment and strong new business in large corporate and mid-market.

Baseline controllable costs<sup>5</sup> increased 8% on a constant currency basis to £211 million (HY22: £197 million) reflecting growth in the business partly offset by lower claims handling costs.

### Aviva Investors

Aviva Investors operating profit<sup>1</sup> decreased to £5 million (HY22: £14 million) or £14 million (HY22: £25 million) excluding cost reduction implementation costs, strategic investment costs and foreign exchange movements. These results are driven by lower revenue partly offset by improved efficiency reflecting cost reduction initiatives. Revenues were 12% lower at £167 million (HY22: £190 million) reflecting the impact of weak investment markets on average AUM, with the most significant impact on credit. External net flows (excluding strategic actions) remained positive at £190 million (HY22: £202 million).

Solvency II OFG was £4 million (HY22: £14 million). Baseline controllable costs<sup>5</sup> were 7% lower at £153 million (HY22: £165 million).

### International investments (India, China and Singapore)

Operating profit<sup>1</sup> was 6% lower at £46 million (HY22<sup>2</sup>: £49 million) and Solvency II OFG was £76 million (HY22: £75 million). PVNBP was 82% higher in constant currency at £1,051 million (2022: £569 million) and up 85% at reported FX, reflecting strong growth in India and China.

Cash remittances in the period were £14 million (HY22: £19 million).

See section 6 (Our business review) for more detailed information on business performance.



## Capital and cash

### Solvency II capital

At 30 June 2023, Aviva's Solvency II shareholder surplus was £7.8 billion and estimated Solvency II shareholder cover ratio was 202% (2022: £8.7 billion and 212% respectively).

The decrease in surplus since 31 December 2022 is mainly due to the £300 million share buyback, the payment of the final 2022 dividend, the debt reduction and non-operating capital generation partly offset by operating capital generation. Non-operating capital generation includes £75 million pension scheme payment and the impact of market movements.

The solvency capital requirement of £7.6 billion includes a £2.2 billion benefit from Group diversification.

Solvency II shareholder position <sup>11</sup> £bn unless otherwise stated	31 December 2022	OCG	Non-OCG	Dividend & share buyback	Debt reduction	30 June 2023
Own funds	16.5	0.6	(0.6)	(0.9)	(0.3)	15.4
SCR	(7.8)	(0.1)	0.2	—	—	(7.6)
Surplus	8.7	0.6	(0.3)	(0.9)	(0.3)	7.8
Solvency II shareholder cover ratio (%)	212 %	6 %	(1)%	(11)%	(4)%	202 %

Solvency II net asset value per share was 375 pence per share (2022: 390 pence).

### Centre liquidity

At end July 2023, centre liquidity was £1.6 billion (end February 2023: £2.2 billion) with the reduction primarily driven by the payment of the final dividend, debt redemption and remaining share buyback, partly offset by cash remittances to the Group.

### Solvency II debt leverage

Solvency II debt leverage ratio increased to 32% (2022: 31%) primarily as a result of a reduction in own funds. Our pro forma Solvency II debt leverage ratio is 30% after allowing for £500 million of planned debt reduction over time, of which £259 million Tier 2 notes were redeemed in full at their optional first call date on 5 July 2023.

### Dividend

Today we have announced an interim dividend of 11.10 pence per share (2022: 10.30 pence).

Our guidance for 2023 is for a dividend payment of c.£915 million, which equates to a total 2023 dividend of c.33.4p per share. We anticipate low-to-mid single digit growth in the cash cost of ordinary dividends thereafter.

### Capital management framework

Under our capital framework, which remains unchanged, surplus capital is available for reinvestment in the business, bolt-on M&A and/or additional returns to shareholders. We anticipate further regular and sustainable capital returns in the future.

## Shareholder asset portfolio

Aviva's high quality shareholder asset portfolio of £78.5 billion at 30 June 2023 (31 December 2022: £78.4 billion) continues to perform well and is defensively positioned.

Corporate bonds represent £21.1 billion or 26.9% of the portfolio. Of this 85% is externally rated investment grade and 15% internally rated. Aviva has a long history in private debt, with a robust internal rating model, and these internally rated assets have an average rating of 'single A' quality.

The corporate bond portfolio continues to perform well with c.350 million of upgrades during the period, and only c.£100 million of downgrades to a lower letter in 2023. No corporate bond were downgraded below investment grade.

Our commercial mortgage portfolio of £5.3 billion comprises largely long-duration fixed rate contracts with low average loan-to-value (LTV) ratios of 46% using the fair value of the loan, or 53% using the nominal value.

Our securitised mortgage loans and equity release portfolio of £9.5 billion is mostly internally securitised with low average LTVs of 26%.

## Footnotes included within the news release

- ‡ Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section.
- R Symbol denotes key performance indicators used as a base to determine or modify remuneration.
1. Reference to operating profit represents Group adjusted operating profit which is a non-GAAP APM and is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.
  2. The 2022 comparative results, which were previously prepared under IFRS 4, have been restated following the adoption of IFRS 17 from 1 January 2023, as described in note B2(a).
  3. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.
  4. Operating earnings per share is derived from the Group adjusted operating profit APM. Further details of this measure are included in the 'Other information' section. The 2022 comparatives have been calculated using the weighted average number of shares in issue as if the share consolidation at taken place on 1 January 2022.
  5. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline.
  6. IFRS profit/(loss) for the period represents IFRS profit/(loss) after tax.
  7. Sales for Insurance (Protection & Health) refers to Annual Premium Equivalent (APE). Sales for Retirement (Annuities and Equity Release) refers to Present Value of New Business Premiums (PVNBP). Sales or premiums for General insurance refer to gross written premiums (GWP). APE, PVNBP and GWP are APMs and further information can be found in the 'Other information' section.
  8. IFRS Shareholders' equity is equity attributable to shareholders of Aviva plc, less preference capital.
  9. Adjusted IFRS Shareholders' equity is IFRS shareholders' equity plus CSM, net of tax.
  10. Since the publication of initial 2022 results under IFRS 17 and IFRS 9 on 19 July 2023, IFRS loss for the period, IFRS Shareholders' equity and Adjusted Shareholders' equity for half year 2022 has been adjusted for a favourable impact of £200 million (net of tax), in preparation of the Half Year Report 2023. See note 2.i Profit and earnings per share.
  11. Rounding differences apply.

## Notes to editors

- All figures have been translated at average exchange rates applying for the period, with the exception of the capital position which is translated at the closing rates on 30 June 2023. The average rates employed in this announcement are 1 euro = £0.88 (HY22: 1 euro =£0.84) and CAD\$1 = £0.60 (HY22: CAD\$1 = £0.61). Where percentage movements are quoted on a constant currency basis, this is calculated by applying year to date average exchange rates to prior period.
- Growth rates in this announcement have been provided in sterling terms unless stated otherwise.
- All percentages, including currency movements, are calculated on unrounded numbers so minor rounding differences may exist.
- Throughout this report we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-GAAP measures that are not bound by the requirements of IFRS and Solvency II. A complete list and further guidance in respect of the APMs used by the Group can be found in the 'Other information' section.
- We are one of the UK's leading Insurance, Wealth & Retirement businesses and we operate in the UK, Ireland and Canada. We also have international investments in India, China and Singapore.
- We help our 18.7 million customers make the most out of life, plan for the future, and have the confidence that if things go wrong we'll be there to put it right.
- We have been taking care of people for more than 325 years, in line with our purpose of being 'with you today, for a better tomorrow'. In 2022, we paid £23.2 billion in claims and benefits to our customers.
- Aviva is a market leader in sustainability. In 2021, we announced our ambition to become Net Zero by 2040, the first major insurance company in the world to do so. This plan means Net Zero carbon emissions from our investments by 2040; setting out a clear pathway to get there with a cut of 25% in the carbon intensity of our investments by 2025 and of 60% by 2030; and Net Zero carbon emissions from our own operations and supply chain by 2030. Find out more about our climate goals at [www.aviva.com/climate-goals](http://www.aviva.com/climate-goals) and our sustainability ambition and action at [www.aviva.com/sustainability](http://www.aviva.com/sustainability)
- Aviva is a Living Wage and Living Hours employer and provides market-leading benefits for our people, including flexible working, paid carers leave and equal parental leave. Find out more at [www.aviva.com/about-us/our-people](http://www.aviva.com/about-us/our-people)
- As at 30 June 2023, total Group assets under management at Aviva Group were £358 billion and our estimated Solvency II shareholder capital surplus as at 30 June 2023 was £7.8 billion. Our shares are listed on the London Stock Exchange and we are a member of the FTSE 100 index.
- For more details on what we do, our business and how we help our customers, visit [www.aviva.com/about-us](http://www.aviva.com/about-us)

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## Cautionary statements

This document should be read in conjunction with the documents distributed by Aviva plc (the 'Company' or 'Aviva') through The Regulatory News Service (RNS). This announcement contains, and we may make other verbal or written 'forward-looking statements' with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives (including, without limitation, climate-related plans and goals). Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential', 'objective', 'predicts', 'ambition' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing uncertain conditions in the global financial markets and the national and international political and economic situation generally (including those arising from the Russia-Ukraine conflict and uncertainty over the US Debt Ceiling); market developments and government actions; the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; the impact of changes in short or long-term interest rates and inflation reduce the value or yield of our investment portfolio and impact our asset and liability matching; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including the longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance ('ESG') factors; our reliance on information and technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customers at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel, including quality financial advisers; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation; the inability to protect our intellectual property; the effect of undisclosed liabilities, separation issues and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, relating to future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation (for example, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities. The information in this document is unaudited.

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 report are current only as of the date on which such statements are made.

This report has been prepared for, and only for, the members of the Company, as a body, and no other persons. The Company, its directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this document is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

Aviva plc is a company registered in England No. 2468686.

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## As a reminder

Aviva plc has adopted International Financial Reporting Standard (IFRS) 17 Insurance Contracts (IFRS 17) from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. The Group has also adopted IFRS 9 Financial Instruments (IFRS 9) from 1 January 2023, which has not resulted in any measurement differences.

Unaudited initial comparative information restated for the adoption of IFRS 17 and IFRS 9 was published on Wednesday 19 July 2023 and is available at [www.aviva.com/investors/ifrs-17-transition-update/](http://www.aviva.com/investors/ifrs-17-transition-update/). In respect of this Half Year Report 2023, refer to Section B for the auditors' independent review report for the six month period ended 30 June 2023. The full year 2022 financial information, in this document, remains unaudited and is subject to change, in the course of preparation of the year to 31 December 2023 financial results and this change may be material or significant.

Throughout this report we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-GAAP measures that are not bound by the requirements of IFRS and Solvency II. Further guidance in respect of the APMs used by the Group, including a reconciliation to the financial statements (where possible), can be found within the Other Information section.

The financial performance of our business units are presented as UK & Ireland Insurance, Wealth and Retirement (IWR) (previously reported as 'UK & Ireland Life'), UK & Ireland General Insurance, Canada General Insurance, Aviva Investors and International investments (consisting of India, China and Singapore).

All references to 'Operating profit' represent 'Group adjusted operating profit'.

All percentages, including currency movements, are calculated on unrounded numbers so minor rounding differences may exist.

A glossary explaining key terms used in this report is available on [www.aviva.com/glossary](http://www.aviva.com/glossary)

## 1 – Cash and Centre liquidity

### 1.i – Cash remittances

The table below reflects remittances received by the Group from our businesses, comprising dividends and interest on internal loans. Cash remittances are eliminated on consolidation and hence are not directly reconcilable to the Group's IFRS statement of cash flows.

	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
UK & Ireland Insurance, Wealth and Retirement <sup>1</sup>	714	706	780
UK & Ireland General Insurance <sup>1</sup>	61	59	731
Canada General Insurance <sup>1</sup>	36	14	287
Aviva Investors	—	—	28
International investments (India, China and Singapore)	14	19	19
<b>Total</b>	<b>825</b>	<b>798</b>	<b>1,845</b>

1. We use a wholly-owned, UK domiciled reinsurance subsidiary for internal capital and cash management purposes. Some remittances otherwise attributable to the operating businesses arise from this internal reinsurance vehicle.

### 1.ii – Centre liquidity

Centre liquidity comprises cash and liquid assets. Excess centre cash flow represents cash remitted by our businesses to the Group centre less central operating expenses and debt financing costs. It is an important measure of the cash that is available to pay dividends, reduce debt or invest back into our businesses.

	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
Cash remittances	825	798	1,845
External interest paid	(143)	(164)	(355)
Internal interest paid	—	—	(30)
Central spend	(142)	(254)	(397)
Other operating cash flows <sup>1</sup>	136	81	88
<b>Excess centre cash inflow</b>	<b>676</b>	<b>461</b>	<b>1,151</b>
Ordinary dividend	(576)	(541)	(828)
Net reduction in borrowings	(259)	(2)	(419)
Share buyback	(300)	(145)	(147)
Capital return via B share scheme	—	(3,750)	(3,750)
Net reduction in internal borrowings	2	500	500
Other non-operating cash flows <sup>2</sup>	(165)	(432)	(931)
<b>Movement in centre liquidity</b>	<b>(622)</b>	<b>(3,909)</b>	<b>(4,424)</b>
<b>Centre liquidity as at end of July and February respectively</b>	<b>1,598</b>	<b>2,735</b>	<b>2,220</b>

1. Other operating cash flows include group tax relief receipts.

2. Other non-operating cash flows include capital injections of £80 million (HY22: £500 million), other investment cash flows and, in HY23, a £92 million fee to the noteholders of the Group's £600 million Tier 2 Fixed to Floating Rate Notes due 2058 (paid in July 2023).

Centre liquidity as at end of July 2023 is £1,598 million (February 2023: £2,220 million), with the decrease primarily driven by £576 million ordinary dividend payments, £300 million share buyback and £259 million repayment of external borrowings.

## 2 – IFRS performance

### 2.i – Profit and earnings per share

	Note	6 months 2023	Restated <sup>1</sup>	Restated <sup>1</sup>
		£m	6 months 2022	Full year 2022
			£m	£m
UK & Ireland Insurance, Wealth and Retirement (IWR)	6.i	436	500	1,199
UK & Ireland General Insurance	6.ii	230	163	278
Canada General Insurance	6.iii	240	201	352
Aviva Investors	6.iv	5	14	25
International investments (India, China and Singapore)	6.v	46	49	39
<b>Business unit operating profit</b>		<b>957</b>	<b>927</b>	<b>1,893</b>
Corporate centre costs and Other operations	A2	(114)	(138)	(297)
Group debt costs and other interest	A3	(128)	(128)	(246)
<b>Group adjusted operating profit</b>		<b>715</b>	<b>661</b>	<b>1,350</b>
Tax attributable to shareholders' profit		(126)	(132)	(178)
Non-controlling interests		(11)	(11)	(21)
Preference dividends and tier 1 notes coupon payments		(26)	(9)	(34)
<b>Operating profit attributable to ordinary shareholders</b>		<b>552</b>	<b>509</b>	<b>1,117</b>
<b>Operating earnings per share<sup>2</sup></b>		<b>19.9 p</b>	<b>18.1 p</b>	<b>39.9 p</b>
<b>IFRS profit/(loss) for the period<sup>3</sup></b>	A1	<b>377</b>	<b>(198)</b>	<b>(1,030)</b>
<b>Basic earnings per share</b>		<b>12.3 p</b>	<b>(6.3)p</b>	<b>(34.7)p</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Operating earnings per share in 2022 was impacted by the share consolidation completed on 16 May 2022. The operating earnings per share numbers for 2022 have been calculated using weighted average number of shares as if the share consolidation had taken place on 1 January 2022.

3. See note A1 for the reconciliation of Group adjusted operating profit to IFRS profit/(loss) for the period.

Operating profit increased by 8% to £715 million (HY22: £661 million). Business unit operating profit increased by 3% to £957 million (HY22: £927 million) with strong performance from our UK & Ireland General Insurance and Canada General Insurance businesses, partially offset by lower operating profit in UK & Ireland Insurance, Wealth and Retirement (IWR).

IWR operating profit decreased by 13% to £436 million (HY22: £500 million), with higher profit in Annuities and Equity Release and Protection and Health more than offset by increased costs in IWR Other and a lower net income in Wealth. The increase in profit for Annuities and Equity Release was driven by improved performance in the period and higher investment return following interest rate rises and the growing book of bulk purchase annuities (BPAs). Protection and Health operating profit was higher due to growth in our Health portfolio. Wealth operating profit was lower reflecting market volatility and additional investment in growth in the business. Heritage operating profit reduced due to run-off of the backbook.

UK & Ireland General Insurance operating profit increased by 41% to £230 million (HY22: £163 million) and Canada General Insurance operating profit increased by 19% to £240 million (HY22: £201 million), with stronger underwriting results. Higher yields have led to increased investments returns partially offset by increases of discounting on incurred claims.

Aviva Investors operating profit decreased to £5 million (HY22: £14 million), or £14 million (HY22: £25 million) excluding cost reduction implementation, strategic investment costs and foreign exchange movements. These results are driven by lower revenue partly offset by improved efficiency reflecting cost reduction initiatives, which included the transition of operations to Bank of New York Mellon and a new scalable real assets operating model in partnership with HSBC and Mount Street.

International investments (India, China and Singapore) operating profit was broadly flat at £46 million (HY22: £49 million).

IFRS profit for the period is £377 million (HY22: loss of £(198) million) and basic earnings per share is 12.3 pence (HY22: (6.3) pence). The increase is driven primarily by the increase in operating profit and lower adverse investment variances and assumption changes of £(165) million (HY22: £(863) million). See note A4 for further information.

Since the publication of initial 2022 results under IFRS 17 and IFRS 9 on 19 July 2023, IFRS loss for half year 2022 has been adjusted for a favourable impact of £200 million (net of tax), in preparation of the Half Year Report 2023. The adjustment reflects the impact of market movements on insurance contract liabilities of £251 million (gross of tax), reported as net finance income from insurance contracts and included in investment variances. As a result, IFRS Shareholders' equity and Adjusted IFRS Shareholders' equity have also been increased by £200 million (net of tax). This adjustment has no impact on Group adjusted operating profit, operating value added or full year 2022 comparative results.

## 2.ii – Operating value added

	Note	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
UK & Ireland Insurance, Wealth and Retirement (IWR) <sup>1</sup>	6.i	640	486	1,635
UK & Ireland General Insurance		230	163	278
Canada General Insurance		240	201	352
Aviva Investors		5	14	25
International investments (India, China and Singapore)		46	49	39
<b>Business unit operating value added</b>		<b>1,161</b>	<b>913</b>	<b>2,329</b>
Corporate centre costs and Other operations <sup>1</sup>		(113)	(139)	(307)
Group debt costs and other interest		(128)	(128)	(246)
<b>Group operating value added</b>		<b>920</b>	<b>646</b>	<b>1,776</b>

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

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

Group operating value added increased by 42% to £920 million (HY22: £646 million), driven by an increase in operating profit of £54 million and increase of £220 million for changes in operating CSM, mainly as a result of £194 million increase in Annuities and Equity Release, driven by a positive impact of the update to assumptions related to spouses of BPA scheme members and experience variances. Operating value added results for Annuities and Equity Release, Protection and Health and Heritage businesses are discussed in detail in note 6.i.

## 3 – Controllable costs

	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
<b>Baseline controllable costs<sup>1</sup></b>			
UK & Ireland Insurance, Wealth and Retirement (IWR)	544	515	1,093
UK & Ireland General Insurance	339	350	703
Canada General Insurance	211	197	410
Aviva Investors	153	165	331
<b>Business unit baseline controllable costs<sup>2</sup></b>	<b>1,247</b>	<b>1,227</b>	<b>2,537</b>
Corporate centre costs and Other operations	93	115	234
<b>Baseline controllable costs</b>	<b>1,340</b>	<b>1,342</b>	<b>2,771</b>
Cost reduction implementation, IFRS 17 costs and other <sup>3</sup>	197	103	287
Strategic investment	53	34	94
<b>Group controllable costs</b>	<b>1,590</b>	<b>1,479</b>	<b>3,152</b>

1. Baseline controllable costs are controllable costs included in the scope of the 2018 cost savings target baseline.

2. Business unit baseline controllable costs excludes International Investments, which are not in scope of the 2018 cost savings target baseline.

3. 'Other' includes costs relating to recently acquired entities, non-insurance operations relating to Europe and Asia and the impact of foreign exchange movements which were not in the scope of the 2018 cost savings target baseline.

Baseline controllable costs have reduced by £2 million to £1,340 million (HY22: £1,342 million), despite inflationary headwinds, reflecting our relentless focus on operating efficiency.

The reduction in baseline controllable costs in UK & Ireland General Insurance is driven by cost reduction activity, including efficiency initiatives and automation. Aviva Investors baseline controllable costs decreased by £12 million, driven by the continued benefit of cost management initiatives and simplification of the business. Reductions in UK & Ireland General Insurance and Aviva Investors baseline controllable costs, are partially offset by IWR and Canada General Insurance baseline controllable costs which increased due to investment in business growth. Corporate centre costs and Other operations baseline controllable costs have reduced by £22 million, reflecting the Group's focus on driving down costs at the centre. Group controllable costs are £1,590 million (HY22: £1,479 million) reflecting further spend on cost reduction implementation and IFRS 17 implementation costs.



## 4 – Solvency II performance

### 4.i – Solvency II operating own funds generation

Solvency II operating own funds generation is used by the Group to assess sustainable growth.

	Solvency II operating own funds generation				
	Life business				Total
	Impact of new business	Earnings from existing business	Management actions and Other <sup>1</sup>	Non-life capital generation	
	£m	£m	£m	£m	£m
<b>6 months 2023</b>					
UK & Ireland Insurance, Wealth and Retirement (IWR)	85	267	60	—	412
UK & Ireland General Insurance	—	—	—	186	186
Canada General Insurance	—	—	—	179	179
Aviva Investors	—	—	—	4	4
International investments (India, China and Singapore)	35	58	(17)	—	76
<b>Business unit Solvency II operating own funds generation</b>	<b>120</b>	<b>325</b>	<b>43</b>	<b>369</b>	<b>857</b>
Corporate centre costs and Other	—	—	—	(118)	(118)
Group external debt costs	—	—	—	(91)	(91)
<b>Solvency II operating own funds generation</b>	<b>120</b>	<b>325</b>	<b>43</b>	<b>160</b>	<b>648</b>

1. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

	Solvency II operating own funds generation				
	Life business				Total
	Impact of new business	Earnings from existing business	Management actions and Other <sup>1</sup>	Non-life capital generation	
	£m	£m	£m	£m	£m
<b>Restated<sup>2</sup> 6 months 2022</b>					
UK & Ireland Insurance, Wealth and Retirement (IWR)	159	148	21	—	328
UK & Ireland General Insurance	—	—	—	184	184
Canada General Insurance	—	—	—	159	159
Aviva Investors	—	—	—	14	14
International investments (India, China and Singapore)	36	40	(1)	—	75
<b>Business unit Solvency II operating own funds generation</b>	<b>195</b>	<b>188</b>	<b>20</b>	<b>357</b>	<b>760</b>
Corporate centre costs and Other	—	—	—	(135)	(135)
Group external debt costs	—	—	—	(111)	(111)
<b>Solvency II operating own funds generation</b>	<b>195</b>	<b>188</b>	<b>20</b>	<b>111</b>	<b>514</b>

1. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

2. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

	Solvency II operating own funds generation				
	Life business				Total
	Impact of new business	Earnings from existing business	Management actions and Other <sup>1</sup>	Non-life capital generation	
	£m	£m	£m	£m	£m
<b>Restated<sup>2</sup> Full year 2022</b>					
UK & Ireland Insurance, Wealth and Retirement (IWR)	390	400	578	—	1,368
UK & Ireland General Insurance	—	—	—	261	261
Canada General Insurance	—	—	—	274	274
Aviva Investors	—	—	—	24	24
International investments (India, China and Singapore)	67	75	(36)	—	106
<b>Business unit Solvency II operating own funds generation</b>	<b>457</b>	<b>475</b>	<b>542</b>	<b>559</b>	<b>2,033</b>
Corporate centre costs and Other	—	—	—	(279)	(279)
Group external debt costs	—	—	—	(214)	(214)
<b>Solvency II operating own funds generation</b>	<b>457</b>	<b>475</b>	<b>542</b>	<b>66</b>	<b>1,540</b>

1. Management actions and Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

2. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

Solvency II operating own funds generation has increased by £134 million to £648 million (HY22: £514 million).

In the IWR businesses, Solvency II operating own funds generation has increased by £84 million to £412 million (HY22: £328 million) due to increased expected investment return driven by a higher interest rate environment and a beneficial impact of assumption changes relating to the spouses of BPA scheme members. This is partially offset by a reduction in new business where higher volumes have been offset by a temporary asset gap on large BPA schemes.

In the UK & Ireland General Insurance businesses, Solvency II operating own funds generation has increased by £2 million to £186 million (HY22: £184 million). Profitable growth from a strong focus on underwriting discipline, higher expected investment return (higher interest rates and asset re-risking) and benign weather experience was largely offset by increased claims frequency, ongoing inflationary pressures and reinsurance pricing changes in the first half of 2023 compared to the prior period.

In Canada General Insurance, Solvency II operating own funds generation has increased by £20 million to £179 million (HY22: £159 million), mainly due to favourable prior year development and increased expected investment return, partly offset by increased claims frequency and severity.

Solvency II operating own funds generation has benefitted from a reduction in corporate centre costs and Other of £(118) million (HY22: £(135) million) and Group external debt costs of £(91) million (HY22: £(111) million) in the first half of 2023. This is primarily as a result of higher expected investment return on centre assets and debt reduction in 2022.

## 4.ii – Solvency II return on capital/equity

Solvency II return on capital/equity measures return generated on shareholder capital at both business and Group level and is used by the Group to assess performance, as we look to deliver long-term value for our shareholders.

	Solvency II OFG (post TMTP adjustment) £m	Opening own funds £m	Solvency II return on capital <sup>1</sup> %
<b>6 months 2023</b>			
UK & Ireland Insurance, Wealth and Retirement (IWR)	391	12,564	6.2 %
UK & Ireland General Insurance	186	2,491	14.9 %
Canada General Insurance	179	1,800	19.9 %
Aviva Investors	4	387	2.1 %
International investments (India, China and Singapore)	76	1,187	12.8 %
<b>Business unit Solvency II return on capital</b>	<b>836</b>	<b>18,429</b>	<b>9.1 %</b>
<b>Group Solvency II return on equity</b>	<b>591</b>	<b>10,962</b>	<b>10.8 %</b>
<b>Group Solvency II return on equity (adjusted for excess capital)</b>	<b>562</b>	<b>8,488</b>	<b>13.2 %</b>

1. Solvency II return on capital/equity is calculated on an annualised basis.

	Solvency II OFG (post TMTP adjustment) £m	Opening own funds £m	Solvency II return on capital <sup>1</sup> %
<b>Restated<sup>2</sup> 6 months 2022</b>			
UK & Ireland Insurance, Wealth and Retirement (IWR)	356	13,830	5.1 %
UK & Ireland General Insurance	184	2,339	15.7 %
Canada General Insurance	159	1,746	18.2 %
Aviva Investors	14	400	7.0 %
International investments (India, China and Singapore)	75	982	15.3 %
<b>Business unit Solvency II return on capital</b>	<b>788</b>	<b>19,297</b>	<b>8.2 %</b>
<b>Group Solvency II return on equity</b>	<b>523</b>	<b>15,697</b>	<b>6.7 %</b>
<b>Group Solvency II return on equity (adjusted for excess capital)</b>	<b>515</b>	<b>9,884</b>	<b>10.4 %</b>

1. Solvency II return on capital/equity is calculated on an annualised basis.

2. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

	Solvency II OFG (post TMTP adjustment) £m	Opening own funds £m	Solvency II return on capital %
<b>Restated<sup>1</sup> Full year 2022</b>			
UK & Ireland Insurance, Wealth and Retirement (IWR)	1,432	13,830	10.4 %
UK & Ireland General Insurance	261	2,339	11.2 %
Canada General Insurance	274	1,746	15.7 %
Aviva Investors	24	400	6.0 %
International investments (India, China and Singapore)	106	982	10.8 %
<b>Business unit Solvency II return on capital</b>	<b>2,097</b>	<b>19,297</b>	<b>10.9 %</b>
<b>Group Solvency II return on equity</b>	<b>1,549</b>	<b>15,697</b>	<b>9.9 %</b>
<b>Group Solvency II return on equity (adjusted for excess capital)</b>	<b>1,538</b>	<b>9,884</b>	<b>15.6 %</b>

1. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

Solvency II return on equity has increased by 4.1pp to 10.8% (HY22: 6.7%) and Solvency II return on equity (adjusted for excess capital) has increased by 2.8pp to 13.2% (HY22: 10.4%) primarily reflecting the increase in Solvency II operating own funds generation over the period and lower 2023 opening own funds.

Solvency II return on equity (excluding IWR Heritage business) has increased by 4.8pp to 12.0% (HY22: 7.2%).

### 4.iii – Solvency II operating capital generation

Solvency II operating capital generation (Solvency II OCG) measures the amount of Solvency II capital the Group generates from operating activities. Capital generated enhances Solvency II surplus which can be used to support sustainable cash remittances from our businesses, which in turn, supports the Group's dividend as well as funding further investment to generate sustainable growth.

	Solvency II operating capital generation					Of which:	
	Impact of new business	Earnings from existing business	Life business		Total OCG	Own funds OCG	SCR OCG
			Management actions and other <sup>1</sup>	Non-life capital generation			
	£m	£m	£m	£m	£m	£m	£m
<b>6 months 2023</b>							
UK & Ireland Insurance, Wealth and Retirement (IWR)	(137)	405	70	—	338	412	(74)
UK & Ireland General Insurance	—	—	—	157	157	186	(29)
Canada General Insurance	—	—	—	179	179	179	—
Aviva Investors	—	—	—	4	4	4	—
International investments (India, China and Singapore)	(22)	26	(12)	—	(8)	76	(84)
<b>Business unit Solvency II operating capital generation</b>	<b>(159)</b>	<b>431</b>	<b>58</b>	<b>340</b>	<b>670</b>	<b>857</b>	<b>(187)</b>
Corporate centre costs and Other	—	—	—	1	1	(118)	119
Group external debt costs	—	—	—	(91)	(91)	(91)	—
<b>Group Solvency II operating capital generation</b>	<b>(159)</b>	<b>431</b>	<b>58</b>	<b>250</b>	<b>580</b>	<b>648</b>	<b>(68)</b>

1. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

	Solvency II operating capital generation					Of which:	
	Impact of new business	Earnings from existing business	Life business		Total OCG	Own funds OCG	SCR OCG
			Management actions and other <sup>1</sup>	Non-life capital generation			
	£m	£m	£m	£m	£m	£m	£m
<b>Restated<sup>2</sup> 6 months 2022</b>							
UK & Ireland Insurance, Wealth and Retirement (IWR)	(77)	411	93	—	427	328	99
UK & Ireland General Insurance	—	—	—	115	115	184	(69)
Canada General Insurance	—	—	—	140	140	159	(19)
Aviva Investors	—	—	—	16	16	14	2
International investments (India, China and Singapore)	19	15	(1)	—	33	75	(42)
<b>Business unit Solvency II operating capital generation</b>	<b>(58)</b>	<b>426</b>	<b>92</b>	<b>271</b>	<b>731</b>	<b>760</b>	<b>(29)</b>
Corporate centre costs and Other	—	—	—	(88)	(88)	(135)	47
Group external debt costs	—	—	—	(111)	(111)	(111)	—
<b>Group Solvency II operating capital generation</b>	<b>(58)</b>	<b>426</b>	<b>92</b>	<b>72</b>	<b>532</b>	<b>514</b>	<b>18</b>

1. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

2. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

	Solvency II operating capital generation					Of which:	
	Impact of new business	Earnings from existing business	Life business		Total OCG	Own funds OCG	SCR OCG
			Management actions and other <sup>1</sup>	Non-life capital generation			
	£m	£m	£m	£m	£m	£m	£m
<b>Restated<sup>2</sup> Full year 2022</b>							
UK & Ireland Insurance, Wealth and Retirement (IWR)	(63)	922	635	—	1,494	1,368	126
UK & Ireland General Insurance	—	—	—	(50)	(50)	261	(311)
Canada General Insurance	—	—	—	157	157	274	(117)
Aviva Investors	—	—	—	26	26	24	2
International investments (India, China and Singapore)	20	37	(23)	—	34	106	(72)
<b>Business unit Solvency II operating capital generation</b>	<b>(43)</b>	<b>959</b>	<b>612</b>	<b>133</b>	<b>1,661</b>	<b>2,033</b>	<b>(372)</b>
Corporate centre costs and Other	—	—	—	(95)	(95)	(279)	184
Group external debt costs	—	—	—	(214)	(214)	(214)	—
<b>Group Solvency II operating capital generation</b>	<b>(43)</b>	<b>959</b>	<b>612</b>	<b>(176)</b>	<b>1,352</b>	<b>1,540</b>	<b>(188)</b>

1. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

2. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

Solvency II OCG has increased by £48 million to £580 million (HY22: £532 million).

In the IWR business, Solvency II OCG has decreased by £89 million to £338 million (HY22: £427 million) as higher operating own funds generation was offset by a reduction in SCR run-off on existing business (due to the smaller opening SCR following interest rate rises in 2022) and a lower SCR benefit from management actions and other.

In the UK & Ireland General Insurance businesses Solvency II OCG has increased by £42 million to £157 million (HY22: £115 million). Whilst operating own funds generation is flat over the first half of 2023, there is a lower capital requirement as the first half of 2022 included the adverse impact on SCR of asset re-risking.

Canada General Insurance, Solvency II OCG has increased by £39 million to £179 million (HY22: £140 million), due to an increase in Solvency II operating own funds generation and a reduction in capital requirements as the first half of 2022 was adversely impacted by inflationary impacts on expected profits.

In International investments, Solvency II OCG has decreased by £41 million to £(8) million (HY22: £33 million) due to an increased capital requirement following strong new business growth in China.

Solvency II OCG from corporate centre costs and other and Group external debt costs has increased by £109 million to £(90) million (HY22: £(199) million) due to higher expected investment return on centre assets, lower debt costs following debt reduction in 2022 and a higher Group diversification benefit.

## 5 – Solvency II capital position

### 5.i – Solvency II position (shareholder view)

	30 June 2023	31 December 2022
	£m	£m
Shareholder view cover ratio		
Own funds	15,391	16,468
Solvency capital requirement	(7,608)	(7,774)
<b>Estimated Solvency II surplus</b>	<b>7,783</b>	<b>8,694</b>
<b>Estimated Solvency II shareholder cover ratio</b>	<b>202 %</b>	<b>212 %</b>

The estimated Solvency II shareholder cover ratio is 202% at 30 June 2023 (2022: 212%). The Solvency II position disclosed is based on a 'shareholder view'. The shareholder view is considered by management to be more representative of the shareholders' risk exposure and the Group's ability to cover the solvency capital requirement with eligible own funds and aligns with management's approach to dynamically manage its capital position. In arriving at the shareholder position, the following adjustments are typically made to the regulatory Solvency II position:

- The contribution to the Group's SCR and own funds of the most material fully ring-fenced with-profits funds of £1,331 million at 30 June 2023 (2022: £1,369 million) and staff pension schemes in surplus of £437 million at 30 June 2023 (2022: £394 million) are excluded. These exclusions have no impact on Solvency II surplus as these funds are self-supporting on a Solvency II basis with any surplus capital above SCR not recognised.
- A notional reset of the TMTP, calculated using the same method as used for formal TMTP resets. This presentation avoids step changes to the Solvency II position that arise only when the formal TMTP reset points are triggered. During the first half of 2023 a formal reset of TMTP was approved as at 31 December and is reflected in the 30 June 2023 regulatory solvency position.
- Adjustments are made if the Solvency II shareholder cover ratio does not fully reflect the effect of future regulatory changes that are known as at each reporting date. These adjustments are made in order to show a more representative view of the Group's solvency position. No adjustments for future regulatory change are included in the 30 June 2023 or 31 December 2022 Solvency II position. Note that the impact of Solvency II reforms are not yet included in our solvency position and consistent with our reporting policy will be reflected once the final statutory instruments are substantively enacted.

	30 June 2023			31 December 2022		
	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
<b>Estimated Solvency II regulatory surplus</b>	<b>17,142</b>	<b>(9,379)</b>	<b>7,763</b>	18,668	(9,441)	9,227
Fully ring-fenced with-profit funds	(1,331)	1,331	—	(1,369)	1,369	—
Staff pension schemes in surplus	(437)	437	—	(394)	394	—
Notional reset of TMTP	17	3	20	(437)	(96)	(533)
<b>Estimated Solvency II shareholder surplus</b>	<b>15,391</b>	<b>(7,608)</b>	<b>7,783</b>	16,468	(7,774)	8,694

### 5.ii – Movement in Solvency II surplus

Shareholder view movement	6 months 2023			6 months 2022			Full year 2022		
	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
<b>Group Solvency II surplus at 1 January</b>	<b>16,468</b>	<b>(7,774)</b>	<b>8,694</b>	22,150	(9,076)	13,074	22,150	(9,076)	13,074
Operating capital generation <sup>1</sup>	648	(68)	580	514	18	532	1,540	(188)	1,352
Non-operating capital generation <sup>1</sup>	(583)	234	(349)	(345)	1,349	1,004	(1,744)	1,501	(243)
Dividends <sup>2</sup>	(595)	—	(595)	(560)	—	(560)	(866)	—	(866)
Debt repayment <sup>3</sup>	(259)	—	(259)	—	—	—	(502)	—	(502)
Share buyback / Capital return	(300)	—	(300)	(3,750)	—	(3,750)	(3,750)	—	(3,750)
Acquisitions / Disposals	12	—	12	—	—	—	(360)	(11)	(371)
<b>Estimated Solvency II surplus at 30 June/31 December</b>	<b>15,391</b>	<b>(7,608)</b>	<b>7,783</b>	18,009	(7,709)	10,300	16,468	(7,774)	8,694

1. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section

2. Dividends includes £9 million (HY22: £9 million, 2022: £17 million) of Aviva plc preference dividends and £10 million (HY22: £10 million, 2022: £21 million) of General Accident plc preference dividends

3. €301 million subordinated debt was redeemed on 5 July 2023 but no longer eligible capital at 30 June 2023

The estimated Solvency II surplus is £7,783 million at 30 June 2023 (2022: £8,694 million), with a Solvency II shareholder cover ratio of 202% (2022: 212%). The decrease in surplus since 31 December 2022 is mainly due to the £300 million share buyback, the payment of the final 2022 dividend, debt reduction and non-operating capital generation partly offset by operating capital generation. Non-operating capital generation includes a £75 million payment in relation to our pension scheme as part of our capital return and the impact of market movements primarily from an increase in interest rates and foreign exchange movements.



### 5.iii – Analysis of Solvency Capital Requirement (SCR)

The SCR has decreased by £0.2 billion to £7.6 billion since 31 December 2022 primarily due to interest rate rises over the period. The table below summarises the SCR by business. The Group diversification between businesses is the SCR diversification arising from the sum of the SCR for each business being higher than the SCR at Group. The benefit from Group diversification increased by £0.1 billion and is £2.2 billion at 30 June 2023 (2022: £2.1 billion).

SCR by business	30 June 2023	31 December 2022
	£bn	£bn
UK & Ireland Insurance, Wealth and Retirement (IWR)	5.5	5.8
UK & Ireland General Insurance	1.7	1.7
Canada General Insurance	0.6	0.6
Aviva Investors	0.3	0.3
International investments (India, China and Singapore)	1.2	1.0
Group centre and other	0.5	0.5
Group diversification	(2.2)	(2.1)
<b>Total</b>	<b>7.6</b>	<b>7.8</b>

The composition by business has remained stable with the reduction in the IWR SCR primarily due to higher interest rates.

The table below summarises the diversified SCR by risk:

SCR by risk	30 June 2023	31 December 2022
	£bn	£bn
Credit risk	1.7	1.9
Equity risk	1.1	1.1
Interest rate risk	0.1	0.0
Other market risk	1.0	1.1
Life insurance risk	1.8	1.8
General insurance risk	1.0	1.0
Operational risk	0.9	0.9
Other risk	0.0	0.0
<b>Total</b>	<b>7.6</b>	<b>7.8</b>

### 5.iv – Solvency II sensitivities

#### Illustrative sensitivity analysis of Solvency II shareholder surplus and cover ratio

The following sensitivity analysis of Solvency II shareholder surplus and cover ratio allows for any consequential impact on the assets and liability valuations. All other assumptions remain unchanged for each sensitivity, except where these are directly affected by the revised economic conditions or where a management action that is allowed in the SCR calculation is applicable for that sensitivity. For example, future bonus rates are automatically adjusted to reflect sensitivity changes to future investment returns. See below for further details on the limitations of the sensitivity analysis.

The table below shows the absolute change in Solvency II shareholder surplus and cover ratio under each sensitivity, e.g. a 2pp positive impact would result in a Solvency II shareholder cover ratio of 204%.

Sensitivities		30 June 2023		31 December 2022	
		Impact on surplus £bn	Impact on shareholder cover ratio pp	Impact on surplus £bn	Impact on shareholder cover ratio pp
Changes in economic assumptions	50 bps increase in interest rate	0.1	4 pp	0.0	4 pp
	100 bps increase in interest rate	0.1	8 pp	0.1	7 pp
	50 bps decrease in interest rate	(0.1)	(5)pp	(0.1)	(5)pp
	100 bps decrease in interest rate	(0.3)	(11)pp	(0.1)	(10)pp
	50 bps increase in corporate bond spread <sup>1</sup>	0.1	4 pp	0.0	4 pp
	100 bps increase in corporate bond spread <sup>1</sup>	0.1	8 pp	0.0	6 pp
	50 bps decrease in corporate bond spread <sup>1</sup>	(0.3)	(7)pp	(0.1)	(5)pp
	Credit downgrade on annuity portfolio <sup>2</sup>	(0.3)	(6)pp	(0.4)	(7)pp
	10% increase in market value of equity	0.1	(1)pp	0.1	— pp
	25% increase in market value of equity	0.2	(1)pp	0.2	(2)pp
	10% decrease in market value of equity	(0.1)	(1)pp	(0.1)	— pp
	25% decrease in market value of equity	(0.3)	(1)pp	(0.3)	(1)pp
	20% increase in value of commercial property	0.3	7 pp	0.4	7 pp
	20% decrease in value of commercial property	(0.5)	(8)pp	(0.5)	(9)pp
	20% increase in value of residential property	0.3	5 pp	0.3	5 pp
20% decrease in value of residential property	(0.5)	(8)pp	(0.5)	(9)pp	
Changes in non-economic assumptions	10% increase in maintenance and investment expenses	(0.6)	(10)pp	(0.7)	(10)pp
	10% increase in lapse rates	(0.2)	(4)pp	(0.3)	(4)pp
	2% increase in mortality/morbidity rates – life assurance	0.0	(1)pp	(0.1)	(1)pp
	2% decrease in mortality rates – annuity business	(0.3)	(5)pp	(0.3)	(5)pp
	5% increase in gross loss ratios	(0.3)	(3)pp	(0.3)	(4)pp

1. The corporate bond spread sensitivity is applied such that even though movements vary by rating and duration consistent with the approach in the solvency capital requirement, the weighted average spread movement equals the headline sensitivity. Fundamental spreads remain unchanged.

2. An immediate full letter downgrade on 20% of the annuity portfolio credit assets (e.g. from AAA to AA, from AA to A).

## Limitations of sensitivity analysis

The table above demonstrates the effect of an instantaneous change in a key assumption while other assumptions remain unchanged. In reality, changes may occur over a period of time and there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

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

As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocations and taking other protective action.

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

Specific examples:

- The sensitivity analysis assumes a parallel shift in interest rates at all terms. These results should not be used to calculate the impact of non-parallel yield movements.
- The sensitivity analysis assumes equivalent assumption changes across all markets i.e. UK and non-UK yield curves move by the same amounts, equity markets across the world rise or fall identically.

Additionally, the movements observed by assets held by Aviva will not be identical to market indices so caution is required when applying the sensitivities to observed index movements.

## 5.v – Solvency II net asset value

	6 months 2023 £m	pence per share <sup>1</sup>	6 months 2022 £m	pence per share <sup>2</sup>	Full year 2022 £m	pence per share <sup>2</sup>
Solvency II shareholder unrestricted Tier 1 own funds at 1 January	10,962	390 p	15,697	417 p	15,697	417 p
Operating own funds generation <sup>2</sup>	648	24 p	514	18 p	1,540	55 p
Non-operating capital generation <sup>2</sup>	(583)	(22)p	(345)	(12)p	(1,744)	(64)p
Dividends <sup>3</sup>	(595)	(22)p	(560)	(20)p	(866)	(31)p
Share buyback / Capital return	(300)	— p	(3,750)	10 p	(3,750)	10 p
Acquisitions / disposals	12	— p	—	— p	(360)	(13)p
Impact of changes to the value of subordinated liabilities	136	5 p	340	12 p	618	22 p
Impact of changes to the value of net deferred tax assets	(14)	— p	(130)	(5)p	(173)	(6)p
<b>Estimated Solvency II shareholder unrestricted Tier 1 own funds at 30 June/31 December</b>	<b>10,266</b>	<b>375 p</b>	<b>11,766</b>	<b>420 p</b>	<b>10,962</b>	<b>390 p</b>

1. Number of shares in issue as at 30 June 2023 was 2,738 million (HY22: 2,803 million, 2022: 2,808 million).

2. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section

3. Dividends include £9 million (HY22: £9 million, 2022: £17 million) of Aviva plc preference dividends and £10 million (HY22: £10 million, 2022: £21 million) of General Accident plc preference dividends.

Solvency II net asset value per share has decreased by 15 pence to 375 pence per share (2022: 390 pence) as a result of payment of our 2022 final dividend and non-operating own funds generation (primarily driven by interest rates and GBP appreciation) partly offset by operating own funds generation and a decrease in the value of subordinated liabilities due to higher interest rates.

## 5.vi – Solvency II regulatory own funds and Solvency II debt leverage ratio

Regulatory view	30 June 2023 £m	31 December 2022 £m
Solvency II regulatory debt <sup>1</sup>	4,816	5,210
Senior notes <sup>2</sup>	930	687
Commercial paper	133	252
<b>Total debt</b>	<b>5,879</b>	<b>6,149</b>
Unrestricted Tier 1	12,017	13,162
Restricted Tier 1	946	946
Tier 2	3,870	4,264
Tier 3 <sup>3</sup>	309	296
<b>Estimated total regulatory own funds</b>	<b>17,142</b>	<b>18,668</b>
<b>Solvency II debt leverage<sup>4</sup></b>	<b>32%</b>	<b>31%</b>

1. Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 regulatory own funds.

2. Includes the Group's 6.125% €301 million Dated Tier 2 Reset Notes which were redeemed in full at their optional first call date on 5 July 2023. This was the remaining part of the Group's 6.125% €650 million notes that were partially redeemed on 12 March 2021. Under the Solvency II rules the notes ceased to qualify as Solvency II regulatory debt from 16 May 2023, the date at which notice was served to bondholders that the Group intended to redeem the notes at their first call date.

3. Tier 3 regulatory own funds at 30 June 2023 consist of £309 million net deferred tax assets (2022: £296 million). There is no subordinated debt included in Tier 3 regulatory own funds (2022: £nil).

4. Solvency II debt leverage is calculated as the total debt as a proportion of total regulatory own funds plus commercial paper and senior notes.

Solvency II debt leverage ratio at 30 June 2023 is 32% (2022: 31%). The increase is primarily due to the decrease in regulatory own funds following the completion of the £300 million share buyback and payment of our 2022 final dividend during the first half of 2023.

The pro forma Solvency II debt leverage ratio after allowing for £500 million of planned debt reduction over time, of which £259 million Tier 2 notes were redeemed in full at their optional first call date on 5 July, is 30% at 30 June 2023.

## 6 – Our business review

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

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
Operating profit <sup>1</sup>	436	500	(13)%	1,199
Operating changes in CSM <sup>2</sup>	204	(14)	N/A	436
Operating value added	640	486	32 %	1,635
Baseline controllable costs <sup>3</sup>	544	515	6 %	1,093
Cash remittances	714	706	1 %	780
VNB <sup>4</sup>	319	297	7 %	750
Solvency II operating own funds generation	412	328	26 %	1,368
Solvency II return on capital	6.2%	5.1%	1.1 pp	10.4%
Solvency II operating capital generation	338	427	(21)%	1,494

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. IWR operating changes in CSM excludes the impact of intra-group reinsurance of Periodic Payment Orders (PPOs). This intra-group reinsurance is reported under 'Other operations'.

3. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 costs savings target baseline.

4. The 2022 comparative results for VNB have been restated from those previously published for BPAs and Individual Annuities following a VNB methodology change in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place) rather than the actual asset mix and reinsurance.

## Overview

Aviva is the UK's largest insurer<sup>a</sup> with a 22% share<sup>b</sup> of the UK life and savings market, over 11 million customers and significant scale of assets under management (AUM). We are well positioned in the UK to be able to provide customers with all their insurance, protection, savings and retirement needs. We aim to maintain and strengthen our leadership position in the market by leveraging the Aviva brand, widening our already strong distribution relationships, building on our data analytics and underwriting capability and providing broader access to Aviva Investors' investment solutions. UK & Ireland Insurance, Wealth and Retirement (IWR) is critical to delivery of Aviva's sustainability ambition.

Our Insurance, Wealth and Retirement businesses help individuals save and achieve financial peace of mind through their workplace, advisers or by engaging directly with us. We provide corporate customers with de-risking solutions for their pension schemes and provide solutions to help promote wellbeing and health within their workforce.

In Ireland we are number four<sup>c</sup> in the market and are focused on delivering an improved digital journey for our customers and making it easier for intermediaries to do business with Aviva.

## Operating performance

### Operating profit

Operating profit	6 months 2023	Restated <sup>1</sup> 6 months 2022	Sterling % change	Restated <sup>1</sup> Full year 2022
	£m	£m		£m
Protection and Health <sup>2</sup>	67	56	20 %	174
Wealth	46	68	(32)%	124
Retirement (Annuities and Equity Release)	287	265	8 %	798
Heritage	95	117	(19)%	251
Ireland	8	9	(11)%	11
IWR Other <sup>3</sup>	(67)	(15)	(347)%	(159)
<b>UK &amp; Ireland Insurance, Wealth &amp; Retirement (IWR)</b>	<b>436</b>	<b>500</b>	<b>(13)%</b>	<b>1,199</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. The Protection and Health comparatives reflect a reallocation of £19 million to IWR Other related to a one off action.

3. IWR Other includes non-product specific income and expenses, such as return on excess assets and IWR wide project expenses.

IWR operating profit decreased by 13% to £436 million (HY22: £500 million) with higher profit in Annuities and Equity Release and Protection and Health more than offset by higher costs in IWR Other and a lower net income in Wealth. Higher operating profit in Protection and Health was driven by growth in our Health portfolio. Wealth operating profit was down by 32% reflecting market volatility and additional investment in growth in the business. Annuities and Equity Release operating profit grew 8% to £287 million (HY22: £265 million) driven by higher expected investment return following interest rate rises and the growing book of bulk purchase annuities (BPAs). Heritage operating profit reduced due to run-off of the backbook, and Ireland operating profit was impacted by slightly adverse experience variances. IWR Other operating profit was adversely impacted by higher non-product specific costs, partly offset by higher expected return on excess assets.

a. Aviva analysis of full year 2022 company reporting

b. Association of British Insurers (ABI) – 3 months to 31 March 2023 based on share of new business

c. Aviva calculation derived from the Milliman Life and Pensions New Business 2022 FY Report, which is based on responses from a number of key companies within the Irish Life market

## Operating value added

	6 months 2023 £m	6 months 2022 £m	Sterling % change	Full year 2022 £m
<b>Operating value added</b>				
Protection and Health <sup>1</sup>	75	67	12 %	246
Wealth	46	68	(32)%	124
Retirement (Annuities and Equity Release)	535	319	68 %	1,292
Heritage	41	34	21 %	96
Ireland	10	13	(23)%	36
IWR Other <sup>1</sup>	(67)	(15)	(347)%	(159)
<b>UK &amp; Ireland Insurance, Wealth &amp; Retirement (IWR)</b>	<b>640</b>	<b>486</b>	<b>32 %</b>	<b>1,635</b>

1. The Protection and Health comparatives reflect a reallocation of £19 million to IWR Other related to a one off action.

The Group considers that operating value added is an important KPI that provides a useful measure of the value generated in the period, such as the benefit of writing new business and assumption changes in the period, which is deferred in the CSM. For the Annuities and Equity Release, Protection and Health and Heritage sub-segments of our IWR operations that are in scope of IFRS 17, operating value added is calculated as operating profit plus the operating change in CSM. No adjustment is made for the future value of the businesses for which no CSM liability has been established and therefore operating value added is equated to operating profit for these businesses.

Operating value added increased by 32% to £640 million (HY22: £486 million), largely from Annuities and Equity Release, driven by the positive impact of assumption changes relating to the spouses of BPA scheme members, and beneficial longevity experience.

The drivers for changes in operating value added are set out in the Protection and Health, Annuities and Equity Release, and Heritage sections.

## Controllable costs

IWR baseline controllable costs increased 6% to £544 million (HY22: £515 million) driven by investing for growth and the impact of rising inflation. Baseline controllable costs exclude £102 million (HY22: £52 million) of strategic investment, cost reduction implementation, IFRS 17 and other costs that were not included in the 2018 costs savings target. Succession Wealth costs are excluded from baseline controllable costs.

## New business

VNB increased by 7% to £319 million (HY22: £297 million) driven primarily by BPA, workplace, and Protection and Health.

## Solvency II operating own funds generation (OFG)

	6 months 2023 £m	6 months 2022 £m	Sterling % change	Full year 2022 £m
<b>Operating own funds generation<sup>1</sup></b>				
Protection and Health	46	55	(16)%	185
Wealth	64	73	(12)%	199
Retirement (Annuities and Equity Release)	313	201	56 %	912
Heritage	37	20	85 %	65
Ireland	9	15	(40)%	39
IWR Other <sup>2</sup>	(57)	(36)	(58)%	(32)
<b>UK &amp; Ireland Insurance, Wealth &amp; Retirement (IWR)</b>	<b>412</b>	<b>328</b>	<b>26 %</b>	<b>1,368</b>

1. The 2022 comparative results have been re-presented from those previously published. The re-presentation reflects allocation of the impact of operating assumption changes and one-off product specific operating own funds generation to the respective sub-segments.

2. IWR Other includes non-product specific income and expenses, such as return on excess assets and IWR wide project expenses.

Solvency II OFG increased by 26% to £412 million (HY22: £328 million) mainly from Annuities and Equity Release, which increased by 56% to £313 million (HY22: £201 million) driven by increased expected investment return as a result of a higher interest rate environment, in addition to favourable assumption changes and experience variances. Heritage also increased due to beneficial experience variance. Partially offsetting this is a small reduction in Protection and Health, where new business growth in Health and Individual Protection was more than offset by adverse experience. Wealth reduced by 12% to £64 million (HY22: £73 million) with higher expenses, despite higher new business own funds generation in Workplace pensions. IWR Other reduced by 58% to £(57) million (HY22: £(36) million) with higher expected return on excess assets offset by higher non-product specific costs.

## Solvency II return on capital

Solvency II return on capital increased by 1.1pp to 6.2% (HY22: 5.1%) driven by the increase in operating own funds generation and lower opening own funds in 2023, in part due to interest rate increases over 2022.

## Solvency II operating capital generation (OCG)

Solvency II OCG decreased by 21% to £338 million (HY22: £427 million), primarily due to higher operating own funds generation offset by a reduction in SCR run-off on existing business due to the smaller opening SCR following interest rate rises in 2022 and a lower SCR benefit from management actions and other.



## Protection and Health

Aviva is the only provider of scale in the UK offering coverage across health, group protection and individual protection. We are second in the individual protection market by new business sales<sup>a</sup>, second in the group protection market by book size<sup>b</sup>, and third in the health market<sup>c</sup>. We have developed strong relationships with our intermediary partners, including financial advisers, estate agents and other third parties. We have invested for growth in these markets, focusing on our digital proposition and bringing new health and wellbeing products to market. Pricing and underwriting discipline as well as cost efficiency are key drivers for profitability in this sector.

### New Business

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
Annual Premium Equivalent (APE)	223	181	23 %	359
VNB	118	100	18 %	221
PVNB	1,490	1,327	12 %	2,507
VNB margin	7.9 %	7.5 %	0.4 pp	8.8 %

Protection and Health APE increased by 23% to £223 million (HY22: £181 million) driven by higher sales in Health and Individual Protection. Health APE increased 58% to £86 million (HY22: £54 million) reflecting a strong trading performance across all our consumer and corporate sales channels. Individual Protection APE increased 21% to £76 million (HY22: £63 million) driven by growth in Independent Financial Adviser (IFA) and Direct channels, underpinned by successful marketing campaigns. Group Protection APE reduced by 4% to £61 million (HY22: £64 million) with lower new scheme sales offsetting an increase in existing scheme increments due to strong retention.

Protection and Health VNB increased by 18% to £118 million (HY22: £100 million), driven by higher sales and improved margins, partly offset by higher discounting as a result of changes in the yield curve.

### Operating profit and operating value added

£m	6 months 2023			6 months 2022			Full year 2022		
	Operating profit	Operating changes in CSM	Operating value added	Operating profit	Operating changes in CSM	Operating value added	Operating profit	Operating changes in CSM	Operating value added
New business	—	73	73	—	65	65	—	132	132
Releases from stock of future profit	67	(64)	3	73	(68)	5	159	(146)	13
Operating assumption changes	—	—	—	—	—	—	20	84	104
Experience variances, expenses and other	(26)	(7)	(33)	(40)	8	(32)	(72)	(10)	(82)
Insurance result	41	2	43	33	5	38	107	60	167
Investment result	(6)	6	—	(3)	6	3	(12)	12	—
Health	32	—	32	26	—	26	79	—	79
<b>Protection and Health<sup>1</sup></b>	<b>67</b>	<b>8</b>	<b>75</b>	<b>56</b>	<b>11</b>	<b>67</b>	<b>174</b>	<b>72</b>	<b>246</b>

1. The Protection and Health comparatives reflect a reallocation of £19 million to IWR Other related to a one off action.

Operating profit increased by 20% to £67 million (HY22: £56 million) with higher Health profits, driven by strong portfolio growth, and net favourable experience variances compared with the first half of 2022.

Operating value added increased by 12% to £75 million (HY22: £67 million) driven by an increase in Individual Protection new business CSM and higher Health profits.

## Wealth

Our Wealth business offers workplace pensions and retail savings products, through both intermediated and retail channels. Our products are supported by guidance and advice and offer access to open architecture asset solutions including Aviva Investors who provide expertise in multi-asset and Environmental, Social, and Governance (ESG) investing. New business is capital efficient, with profits being derived from asset management fees less costs. We have a competitive position in both workplace and retail markets, which have delivered diversified and resilient earnings and highly efficient customer acquisition into the Group.

### Assets under management and net flows

Assets under management and net flows	6 months 2023			6 months 2022	
	Platform	Workplace	Individual pensions	Total Wealth	Total Wealth
	£m	£m	£m	£m	£m
Assets under management at 1 January <sup>1</sup>	44,603	92,624	10,202	147,429	150,415
Premiums and deposits, net of reinsurance (inflows)	3,593	6,363	208	10,164	9,545
Claims and redemptions, net of reinsurance (outflows)	(2,352)	(2,993)	(524)	(5,869)	(4,583)
<b>Net flows</b>	<b>1,241</b>	<b>3,370</b>	<b>(316)</b>	<b>4,295</b>	<b>4,962</b>
Market and other movements	1,457	3,593	219	5,269	(16,744)
<b>Assets under management at 30 June</b>	<b>47,301</b>	<b>99,587</b>	<b>10,105</b>	<b>156,993</b>	<b>138,633</b>

1. Wealth AUM at 1 January 2022 and 1 January 2023 has been restated from £152,207 million and £149,221 million respectively, after reclassifications of £1,792 million to Heritage on adoption of IFRS 17.

a. Aviva analysis of 2022 company reporting.

b. Swiss Re Group Watch 2022.

c. LaingBuisson, Health Cover UK Market Report, 17th edition.

Wealth net flows reduced by 13% to £4.3 billion (HY22: £5.0 billion) with a strong performance in Workplace more than offset by reduced Platform flows. Workplace net flows increased by 25% to £3.4 billion (HY22: £2.7 billion) driven by higher regular premiums, reflecting strong retention and the impact of wage inflation on employee contributions. Platform net flows reduced by 51% to £1.2 billion (HY22: £2.5 billion) due to subdued investment activity across the market and higher outflows reflecting the cost of living and market fluctuations.

AUM as at 30 June 2023 has grown to £157.0 billion from an opening position of £147.4 billion, with the benefit of net inflows combined with positive market movements of £5.3 billion, reflecting UK and overseas equity market movements during the first half of 2023. Average AUM during first half of 2023 was higher compared to the first half of 2022.

### Operating profit

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
Operating profit	46	68	(32)%	124

Wealth operating profit reduced by 32% to £46 million (HY22: £68 million) with growth in revenue more than offset by additional investment in growth in the business.

### Annuities and Equity Release

Our Annuities and Equity Release business consists of BPAs, individual annuities and equity release. Our products offer customers safe and secure income in their retirement and support employers in their desire to de-risk their pension schemes. We are the UK's largest provider of individual annuities<sup>a</sup>, we manage the UK's largest book of equity release mortgages<sup>b</sup> and are one of the largest providers of BPAs<sup>c</sup>. Our Annuities and Equity Release products create synergies, with equity release assets being held to back annuity liabilities, alongside assets sourced by Aviva Investors. Profits are primarily driven by yields, and our focus on capital efficiency secures significant cash flows, which has allowed us to invest in, and grow, our BPA business.

### New Business

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
VNB <sup>1</sup>	74	72	2 %	264
PVNBP	3,223	2,762	17 %	6,238
VNB margin <sup>1</sup>	2.3 %	2.6 %	(0.3)pp	4.2 %

1. The 2022 comparative results for VNB and VNB margin have been restated from those previously published for BPAs and Individual Annuities following a VNB methodology change in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place) rather than the actual asset mix and reinsurance.

Annuities and Equity Release PVNBP increased by 17% to £3,223 million (HY22: £2,762 million) with strong growth in BPA and Individual Annuity partly offset by lower sales of Equity Release. BPA PVNBP increased 30% to £2,428 million (HY22: £1,862 million) including the £850 million buy-in of the Arcadia Group pension schemes and £900 million buy-in of the Thomas Cook Pension Plan. Together with schemes where we are preferred provider, year-to-date volumes are £3.4 billion (as at the date of this update). Individual Annuity PVNBP increased by 22% to £550 million (HY22: £449 million) driven by significantly higher demand in response to the high interest environment. Equity Release PVNBP reduced by 46% reflecting lower levels of market activity following interest rate rises as well as a strong prior period.

Annuities and Equity Release VNB increased to £74 million (HY22: £72 million) due to higher volumes, partly offset by lower margins on Individual Annuities relative to a strong first half of 2022.

### Operating profit and operating value added

£m	6 months 2023			6 months 2022			Full year 2022		
	Operating profit	Operating changes in CSM	Operating Value Added	Operating profit	Operating changes in CSM	Operating Value Added	Operating profit	Operating changes in CSM	Operating Value Added
New business	—	104	104	—	109	109	49	253	302
Releases from stock of future profit	230	(186)	44	234	(184)	50	460	(365)	95
Operating assumption changes	(11)	110	99	—	—	—	222	261	483
Experience variances, expenses and other	(36)	136	100	(30)	57	27	(68)	202	134
Insurance result	183	164	347	204	(18)	186	663	351	1,014
Investment result	62	84	146	18	72	90	57	143	200
Equity Release	42	—	42	43	—	43	78	—	78
<b>Retirement (Annuities and Equity Release)<sup>1</sup></b>	<b>287</b>	<b>248</b>	<b>535</b>	<b>265</b>	<b>54</b>	<b>319</b>	<b>798</b>	<b>494</b>	<b>1,292</b>

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

Operating value added increased 68% to £535 million (HY22: £319 million) driven by a higher investment result, following increases to interest rates, the positive impact of assumption changes relating to the spouses of BPA scheme members, and beneficial longevity experience.

Operating profit increased 8% to £287 million (HY22: £265 million) driven by a higher investment result and growth in releases from stock of future profit (CSM plus risk adjustment) on BPA business, partially offset by lower releases on Individual Annuities.

a. Aviva analysis of full year 2022 company reporting  
b. UK Finance 2022 data on UK mortgage lenders  
c. LCP full 2022 analysis - May 2023

## Heritage

Aviva has one of the largest back books in the UK, with AUM of £68 billion. We manage legacy pension and savings policies for approximately 1.4 million customers, honouring promises made over many years. Heritage is an important part of the Group as a predictable source of capital and cash generation as well as supporting our annuity and wealth propositions and Aviva Investors. The Heritage business is in run-off, and profit is driven by effective management of AUM run-off and cost efficiencies.

### Operating profit and operating value added

£m	6 months 2023			6 months 2022			Full year 2022		
	Operating profit	Operating changes in CSM	Operating Value Added	Operating profit	Operating changes in CSM	Operating Value Added	Operating profit	Operating changes in CSM	Operating Value Added
Releases from stock of future profit	75	(73)	2	90	(85)	5	181	(166)	15
Operating assumption changes	—	—	—	—	—	—	13	(15)	(2)
Experience variances, expenses and other	18	(4)	14	19	(30)	(11)	45	(42)	3
<b>Insurance result</b>	<b>93</b>	<b>(77)</b>	<b>16</b>	<b>109</b>	<b>(115)</b>	<b>(6)</b>	<b>239</b>	<b>(223)</b>	<b>16</b>
<b>Investment result</b>	<b>2</b>	<b>23</b>	<b>25</b>	<b>8</b>	<b>32</b>	<b>40</b>	<b>12</b>	<b>68</b>	<b>80</b>
<b>Heritage</b>	<b>95</b>	<b>(54)</b>	<b>41</b>	<b>117</b>	<b>(83)</b>	<b>34</b>	<b>251</b>	<b>(155)</b>	<b>96</b>

Heritage operating profit decreased to £95 million (HY22: £117 million) driven by business run-off which has reduced the amount of releases from stock of future profit.

Heritage operating value added increased to £41 million (HY22: £34 million) due to beneficial experience variance that is deferred to the CSM.

## Ireland

Our core lines of business are protection and annuity business, pre and post retirement unit-linked contracts, as well as unit-linked savings and investments. We are the market leader in the income protection market<sup>a</sup>.

### New Business

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
VNB	18	16	12 %	36
PVNB	847	858	(1)%	1,657
<b>VNB margin</b>	<b>2.1 %</b>	<b>1.9 %</b>	<b>0.2 pp</b>	<b>2.2 %</b>

Ireland PVNB was £847 million (HY22: £858 million) with strong sales of Group protection and workplace pensions business partially offset by lower annuity sales and unit-linked savings in the retail sector impacted by market pressures. VNB increased to £18 million (HY22: £16 million) driven by improvements in unit-linked margins as well as strong protection sales.

### Operating profit and operating value added

£m	6 months 2023			6 months 2022			Full year 2022		
	Operating profit	Operating changes in CSM	Operating value added	Operating profit	Operating changes in CSM	Operating value added	Operating profit	Operating changes in CSM	Operating value added
<b>Ireland</b>	<b>8</b>	<b>2</b>	<b>10</b>	<b>9</b>	<b>4</b>	<b>13</b>	<b>11</b>	<b>25</b>	<b>36</b>

Ireland operating profit was £8 million (HY22: £9 million) driven by slightly adverse experience variances.

Ireland operating value added was £10 million (HY22: £13 million) due to the non-recurrence of favourable CSM movements.

## IWR Other

IWR Other includes non-product specific income and expenses, such as return on excess assets and IWR wide project expenses. IWR Other operating profit decreased to £(67) million (HY22: £(15) million) with an increase in non-product specific costs partly offset by higher expected return on excess assets.

a. Aviva calculation derived from the Milliman Life and Pensions New Business 2022 FY Report, which is based on responses from a number of key companies within the Irish Life market

## Contractual service margin (CSM) analysis

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

CSM, net of reinsurance	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Protection and Health	748	682	738
Retirement (Annuities and Equity Release)	4,442	3,813	4,194
Heritage	1,323	1,354	1,405
Ireland	275	250	278
Other <sup>1</sup>	(151)	(143)	(152)
<b>Total</b>	<b>6,637</b>	<b>5,956</b>	<b>6,463</b>

1. Other comprises the CSM relating to the intra-group reinsurance of PPOs. For other reporting metrics the adjustment for PPOs is included within 'Other operations'.

The table below shows the movements in the CSM liability.

CSM analysis of change	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
<b>Opening CSM (net of tax)</b>	<b>4,882</b>	<b>4,640</b>	<b>4,640</b>
Add back tax on CSM	1,581	1,506	1,506
<b>Opening CSM</b>	<b>6,463</b>	<b>6,146</b>	<b>6,146</b>
New business	183	184	414
Interest accretion and expected return	111	107	215
Experience variance and other	133	40	178
Assumption changes	110	—	306
Release of CSM	(332)	(346)	(687)
<b>Operating changes in CSM</b>	<b>205</b>	<b>(15)</b>	<b>426</b>
Non-operating changes	(31)	(175)	(109)
<b>Closing CSM</b>	<b>6,637</b>	<b>5,956</b>	<b>6,463</b>
Tax on CSM	(1,624)	(1,458)	(1,581)
<b>Closing CSM (net of tax)</b>	<b>5,013</b>	<b>4,498</b>	<b>4,882</b>

CSM has increased by 3% to £6,637 million over the first half of 2023, supported by favourable assumption changes and longevity experience which reflects additional value in business we have written historically.

The release of CSM in the first half of 2023 was 9.5% on an annualised basis (2022: 9.6%) of the closing CSM, before allowing for the release. This level is expected to be repeated in future periods, noting that the release percentage may change depending on the mix and volumes of new business written in each period.

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

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



## 6.ii – UK & Ireland General Insurance

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
<b>GWP</b>	<b>3,219</b>	<b>2,840</b>	13 %	5,740
<b>Operating profit<sup>1</sup></b>	<b>230</b>	163	41 %	278
<b>Discounted COR<sup>1</sup></b>	<b>93.1 %</b>	94.8 %	(1.7)pp	96.1 %
<b>Undiscounted COR<sup>1</sup></b>	<b>96.3 %</b>	95.3 %	1.0 pp	96.4 %
<b>Baseline controllable costs<sup>2</sup></b>	<b>339</b>	350	(3)%	703
<b>Cash remittances</b>	<b>61</b>	59	3 %	731
<b>Solvency II operating own funds generation<sup>3</sup></b>	<b>186</b>	184	1 %	261
<b>Solvency II return on capital<sup>3</sup></b>	<b>14.9 %</b>	15.7 %	(0.8)pp	11.2 %
<b>Solvency II operating capital generation<sup>3</sup></b>	<b>157</b>	115	37 %	(50)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline.

3. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

### Overview

Aviva is a leading insurer in the UK and Ireland, holding the number one position in the UK market<sup>a</sup> and number three in Ireland<sup>b</sup>.

We are continuing to grow our general insurance businesses with a focus on extending our market leadership through our strategy of investing for profitable growth, building best-in-class capabilities, and leading the industry on sustainability.

General insurance performance in the first half of 2023 benefitted from strong underwriting performance and higher long-term investment returns. In the second half of the year, we are continuing to focus on executing our market strategies and growing our business, while responding to the impact of increasing inflation on general insurance markets, principally impacting claims and economic activity.

### Operating performance

#### Gross written premiums (GWP)

	6 months 2023 £m	6 months 2022 £m	Sterling % Change	Full year 2022 £m
<b>GWP</b>				
Personal lines	1,389	1,198	16 %	2,386
Commercial lines	1,594	1,430	11 %	2,931
<b>UK</b>	<b>2,983</b>	2,628	14 %	5,317
Ireland	236	212	11 %	423
<b>Total</b>	<b>3,219</b>	2,840	13 %	5,740

The UK continued its strong, double-digit trading momentum, with GWP increasing 14% to £2,983 million (HY22: £2,628 million) from strong growth across all business lines. Personal lines GWP increased to £1,389 million (HY22: £1,198 million), with the majority of growth driven by rate, acquisitions and new products, partially offset by volume reductions as we continued to prioritise profit and rate discipline over volume growth. We also continued to achieve strong growth in Commercial lines, as GWP reached £1,594 million (HY22: £1,430 million), driven across all business lines by rate and new business growth within the mid-market, digital and specialty lines.

Ireland GWP increased by 11% (7% at constant currency), to £236 million (HY22: £212 million), driven by Commercial lines which increased 16% (11% at constant currency) to £138 million. The performance was led by strong retention across all products and supportive rate environment in property and liability. Personal lines GWP, at £98 million, was 5% higher than a year ago and broadly in line on a constant currency basis as we maintained underwriting discipline in the face of inflationary pressures.

#### Operating profit

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m	Sterling % change	Restated <sup>1</sup> Full year 2022 £m
<b>Operating profit</b>				
Underwriting result	160	119	34 %	178
Investment return	135	46	193 %	94
Unwind of discounting on incurred claims	(97)	(16)	(506)%	(26)
Other <sup>2</sup>	1	3	(67)%	5
<b>UK</b>	<b>199</b>	152	31 %	251
Ireland	31	11	182 %	27
<b>Total</b>	<b>230</b>	163	41 %	278

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Includes the results of non-insurance operations and pension scheme net finance costs.

a. Source: ABI General Insurance Company Rankings 2021, by GWP

b. Source: Insurance Ireland Non-life Members ranking 2021, by GWP.

## COR

COR	6 months 2023	Restated <sup>1</sup> 6 months 2022	Change	Restated <sup>1</sup> Full year 2022
	%	%		%
Personal lines	97.9 %	96.1 %	1.8 pp	96.2 %
Commercial lines	94.9 %	94.2 %	0.7 pp	96.6 %
<b>UK</b>	<b>96.4 %</b>	<b>95.2 %</b>	<b>1.2 pp</b>	<b>96.4 %</b>
Ireland	94.9 %	97.3 %	(2.4)pp	96.1 %
<b>Total undiscounted COR</b>	<b>96.3 %</b>	<b>95.3 %</b>	<b>1.0 pp</b>	<b>96.4 %</b>
<b>UK</b>	<b>93.3 %</b>	<b>94.6 %</b>	<b>(1.3)pp</b>	<b>96.1 %</b>
Ireland	89.7 %	97.3 %	(7.6)pp	95.9 %
<b>Total discounted COR</b>	<b>93.1 %</b>	<b>94.8 %</b>	<b>(1.7)pp</b>	<b>96.1 %</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

Overall UK & Ireland operating profit increased 41% to £230 million (HY22: £163 million) driven by strong underwriting results and improved investment returns. The UK underwriting result has increased by £41 million to £160 million (HY22: £119 million) driven by profitable growth from our strong focus on underwriting discipline, favourable weather and improved yields benefitting discounting rates. This was partially offset by increases in claims frequency (as consumer habits trend back to pre-Covid norms), increased reinsurance costs and continued inflationary pressures. Investment returns increased to £135 million (HY22: £46 million) driven by asset re-risking and higher yields.

UK undiscounted COR deteriorated 1.2pp to 96.4% (HY22: 95.2%). Commercial lines undiscounted COR of 94.9% increased 0.7pp (HY22: 94.2%) absorbing significant inflationary headwinds through robust underwriting and pricing across both small and medium enterprise (SME) and global corporate and specialty (GCS). Personal lines undiscounted COR deteriorated by 1.8pp to 97.9% (HY22 96.1%) driven by significant increases in reinsurance costs and motor claims frequency increasing to near pre-Covid levels, offsetting the impacts of strong rate action.

Ireland operating profit has increased by £20 million to £31 million (HY22: £11 million) driven by profitable growth, higher investment return, disciplined expense management, and favourable weather. Ireland undiscounted COR improved 2.4pp to 94.9% (HY22: 97.3%), absorbing inflationary headwinds and increased reinsurance costs.

The movement in discounted COR for UK and Ireland, compared with that of undiscounted COR, was driven by the impact of higher interest rates.

## Controllable costs

Baseline controllable costs for UK and Ireland decreased to £339 million (HY22: £350 million), reflecting continued focus on cost management through efficiency initiatives and automation. In the UK the reduction in costs against a backdrop of growing premiums has led to an improvement of 0.4pp in the expense ratio. We continue to support profitable growth by investing in underwriting and improving customer propositions. In Ireland, the expense ratio has improved by 1.2pp in spite of higher levels of strategic spend and strong premium growth.

Baseline controllable costs for UK and Ireland exclude £14 million (HY22: £8 million) of strategic investment, cost reduction implementation, IFRS 17 and other costs that were not included in the 2018 costs savings target.

## Solvency II operating own funds generation (OFG) and Solvency II return on capital

£m (unless otherwise stated)	6 months 2023	Restated <sup>1</sup> 6 months 2022	Sterling % change	Constant currency %	Restated <sup>1</sup> Full year 2022
<b>Solvency II operating own funds generation</b>	<b>186</b>	<b>184</b>	<b>1 %</b>	<b>1 %</b>	<b>261</b>
<b>Solvency II return on capital<sup>2</sup></b>	<b>14.9 %</b>	<b>15.7 %</b>	<b>(0.8)pp</b>	<b>(0.7)pp</b>	<b>11.2 %</b>

1. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

2. For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across businesses.

Solvency II OFG in the UK & Ireland General Insurance businesses increased by £2 million to £186 million (HY22: £184 million). Improvements from our strong focus on underwriting discipline, favourable weather and higher investment returns were broadly offset by increases in the effective corporation tax rate in the UK and the timing of the reinsurance pricing changes in the first half of 2023 compared with the prior period. Solvency II return on capital has decreased to 14.9% (HY22: 15.7%) due to higher opening capital requirements.

## Solvency II operating capital generation (OCG)

£m	6 months 2023	Restated <sup>1</sup> 6 months 2022	Sterling % change	Constant currency %	Restated <sup>1</sup> Full year 2022
<b>Solvency II operating capital generation</b>	<b>157</b>	<b>115</b>	<b>37 %</b>	<b>37 %</b>	<b>(50)</b>

1. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

UK & Ireland Solvency II OCG increased by £42 million to £157 million (HY22: £115 million), primarily driven by the non-repeat of SCR increases in HY22 from asset re-risking into hedged equities.

## 6.iii – Canada General Insurance

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Constant currency %	Full year 2022
<b>GWP</b>	<b>2,055</b>	<b>1,854</b>	<b>11 %</b>	<b>12 %</b>	<b>4,009</b>
<b>Operating profit<sup>1</sup></b>	<b>240</b>	<b>201</b>	<b>19 %</b>	<b>20 %</b>	<b>352</b>
<b>Discounted COR<sup>1</sup></b>	<b>89.0 %</b>	<b>90.0 %</b>	<b>(1.0)pp</b>		<b>92.0 %</b>
<b>Undiscounted COR<sup>1</sup></b>	<b>92.8 %</b>	<b>91.8 %</b>	<b>1.0 pp</b>		<b>93.7 %</b>
<b>Baseline controllable costs<sup>2</sup></b>	<b>211</b>	<b>197</b>	<b>7 %</b>	<b>8 %</b>	<b>410</b>
<b>Cash remittances</b>	<b>36</b>	<b>14</b>	<b>157 %</b>	<b>159 %</b>	<b>287</b>
<b>Solvency II operating own funds generation<sup>3</sup></b>	<b>179</b>	<b>159</b>	<b>13 %</b>	<b>13 %</b>	<b>274</b>
<b>Solvency II return on capital<sup>3</sup></b>	<b>19.9 %</b>	<b>18.2 %</b>	<b>1.7 pp</b>	<b>2.6 pp</b>	<b>15.7 %</b>
<b>Solvency II operating capital generation<sup>3</sup></b>	<b>179</b>	<b>140</b>	<b>28 %</b>	<b>29 %</b>	<b>157</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- Baseline controllable costs exclude strategic investment, cost reduction implementation, IFRS 17 and other costs not included in the 2018 cost savings target baseline.
- The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

Aviva is the second largest general insurer in Canada<sup>a</sup> and we have set clear priorities to become the market leader – the top choice for customers, distributors and our people.

During the first half of 2023 our business delivered double-digit growth in GWP, driven by a strong new business performance together with positive rate and indexation.

Looking to the second half, we expect profitable growth as we execute on the delivery of our commitments, which includes delivering an exceptional claims service for our customers, technology modernisation, and building industry-leading pricing capabilities.

## Operating Performance

### Gross Written Premiums (GWP)

	6 months 2023 £m	6 months 2022 £m	Sterling % Change	Constant currency %	Full year 2022 £m
<b>GWP</b>					
Personal lines	<b>1,223</b>	<b>1,138</b>	<b>7 %</b>	<b>8 %</b>	<b>2,466</b>
Commercial lines	<b>832</b>	<b>716</b>	<b>16 %</b>	<b>17 %</b>	<b>1,543</b>
<b>Total</b>	<b>2,055</b>	<b>1,854</b>	<b>11 %</b>	<b>12 %</b>	<b>4,009</b>

Canada GWP increased to £2,055 million (HY22: £1,854 million), up 12% on a constant currency basis. In personal lines, GWP increased to £1,223 million (HY22: £1,138 million) driven by strong new business volumes in direct and our partnership with RBC, along with rate actions across the entire portfolio. Commercial lines GWP increased to £832 million (HY22: £716 million) mostly due to strong new business in large corporate and mid-market, along with rate and indexation in property.

### Operating profit

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m	Sterling % change	Constant currency %	Restated <sup>1</sup> Full year 2022 £m
<b>Operating profit</b>					
Underwriting result	<b>209</b>	<b>175</b>	<b>19 %</b>	<b>20 %</b>	<b>293</b>
Investment return	<b>124</b>	<b>45</b>	<b>176 %</b>	<b>176 %</b>	<b>99</b>
Unwind of discounting on incurred claims	<b>(91)</b>	<b>(16)</b>	<b>N/A</b>	<b>N/A</b>	<b>(37)</b>
Other <sup>2</sup>	<b>(2)</b>	<b>(3)</b>	<b>33 %</b>	<b>33 %</b>	<b>(3)</b>
<b>Total</b>	<b>240</b>	<b>201</b>	<b>19 %</b>	<b>20 %</b>	<b>352</b>

### COR

	6 months 2023 %	Restated <sup>1</sup> 6 months 2022 %	Change	Restated <sup>1</sup> Full year 2022 %
<b>COR</b>				
Personal lines	<b>98.0 %</b>	<b>93.7 %</b>	<b>4.3 pp</b>	<b>95.2 %</b>
Commercial lines	<b>83.5 %</b>	<b>88.2 %</b>	<b>(4.7)pp</b>	<b>90.9 %</b>
<b>Total undiscounted COR</b>	<b>92.8 %</b>	<b>91.8 %</b>	<b>1.0 pp</b>	<b>93.7 %</b>
<b>Total discounted COR</b>	<b>89.0 %</b>	<b>90.0 %</b>	<b>(1.0)pp</b>	<b>92.0 %</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- Includes the results of non-insurance operations and pension scheme net finance costs.

Canada operating profit increased 19% (20% on a constant currency basis) to £240 million (HY22: £201 million) driven by a strong underwriting result and improved investment returns. The underwriting result improved by 20% on a constant currency basis to £209 million (HY22: £175 million) driven by the strong rating environment, favourable prior year development and higher yields increasing the benefit of discounting to incurred claims. This was partially offset by increased claims frequency in motor and the impact of inflation on claims severity.

a. Canadian market share source: 2022 Q3YTD MSA Research Results. Includes: Lloyds, excludes: ICBC, SAF, SGI and Genworth.

Investment returns improved to £124 million (HY22: £45 million) due to increased yields and the larger portfolio size due to profitable business growth. Increased yields also led to the unwind of discounting on incurred claims increasing to a loss of £91 million (HY22: loss of £16 million).

Canada undiscounted COR remained strong at 92.8% (HY22: 91.8%). The commercial lines undiscounted COR of 83.5% is 4.7pp favourable to prior year due to improved underwriting performance, favourable prior year development and lower distribution costs, partially offset by the impact of inflation on claims severity. The personal lines undiscounted COR of 98.0% is 4.3pp unfavourable to prior year due to increased claims frequency and theft severity in motor and less favourable prior year development, partially offset by strong performance in personal property due to the hard rate environment and prudent risk selection.

The reduction in discounted COR to 89.0% (HY22: 90.0%), compared to the increase for undiscounted COR, was driven by the impact of higher yields increasing the benefit of discounting to incurred claims.

### Controllable costs

Baseline controllable costs were £211 million (HY22: £197 million), higher due to growth in the business, partially offset by lower claims handling costs.

### Solvency II operating own funds generation (OFG) and Solvency II return on capital

£m (unless otherwise stated)	6 months 2023	Restated <sup>1</sup> 6 months 2022	Sterling % change	Constant currency %	Restated <sup>1</sup> Full year 2022
<b>Solvency II operating own funds generation</b>	<b>179</b>	<b>159</b>	<b>13 %</b>	<b>13 %</b>	<b>274</b>
<b>Solvency II return on capital</b>	<b>19.9 %</b>	<b>18.2 %</b>	<b>1.7 pp</b>	<b>2.6 pp</b>	<b>15.7 %</b>

1. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

Solvency II OFG in Canada increased by £20 million to £179 million (HY22: £159 million) broadly in line with the improvement in operating profit. Solvency II return on capital of 19.9% (HY22: 18.2%) is 1.7pp higher as a result of higher Solvency II OFG.

### Solvency II operating capital generation (OCG)

£m (unless otherwise stated)	6 months 2023	Restated <sup>1</sup> 6 months 2022	Sterling % change	Constant currency %	Restated <sup>1</sup> Full year 2022
<b>Solvency II operating capital generation</b>	<b>179</b>	<b>140</b>	<b>28 %</b>	<b>29 %</b>	<b>157</b>

1. The 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.

Solvency II OCG in Canada increased by £39 million to £179 million (HY22: £140 million) due to the increase in Solvency II OFG and a reduction in capital requirements.

## 6.iv – Aviva Investors

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Full year 2022
<b>Aviva Investors revenue</b>	<b>167</b>	190	(12)%	379
<b>Baseline controllable costs</b>	<b>(153)</b>	(165)	(7)%	(331)
	<b>14</b>	25	(44)%	48
Cost reduction implementation, strategic investment costs and foreign exchange movements	(9)	(11)	(18)%	(23)
<b>Operating profit</b>	<b>5</b>	14	(64)%	25
<b>Cost income ratio</b>	<b>92 %</b>	87 %	5 pp	87 %
<b>Cash remittances</b>	—	—	— %	28
<b>Net flows</b>	<b>(0.5)bn</b>	(4.3)bn	88 %	(3.8)bn
<i>Of which: External net flows<sup>1</sup></i>	<b>0.2 bn</b>	0.2 bn	(6)%	1.3 bn
<i>Of which: Internal net flows<sup>1</sup></i>	<b>0.1 bn</b>	(1.0)bn	113 %	(1.3)bn
<i>Of which: Strategic actions</i>	<b>(0.8)bn</b>	(3.5)bn	77 %	(3.9)bn
<b>Assets under management (AUM)</b>	<b>221 bn</b>	232 bn	(4)%	223 bn
<b>Solvency II operating own funds generation</b>	<b>4</b>	14	(71)%	24
<b>Solvency II return on capital</b>	<b>2.1 %</b>	7.0 %	(4.9)pp	6.0 %
<b>Solvency II operating capital generation</b>	<b>4</b>	16	(75)%	26

1. External and internal net flows above exclude net flows from strategic actions that are separately presented.

## Overview

Aviva Investors is an asset manager that combines our insurance heritage, investment capabilities and sustainability expertise to deliver investment outcomes that matter most to customers of Aviva and external clients. Aviva Investors manages £221 billion of assets, with £184 billion managed for the Aviva Group.

By combining our insurance heritage with our skills and experience in asset allocation, portfolio construction and risk management, we provide a range of asset management solutions to our institutional, wholesale and retail clients. We have a highly diversified range of capabilities, with expertise in real assets, multi-assets, equities and credit. Our goal is to support Aviva becoming the UK's leading insurer and the go-to customer brand while also leveraging our expertise and scale for the benefit of external clients.

Our key strategic priorities are delivering for our customers by meeting their investment needs, ongoing focus on simplifying our business to deliver efficiency benefits and capitalising on growth opportunities within Aviva Group and externally through our strengths.

Our focus on sustainable investing provides further opportunities for growth while playing an active role in the fight against climate change, promoting biodiversity, human rights and building stronger communities. We have an ambition to become Net Zero by 2040 and have also signed up to the Net Zero Asset Managers Initiative. We provide our ESG investing expertise to Aviva and our external clients.

## Operating performance

### Operating profit

Operating profit decreased to £5 million (HY22: £14 million), or £14 million (HY22: £25 million) excluding cost reduction implementation costs, strategic investment costs and foreign exchange movements. These results are driven by lower revenue partly offset by improved efficiency reflecting cost reduction initiatives, which included the transition of operations to Bank of New York Mellon and a new scalable real assets operating model in partnership with HSBC and Mount Street.

Aviva Investors revenue was 12% lower at £167 million (HY22: £190 million) primarily reflecting the adverse impact of weak investment markets in 2022 continuing into 2023. Average AUM<sup>a</sup> declined by 11% driven by market movements with the most significant impact in Real Assets.

### Controllable costs

Despite significant inflationary pressures, including pay rises in a competitive market for talent, baseline controllable costs decreased by 7% to £153 million (HY22: £165 million) as we benefitted from cost management initiatives.

Our cost income ratio increased to 92% (HY22: 87%), reflecting lower revenues. We continue to drive down our costs by simplifying our business and focusing our product range but in the short term our cost income ratio may be impacted by volatility in investment markets and our revenues.

a. Average assets under management calculated based on monthly assets under management balances for the period.



**Net flows and Assets under Management (AUM)**

AUM represent all assets managed by Aviva Investors. This includes assets managed by Aviva Investors on behalf of Aviva's life and non-life operations, reported as internal assets in the table below. These internal assets are included within the Group's statement of financial position. The table also includes assets managed by Aviva Investors on behalf of external clients, which are not included in the Group's statement of financial position.

	Internal £m	External £m	6 months 2023 Total £m	6 months 2022 Total £m
Assets under management at 1 January	184,837	37,834	222,671	267,780
Total inflows	14,817	1,548	16,365	26,035
Total outflows	(14,694)	(1,358)	(16,052)	(26,786)
Net flows (excluding strategic actions)	123	190	313	(751)
Strategic actions <sup>1</sup>	(499)	(314)	(813)	(3,502)
Total net flows	(376)	(124)	(500)	(4,253)
Net flows into liquidity funds and cash	(1,340)	1,794	454	(6,062)
Market and foreign exchange movements	808	(2,099)	(1,291)	(25,723)
<b>Assets under management<sup>2</sup> at 30 June</b>	<b>183,929</b>	<b>37,405</b>	<b>221,334</b>	<b>231,742</b>

1. Strategic actions from clients previously part of the Group and corporate actions.

2. Aviva Investors administer an additional £39 billion (HY22: £39 billion, 2022: £38 billion) of assets classified as assets under administration which are not included in assets under management.

AUM decreased by £1.3 billion during the first half of 2023 to £221.3 billion (FY22: £222.7 billion).

Net outflows reduced to £(0.5) billion (HY22: £(4.3) billion) of which £(0.8) billion (HY22: £(3.5) billion) related to strategic actions including £(0.7) billion net outflows from actions by entities previously part of the Aviva Group and £(0.1) billion due to corporate actions. External client net flows (excluding strategic actions) were resilient despite the difficult market conditions, remaining at £0.2 billion (HY22: £0.2 billion), this reflects the diversity of our business with strong demand for our real assets capabilities more than offsetting a weak market for liquid strategies such as credit in a rapidly rising interest rate environment. Internal flows (excluding strategic actions) increased to net inflows of £0.1 billion (HY22: outflows of £(1.0) billion), with HY23 benefitting from strong workplace flows, including a new £0.4 billion mandate win.

Net inflows from our liquidity business of £0.5 billion (HY22: outflows of £(6.1) billion) largely reflects demand in a higher interest rate environment.

While the short-term momentum for flows could be impacted by the continuing market volatility, our longer-term outlook remains positive as we continue to build and deliver growth through our strengths in ESG, real assets, infrastructure, credit and sustainable equities. These strengths, combined with our expertise and scale in managing defined contribution workplace pension assets, also position us well for "Mansion House" reforms which aim to improve returns for defined contribution pension members by diversifying their investments to include illiquid asset classes.

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

£m (unless otherwise stated)	6 months 2023	6 months 2022	Sterling % change	Constant currency %	Full year 2022
<b>Operating profit<sup>1</sup></b>	<b>46</b>	<b>49</b>	<b>(6)%</b>	<b>(4)%</b>	<b>39</b>
<b>Cash remittances</b>	<b>14</b>	<b>19</b>	<b>(26)%</b>	<b>(27)%</b>	<b>19</b>
VNB	46	46	— %	(4)%	84
PVNB <sup>P</sup>	1,051	569	85 %	82 %	1,172
<b>Solvency II operating own funds generation</b>	<b>76</b>	<b>75</b>	<b>1 %</b>	<b>1 %</b>	<b>106</b>
<b>Solvency II return on capital</b>	<b>12.8 %</b>	<b>15.3 %</b>	<b>(2.5)pp</b>	<b>(1.8)pp</b>	<b>10.8 %</b>
<b>Solvency II operating capital generation</b>	<b>(8)</b>	<b>33</b>	<b>(124)%</b>	<b>(124)%</b>	<b>34</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

### Overview

International investments (India, China and Singapore) comprise our subsidiary in India, and our joint ventures in China and Singapore, providing us with value creation potential and optionality in attractive and fast-growing markets.

In India, we have a subsidiary undertaking, Aviva India, which is a life insurance business held through our investment in Dabur Invest. Corp. The business is a provider of savings, protection and retirement products through bancassurance, retail agency channels and a direct sales force. Aviva agreed to acquire an additional 25% shareholding in Aviva India on 1 April 2022 and completed the transaction on 28 September 2022, taking Aviva's shareholding to 74%. Our key performance measures include 49% of India's results until the date of acquisition and 100% of India's results from this date, except for OFG and OCG, which are reported net of non-controlling interests, and therefore are on a 74% basis from the date of the transaction.

In China we have a 50% shareholding in Aviva-COFCO Life Insurance Company Ltd.

Our joint venture in Singapore brings together Aviva's scale and leading franchise with Singlife's innovative and digitally focused capabilities. Aviva has a 26% shareholding in Aviva Singlife.

### New business and operating performance

PVNB<sup>P</sup> has increased to £1,051 million (HY22: £569 million) and VNB is flat at £46 million (HY22: £46 million). On a constant currency basis PVNB<sup>P</sup> is 82% higher, primarily driven by China, which benefitted both from a recently introduced proposition on broker channels and an increase in sales on savings products prior to industry level action to discontinue and replace the current product designs. VNB is flat due to the changes in the business mix with growth in less profitable products. Operating profit has decreased to £46 million (HY22: £49 million), while operating own funds generation remained stable at £76 million (HY22: £75 million). Solvency II operating capital generation has decreased by £41 million to £(8) million (HY22: £33 million), due to an increased capital requirement following strong new business growth in China.

### Cash remittances

Cash remittances to Group decreased to £14 million (HY22: £19 million) and relate to dividends from China.

## 7 – General insurance profit drivers

6 months 2023	UK Personal £m	UK Commercial £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Total £m
<b>Gross written premiums</b>	1,389	1,594	2,983	236	3,219	1,223	832	2,055	5,274
Net insurance revenue	1,185	1,220	2,405	204	2,609	1,206	683	1,889	4,498
Net claims incurred	(740)	(691)	(1,431)	(113)	(1,544)	(761)	(294)	(1,055)	(2,599)
Incurred commission	(251)	(268)	(519)	(32)	(551)	(238)	(155)	(393)	(944)
Incurred expenses	(148)	(147)	(295)	(38)	(333)	(142)	(90)	(232)	(565)
Underwriting result	46	114	160	21	181	65	144	209	390
Investment return			135	21	156			124	280
Unwind of discounting on incurred claims			(97)	(11)	(108)			(91)	(199)
Other <sup>1</sup>			1	—	1			(2)	(1)
<b>Operating profit</b>			199	31	230			240	470
Claims ratio	62.4 %	56.6 %	59.5 %	55.1 %	59.2 %	63.1 %	43.1 %	55.9 %	57.8 %
Of which:									
Prior year reserve development (%)			0.1 %	(3.6)%	(0.2)%			(2.9)%	(1.3)%
Weather claims under long-term average (%)			(2.0)%	(3.7)%	(2.1)%			(1.3)%	(1.8)%
Discounting (%)	(1.8)%	(4.2)%	(3.1)%	(5.2)%	(3.2)%	(3.4)%	(4.5)%	(3.8)%	(3.5)%
Commission ratio	21.2 %	22.0 %	21.5 %	16.0 %	21.1 %	19.7 %	22.7 %	20.8 %	21.0 %
Expense ratio	12.5 %	12.1 %	12.3 %	18.6 %	12.8 %	11.8 %	13.2 %	12.3 %	12.5 %
<b>Discounted COR (%)</b>	<b>96.1 %</b>	<b>90.7 %</b>	<b>93.3 %</b>	<b>89.7 %</b>	<b>93.1 %</b>	<b>94.6 %</b>	<b>79.0 %</b>	<b>89.0 %</b>	<b>91.3 %</b>
<b>Undiscounted COR (%)</b>	<b>97.9 %</b>	<b>94.9 %</b>	<b>96.4 %</b>	<b>94.9 %</b>	<b>96.3 %</b>	<b>98.0 %</b>	<b>83.5 %</b>	<b>92.8 %</b>	<b>94.8 %</b>
<b>Assets supporting general insurance business</b>									
Debt securities					3,258			4,293	7,551
Equity securities					130			161	291
Investment property					231			—	231
Cash and cash equivalents					1,070			690	1,760
Other <sup>2</sup>					1,948			982	2,930
<b>Assets at 30 June 2023</b>					<b>6,637</b>			<b>6,126</b>	<b>12,763</b>
Debt securities					3,176			5,188	8,364
Equity securities					111			166	277
Investment property					202			—	202
Cash and cash equivalents					1,477			436	1,913
Other <sup>2</sup>					2,011			323	2,334
<b>Assets at 31 December 2022</b>					<b>6,977</b>			<b>6,113</b>	<b>13,090</b>
Average assets					6,807			6,120	12,927
<b>Investment return as % of average assets</b>					<b>4.6 %</b>			<b>4.1 %</b>	<b>4.3 %</b>

1. Includes the result of non-insurance operations and pension scheme net finance costs.

2. Includes loans, equity unit trusts, derivatives and other financial investments.

6 months 2022	UK Personal £m	UK Commercial £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Total £m
Gross written premiums	1,198	1,430	2,628	212	2,840	1,138	716	1,854	4,694
Net insurance revenue <sup>1</sup>	1,153	1,057	2,210	190	2,400	1,132	608	1,740	4,140
Net claims incurred <sup>1</sup>	(686)	(630)	(1,316)	(118)	(1,434)	(696)	(295)	(991)	(2,425)
Incurred commission <sup>1</sup>	(264)	(231)	(495)	(29)	(524)	(213)	(142)	(355)	(879)
Incurred expenses <sup>1</sup>	(149)	(131)	(280)	(38)	(318)	(133)	(86)	(219)	(537)
Underwriting result <sup>1</sup>	54	65	119	5	124	90	85	175	299
Investment return <sup>1</sup>			46	3	49			45	94
Unwind of discounting on incurred claims <sup>1</sup>			(16)	2	(14)			(16)	(30)
Other <sup>2</sup>			3	1	4			(3)	1
Operating profit <sup>1</sup>			152	11	163			201	364
Claims ratio <sup>4</sup>	59.5 %	59.6 %	59.5 %	62.0 %	59.7 %	61.5 %	48.5 %	57.0 %	58.6 %
Of which:									
Prior year reserve development (%) <sup>4</sup>			0.1 %	(5.5)%	(0.3)%			(0.5)%	(0.4)%
Weather claims over/(under) long-term average (%) <sup>4</sup>			0.2 %	(3.0)%	(0.1)%			(0.3)%	(0.2)%
Discounting (%) <sup>4</sup>	(0.8)%	(0.3)%	(0.6)%	— %	(0.5)%	(1.6)%	(2.2)%	(1.8)%	(1.0)%
Commission ratio <sup>1</sup>	22.9 %	21.9 %	22.4 %	15.5 %	21.9 %	18.8 %	23.3 %	20.4 %	21.2 %
Expense ratio <sup>1</sup>	12.9 %	12.4 %	12.7 %	19.8 %	13.2 %	11.8 %	14.2 %	12.6 %	13.0 %
Discounted COR (%) <sup>1</sup>	95.3 %	93.9 %	94.6 %	97.3 %	94.8 %	92.1 %	86.0 %	90.0 %	92.8 %
Undiscounted COR (%) <sup>1</sup>	96.1 %	94.2 %	95.2 %	97.3 %	95.3 %	93.7 %	88.2 %	91.8 %	93.8 %
Assets supporting general insurance business									
Debt securities					3,357			5,305	8,662
Equity securities					556			178	734
Investment property					292			—	292
Cash and cash equivalents					1,740			535	2,275
Other <sup>3</sup>					1,311			311	1,622
Assets at 30 June 2022					7,256			6,329	13,585
Debt securities					3,106			5,012	8,118
Equity securities					633			207	840
Investment property					271			—	271
Cash and cash equivalents					2,346			368	2,714
Other <sup>3</sup>					712			430	1,142
Assets at 31 December 2021					7,068			6,017	13,085
Average assets					7,162			6,173	13,335
Investment return as % of average assets					1.4 %			1.4 %	1.4 %

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Includes the result of non-insurance operations and pension scheme net finance costs.

3. Includes loans, equity unit trusts, derivatives and other financial investments.

Full year 2022	UK	UK	Total UK	Ireland	Total UK & Ireland	Canada	Canada	Total Canada	Total
	Personal	Commercial				Personal	Commercial		
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross written premiums	2,386	2,931	5,317	423	5,740	2,466	1,543	4,009	9,749
Net insurance revenue <sup>1</sup>	2,298	2,233	4,531	391	4,922	2,368	1,305	3,673	8,595
Net claims incurred <sup>1</sup>	(1,452)	(1,388)	(2,840)	(237)	(3,077)	(1,497)	(688)	(2,185)	(5,262)
Incurred commission <sup>1</sup>	(485)	(472)	(957)	(60)	(1,017)	(428)	(287)	(715)	(1,732)
Incurred expenses <sup>1</sup>	(275)	(281)	(556)	(77)	(633)	(292)	(188)	(480)	(1,113)
Underwriting result <sup>1</sup>	86	92	178	17	195	151	142	293	488
Investment return <sup>1</sup>			94	7	101			99	200
Unwind of discounting on incurred claims <sup>1</sup>			(26)	4	(22)			(37)	(59)
Other <sup>2</sup>			5	(1)	4			(3)	1
Operating profit <sup>1</sup>			251	27	278			352	630
Claims ratio <sup>1</sup>	63.2 %	62.2 %	62.7 %	60.7 %	62.5 %	63.2 %	52.7 %	59.5 %	61.2 %
Of which:									
Prior year reserve development (%) <sup>1</sup>			— %	(9.0)%	(0.7)%			(2.5)%	(1.5)%
Weather claims over/(under) long-term average (%) <sup>1</sup>			0.6 %	(1.9)%	0.4 %			(0.8)%	(0.1)%
Discounting (%) <sup>1</sup>	0.1 %	(0.7)%	(0.3)%	(0.2)%	(0.3)%	(1.6)%	(1.7)%	(1.7)%	(0.9)%
Commission ratio <sup>1</sup>	21.1 %	21.1 %	21.1 %	15.3 %	20.7 %	18.1 %	22.0 %	19.5 %	20.1 %
Expense ratio <sup>1</sup>	12.0 %	12.6 %	12.3 %	19.9 %	12.9 %	12.3 %	14.5 %	13.0 %	13.0 %
Discounted COR (%) <sup>1</sup>	96.3 %	95.9 %	96.1 %	95.9 %	96.1 %	93.6 %	89.2 %	92.0 %	94.3 %
Undiscounted COR (%) <sup>1</sup>	96.2 %	96.6 %	96.4 %	96.1 %	96.4 %	95.2 %	90.9 %	93.7 %	95.2 %
Assets supporting general insurance business									
Debt securities					3,176			5,188	8,364
Equity securities <sup>3</sup>					111			166	277
Investment property					202			—	202
Cash and cash equivalents					1,477			436	1,913
Other <sup>3,4</sup>					2,011			323	2,334
Assets at 31 December 2022					6,977			6,113	13,090
Debt securities					3,106			5,012	8,118
Equity securities					633			207	840
Investment property					271			—	271
Cash and cash equivalents					2,346			368	2,714
Other <sup>4</sup>					712			430	1,142
Assets at 31 December 2021					7,068			6,017	13,085
Average assets					7,023			6,065	13,088
Investment return as % of average assets					1.4 %			1.6 %	1.5 %

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Includes the result of non-insurance operations and pension scheme net finance costs.

3. The reduction in equity securities during 2022 reflects a reallocation in favour of equity unit trusts, which are reported in Other.

4. Includes loans, equity unit trusts, derivatives and other financial investments.



# Financial supplement

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## Profit

### A1 – Reconciliation of Group adjusted operating profit to profit/(loss) for the period

	Note	6 months 2023	Restated <sup>1,2</sup> 6 months 2022
		£m	£m
UK & Ireland Insurance, Wealth and Retirement (IWR)	6.i	436	500
UK & Ireland General Insurance	6.iii	230	163
Canada General Insurance	6.iii	240	201
Aviva Investors	6.iv	5	14
International investments (India, China and Singapore)	6.v	46	49
<b>Business unit operating profit</b>		<b>957</b>	<b>927</b>
Corporate centre costs and Other operations	A2	(114)	(138)
Group debt costs and other interest	A3	(128)	(128)
<b>Group adjusted operating profit before tax attributable to shareholders' profits</b>		<b>715</b>	<b>661</b>
<i>Adjusted for the following:</i>			
Investment variances and economic assumption changes	A4	(165)	(863)
Impairment of goodwill, joint ventures, associates and other amounts expensed	A5	—	(14)
Amortisation and impairment of intangibles acquired in business combinations	A6	(31)	(25)
Amortisation and impairment of acquired value of in-force business	A7	(29)	(34)
Other	A8	(19)	(27)
<b>Adjusting items before tax</b>		<b>(244)</b>	<b>(963)</b>
<b>IFRS profit/(loss) before tax attributable to shareholders' profits</b>		<b>471</b>	<b>(302)</b>
Tax on Group adjusted operating profit		(126)	(132)
Tax on other activities		32	236
		(94)	104
<b>IFRS profit/(loss) for the period</b>		<b>377</b>	<b>(198)</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a). In addition the 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.
- Since the publication of initial 2022 results under IFRS 17 and IFRS 9 on 19 July 2023, IFRS loss for the period for half year 2022 has been adjusted for a favourable impact of £200 million (net of tax), in preparation of the Half Year Report 2023. See note 2.1 Profit and earnings per share.

## Other Group adjusted operating profit items

### A2 – Corporate centre costs and Other operations

	6 months 2023 £m	6 months 2022 £m
Cost reduction implementation and IFRS 17 costs	(80)	(39)
Strategic initiatives	(26)	(15)
Other projects	(5)	(13)
Project spend	(111)	(67)
Central spend	(60)	(68)
Corporate centre costs	(171)	(135)
Other operations	57	(3)
<b>Total</b>	<b>(114)</b>	<b>(138)</b>

Corporate centre costs of £171 million (HY22: £135 million) increased by £36 million. Higher project spend reflects increase in IFRS 17 implementation costs, cost reduction initiatives and investment in the business towards strategic growth initiatives. We continue to focus to lower our central spend which is reflected in the 12% decrease to £60 million in the first half of 2023, from £68 million in the first half of 2022. The uplift in other operations is largely driven by increased interest on liquidity funds due to a rise in interest rates compared to HY22.

### A3 – Group debt costs and other interest

	6 months 2023 £m	6 months 2022 £m
Subordinated debt	(111)	(132)
Other	(7)	(5)
<b>Total external debt</b>	<b>(118)</b>	<b>(137)</b>
Internal lending arrangements	(25)	(12)
Net finance income on main UK pension scheme	15	21
<b>Total</b>	<b>(128)</b>	<b>(128)</b>

External debt costs of £118 million (HY22: £137 million) decreased by £19 million as a result of a £500 million loan repayment in April 2022 and the final repayment of the £800 million loan in September 2022. Costs of internal lending arrangements of £25 million (HY22: £12 million) increased by £13 million due to higher interest rates in 2023. Net finance income on the main UK pension scheme of £15 million (HY22: £21 million) decreased by £6 million due to remeasurement losses recorded during 2022 resulting in lower opening assets in 2023.

## Non-operating profit items

### A4 – Investment variances and economic assumption changes

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

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
Investment variances and economic assumptions changes		
IWR and International investments business <sup>2</sup>	(206)	(278)
General insurance business	74	(530)
Other operations <sup>3</sup>	(33)	(55)
<b>Total</b>	<b>(165)</b>	<b>(863)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Since the publication of initial 2022 results under IFRS 17 and IFRS 9 on 19 July 2023, IWR and International investments business for half year 2022 has been adjusted for a favourable impact of £251 million (gross of tax), in preparation of the Half Year Report 2023. See note 2.i Profit and earnings per share.

3. Other operations represents short-term fluctuations on assets backing non-life business in Group centre investments, including the centre hedging programme.

#### (a) Definitions

Group adjusted operating profit is based on expected investment returns on financial investments over the period, with consistent allowance for the corresponding expected movements in liabilities.

Changes due to economic items, such as market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit, in investment variances and economic assumption changes.

#### (b) Methodology

The expected investment returns and corresponding expected movements in liabilities are calculated separately for each principal business unit.

The expected return on investments for both policyholders' and shareholders' funds is based on opening economic assumptions applied to the expected funds under management over the reporting period:

- For fixed interest securities the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk.
- The expected return on equities and properties is calculated by reference to the opening 10-year swap rate in the relevant currency plus an appropriate risk premium.
- Expected funds under management are equal to the opening value of funds under management, adjusted for sales and purchases during the period arising from expected operating experience.

The actual investment return is affected by differences between the actual and expected funds under management and changes in asset mix, as well as other market movements. To the extent that these differences arise from the operating experience, or management decisions to change asset mix, the effect is included in the Group adjusted operating profit. The residual difference between actual and expected investment return is included in investment variances, outside Group adjusted operating profit but included in profit before tax attributable to shareholders' profits.

Similarly, the effect of differences between actual and expected economic experience on liabilities, and changes to economic assumptions used to value liabilities, are taken outside Group adjusted operating profit.

For many types of life business, including unit-linked and with-profits funds, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The profit impact of economic volatility on other business depends on the degree of matching of assets and liabilities, exposure to financial options and guarantees, and the application of relevant IFRS 17 risk-mitigation options.

#### (c) Assumptions

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

The principal assumptions underlying the calculation of the expected investment return for equity and property are:

Territories	Equity		Property	
	6 months 2023	6 months 2022	6 months 2023	6 months 2022
United Kingdom	7.2%	4.4%	5.7%	2.9%
Ireland	6.7%	3.8%	5.2%	2.3%
Canada	7.3%	5.5%	5.8%	4.0%

The expected return on equity and property has been calculated by reference to ten-year SONIA rates for the UK and the ten-year mid-price swap rate for an AA rated bank in the relevant currency for other markets, to which a risk premium is added. The use of risk premium reflects management's long-term expectations of asset return in excess of the swap yield from investing in different asset classes. The asset risk premiums are set out in the table below:

All territories	6 months 2023	6 months 2022
Equity risk premium	3.5%	3.5%
Property risk premium	2.0%	2.0%

The ten-year mid-price swap rates at the start of the period are set out in the table below:

Territories	6 months 2023	6 months 2022
United Kingdom	3.7%	0.9%
Ireland	3.2%	0.3%
Canada	3.8%	2.0%

For fixed interest securities classified as fair value through profit or loss, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk (assessed on a best estimate basis).

The expected return on cash holdings is a 1-year risk-free rate assumption at the start of the period.

#### (d) Analysis of investment variances and economic assumption changes

##### (i) IWR and International Investments

The loss of £(206) million (2022 restated: loss of £(278) million) in relation to investment variances and economic assumption changes on life business was primarily driven by UK interest rates rising c.60 bps at 10-year term and a loss from hedging positive global equity returns partly offset by favourable credit default experience and foreign exchange movements.

The adverse impact of interest rate rises and equity falls reflect the fact that we hedge on a Solvency II basis rather than an IFRS basis. For example, when equity markets increase we gain from the increase in the value of future annual management charges on unit-linked products on an economic basis which are not recognised under IFRS, however, the loss from hedges in place is recognised on both Solvency II and IFRS bases.

The negative variance for the first six months of 2022 was primarily driven by a significant increase in interest rates, partially offset by gains from hedging negative global equity returns.

##### (ii) General insurance business

The gain of £74 million (2022 restated: loss of £(530) million) in relation to investment variances and economic assumption changes for the general insurance and health business was primarily driven by currency movements and equity. The negative variance for 2022 was primarily driven by rising interest rates, losses from equity market falls, foreign exchange losses and credit spreads widening.

## A5 – Impairment of goodwill, joint ventures, associates and other amounts expensed

No impairment of goodwill, associates and joint ventures has been recognised in the period (HY22: £14 million charge).

## A6 – Amortisation and impairment of intangibles acquired in business combinations

The amortisation and impairment of intangible assets acquired in business combinations is a charge of £31 million (HY22: £25 million charge). There is no impairment of intangible assets acquired in business combinations (HY22: £nil).

## A7 – Amortisation and impairment of acquired value of in-force business

Amortisation of acquired value of in-force business (AVIF) on non-participating investment contracts is a charge of £29 million (HY22 restated: £34 million charge), which relates solely to amortisation of AVIF in respect of the Group's subsidiaries. There is no impairment of AVIF (HY22: £nil).

## A8 – Other

Other items are those items that, in the directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. For the period ended 30 June 2023, other items are a charge of £19 million (HY22: £27 million) which comprises the following:

- Items disclosed outside of Group adjusted operating profit as they relate to acquisition and disposal activity that we consider to be strategic in nature:
  - A charge of £13 million (HY22: £1 million) relating to provisions for indemnities entered into through acquisition and disposal activity.
  - £nil (HY22: £15 million) arising from third party reinsurance, accepted by Aviva from the former Aviva France general insurance entity, which was terminated on 31 December 2021.
- A charge of £2 million (HY22: £10 million) relating to fees and charges associated with the share buyback and return of capital to ordinary shareholders.
- A charge of £4 million (HY22: £1 million) relating to the cost of the employee free share award, which recognises the contribution our employees have made to the return of capital to ordinary shareholders.

## IFRS capital

### A9 – IFRS Shareholders' equity

	6 months 2023		Restated <sup>1,2</sup> 6 months 2022		Restated <sup>1</sup> Full year 2022	
	£m	pence per share <sup>3</sup>	£m	pence per share <sup>3</sup>	£m	pence per share <sup>3</sup>
<b>IFRS Shareholders equity<sup>4</sup> at 1 January</b>	<b>9,449</b>	<b>345p</b>	<b>16,479</b>	<b>588p</b>	<b>16,479</b>	<b>587p</b>
Group adjusted operating profit	715	26p	661	24p	1,350	48p
Investment return variances and economic assumption changes	(165)	(5)p	(863)	(31)p	(2,736)	(97)p
Amortisation and impairment of intangibles, joint ventures, associates and other amounts expensed	(31)	(1)p	(39)	(1)p	(62)	(2)p
Amortisation and impairment of acquired value of in-force business	(29)	(1)p	(34)	(1)p	(68)	(2)p
Other (note A8)	(19)	(1)p	(27)	(1)p	41	1p
Tax on operating profit and on other activities	(94)	(3)p	104	4p	445	16p
Non-controlling interests	(11)	0p	(11)	0p	(21)	(1)p
<b>Profit/(loss) after tax attributable to shareholders of Aviva plc</b>	<b>366</b>	<b>13p</b>	<b>(209)</b>	<b>(7)p</b>	<b>(1,051)</b>	<b>(37)p</b>
Return of capital to ordinary shareholders via B share scheme	—	—p	(3,750)	(134)p	(3,750)	(134)p
Dividends and appropriations	(602)	(22)p	(550)	(19)p	(862)	(31)p
Remeasurements of pension schemes (net of tax)	(129)	(5)p	(405)	(15)p	(1,130)	(40)p
Shares purchased in buy-back	(300)	(11)p	(336)	(12)p	(336)	(12)p
Foreign exchange rate movements (net of tax)	(77)	(3)p	176	6p	133	6p
Other net equity movements	8	0p	(48)	(2)p	(34)	(1)p
<b>IFRS Shareholders equity<sup>4</sup> at 30 June/31 December</b>	<b>8,715</b>	<b>318p</b>	<b>11,357</b>	<b>405p</b>	<b>9,449</b>	<b>337p</b>
Total CSM (note 6.i)	6,637	242p	5,956	212p	6,463	230p
Less: Tax on CSM (note 6.i)	(1,624)	(59)p	(1,458)	(52)p	(1,581)	(57)p
<b>Adjusted IFRS Shareholders' equity<sup>4</sup> at 30 June</b>	<b>13,728</b>	<b>501p</b>	<b>15,855</b>	<b>566p</b>	<b>14,331</b>	<b>510p</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a). In addition the 2022 comparatives have been restated from those previously published for methodology changes described in the 'Other information' section.
- Since the publication of initial 2022 comparative results under IFRS 17 and IFRS 9 on 19 July 2023, IFRS loss for the period, IFRS Shareholders' equity and Adjusted Shareholders' equity for the half year 2022 comparative period has been adjusted for a favourable impact of £200 million (net of tax), in preparation of the Half Year Report 2023. See note 2.1 Profit and earnings per share.
- The IFRS Shareholders' equity per share is calculated using the actual number of shares in issue at the closing balance sheet date of 2,738 million (30 June 2022: 2,803 million, 2022: 2,808 million). Therefore, for each period reported, the opening pence per share is updated from the previously reported closing pence per share.
- Excluding preference shares of £200 million (30 June 2022: £200 million, 2022: £200 million).

At 30 June 2023, IFRS Shareholders' equity per share was 318 pence (30 June 2022 restated: 405 pence; 31 December 2022 restated: 337 pence). The decrease of 19 pence, compared to 31 December 2022, primarily reflects dividends and appropriations and shares purchased in buy-back partially offset by profit for the period.

### A10 – Return on equity

6 months 2023	Group adjusted operating profit			Return on equity % <sup>1</sup>
	Before tax attributable to shareholders' profits £m	After tax attributable to shareholders' profits £m	Weighted average shareholders' funds including non-controlling interests £m	
UK & Ireland Insurance, Wealth and Retirement (IWR)	436	358	8,328	8.6%
UK & Ireland General Insurance	230	191	1,034	36.9%
Canada General Insurance	240	191	1,774	21.5%
Aviva Investors	5	2	427	0.9%
International investments (India, China and Singapore)	46	46	999	9.2%
Other Group activities <sup>2</sup>	(124)	(109)	2,906	N/A
<b>Return on total capital employed</b>	<b>833</b>	<b>679</b>	<b>15,468</b>	<b>8.8%</b>
Subordinated debt	(111)	(85)	(4,506)	3.8%
Senior debt and commercial paper	(7)	(5)	(871)	1.1%
<b>Return on total equity</b>	<b>715</b>	<b>589</b>	<b>10,091</b>	<b>11.7%</b>
Less: Non-controlling interests		(11)	(312)	7.1%
Less: Tier 1 notes		(17)	(496)	6.9%
Less: Preference shares		(9)	(200)	9.0%
<b>Return on equity shareholders' funds</b>		<b>552</b>	<b>9,083</b>	<b>12.2%</b>

- IFRS return on equity is calculated on an annualised basis.
- The other Group activities operating loss before tax of £(124) million comprises corporate centre costs of £(171) million, interest expense on internal lending arrangements of £(25) million, partly offset by other operations profit of £57 million and finance income on the main UK pension scheme of £15 million.

	Group adjusted operating profit		Weighted average shareholders' funds including non-controlling interests <sup>2</sup>	Return on equity % <sup>3</sup>
	Before tax attributable to shareholders' profits	After tax attributable to shareholders' profits		
	£m	£m	£m	£m
<b>Restated<sup>1</sup> 6 months 2022</b>				
UK & Ireland Insurance, Wealth and Retirement (IWR)	500	459	9,821	9.3%
UK & Ireland General Insurance	163	128	1,353	18.9%
Canada General Insurance	201	112	1,762	12.7%
Aviva Investors	14	9	502	3.8%
International investments (India, China and Singapore)	49	47	822	11.4%
Other Group activities <sup>4</sup>	(129)	(115)	6,286	N/A
<b>Return on total capital employed</b>	<b>798</b>	<b>640</b>	<b>20,546</b>	<b>6.2%</b>
Subordinated debt	(132)	(107)	(5,215)	4.1%
Senior debt and commercial paper	(5)	(4)	(711)	1.0%
<b>Return on total equity</b>	<b>661</b>	<b>529</b>	<b>14,620</b>	<b>7.2%</b>
Less: Non-controlling interests		(11)	(252)	8.7%
Less: Tier 1 notes		—	(248)	—%
Less: Preference shares		(9)	(200)	8.6%
<b>Return on equity shareholders' funds</b>		<b>509</b>	<b>13,920</b>	<b>7.2%</b>
<b>Return on equity shareholders' funds (normalised)<sup>5</sup></b>		<b>509</b>	<b>12,153</b>	<b>8.4%</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- Weighted average shareholders' funds have been calculated using restated shareholders' funds over the six month period from the IFRS 17 transition date of 1 January 2022 to 30 June 2022.
- IFRS return on equity is calculated on an annualised basis.
- The other Group activities operating loss before tax of £(129) million comprises corporate centre costs of £(135) million, other operations loss of £(3) million, interest expense on internal lending arrangements of £(12) million, partly offset by finance income on the main UK pension scheme of £21 million.
- Return on equity shareholders' funds (normalised) is calculated as if the share consolidation completed on 16 May 2022 as part of the £3.75 billion capital return, had taken place on 1 January 2022.

	Group adjusted operating profit		Weighted average shareholders' funds including non-controlling interests <sup>2</sup>	Return on equity %
	Before tax attributable to shareholders' profits	After tax attributable to shareholders' profits		
	£m	£m	£m	£m
<b>Restated<sup>1</sup> Full year 2022</b>				
UK & Ireland Insurance, Wealth and Retirement (IWR)	1,199	1,098	9,625	11.4%
UK & Ireland General Insurance	278	203	1,229	16.5%
Canada General Insurance	352	214	1,770	12.1%
Aviva Investors	25	17	485	3.5%
International investments (India, China and Singapore)	39	39	884	4.4%
Other Group activities <sup>3</sup>	(279)	(185)	4,787	N/A
<b>Return on total capital employed</b>	<b>1,614</b>	<b>1,386</b>	<b>18,780</b>	<b>7.4%</b>
Subordinated debt	(253)	(205)	(4,990)	4.1%
Senior debt and commercial paper	(11)	(9)	(771)	1.2%
<b>Return on total equity</b>	<b>1,350</b>	<b>1,172</b>	<b>13,019</b>	<b>9.0%</b>
Less: Non-controlling interests		(21)	(266)	7.9%
Less: Tier 1 notes		(17)	(248)	6.9%
Less: Preference shares		(17)	(200)	8.5%
<b>Return on equity shareholders' funds</b>		<b>1,117</b>	<b>12,305</b>	<b>9.1%</b>
<b>Return on equity shareholders' funds (normalised)<sup>4</sup></b>		<b>1,117</b>	<b>11,412</b>	<b>9.8%</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- Weighted average shareholders' funds have been calculated using restated shareholders' funds over the twelve month period from the IFRS 17 transition date of 1 January 2022 to 31 December 2022.
- The other Group activities operating loss before tax of £(279) million comprises corporate centre costs of £(310) million and interest expense on internal lending arrangements of £(17) million, partly offset by other operations profit of £13 million and finance income on the main UK pension scheme of £42 million.
- Return on equity shareholders' funds (normalised) is calculated as if the share consolidation completed on 16 May 2022 as part of the £3.75 billion capital return, had taken place on 1 January 2022.



## A11 – Group capital under IFRS basis

The table below shows how our capital is deployed by business unit and how that capital is funded.

	6 months 2023	Restated <sup>1</sup> 6 months 2022	Restated <sup>1</sup> Full year 2022
	£m	£m	£m
UK & Ireland Insurance, Wealth and Retirement (IWR)	7,794	9,914	8,862
UK & Ireland General Insurance <sup>2</sup>	1,143	1,287	925
Canada General Insurance	1,851	1,859	1,697
Aviva Investors	427	509	427
International investments (India, China and Singapore)	955	851	1,042
Other Group activities <sup>3,4</sup>	2,840	3,604	2,971
<b>Total capital employed</b>	<b>15,010</b>	<b>18,024</b>	<b>15,924</b>
Financed by			
Equity shareholders' funds	8,715	11,357	9,449
Non-controlling interests	314	252	310
Tier 1 notes	496	496	496
Preference shares	200	200	200
Subordinated debt	4,482	4,998	4,530
Senior notes and commercial paper	803	721	939
<b>Total capital employed<sup>4</sup></b>	<b>15,010</b>	<b>18,024</b>	<b>15,924</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Capital employed for United Kingdom General Insurance excludes £924 million (30 June 2022: £924 million; 2022: £924 million) of goodwill which does not support the general insurance business for capital purposes and is included in other Group activities.

3. Other Group activities include centrally held tangible net assets, the main UK staff pension scheme surplus and also reflect internal lending arrangements. These internal lending arrangements, which net out on consolidation, include the formal loan arrangement between Aviva Group Holdings Limited and Aviva Insurance Limited.

4. Goodwill, AVIF and other intangibles are maintained within the capital base. Goodwill includes goodwill in subsidiaries of £2,031 million (30 June 2022: £1,749 million; 2022 restated: £2,035 million) and goodwill in joint ventures of £62 million (30 June 2022: £62 million; 2022: £62 million). AVIF and other intangibles comprise £968 million (30 June 2022 restated: £939 million; 2022 restated: £1,029 million) of intangibles in subsidiaries and £153 million (30 June 2022: £153 million; 2022: £153 million) of intangibles in joint ventures, gross of deferred tax liabilities of £(239) million (30 June 2022 restated: £(196) million; 2022 restated: £(259) million).

Total capital employed is financed by a combination of equity shareholders' funds, preference capital, subordinated debt and other borrowings.

At 30 June 2023 the market value of our external debt (subordinated debt and senior debt) and preference shares (including both Aviva plc preference shares of £200 million (30 June 2022: £200 million; 31 December 2022: £200 million) and General Accident plc preference shares, within non-controlling interests, of £250 million (30 June 2022: £250 million; 2022: £250 million)) was £5,940 million (30 June 2022: £6,653 million; 2022: 6,215 million).

# IFRS financial statements

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## Condensed consolidated income statement

For the six month period ended 30 June 2023

	Note	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
Insurance revenue	B5	8,895	8,262
Insurance service expense	B7	(7,686)	(7,327)
Net expense from reinsurance contracts		(387)	(225)
<b>Insurance service result</b>		<b>822</b>	<b>710</b>
Investment return		4,919	(30,777)
Net finance (expense)/income from insurance contracts and participating investment contracts		(469)	16,637
Net finance income/(expense) from reinsurance contracts		170	(1,521)
Movement in non-participating investment contract liabilities		(4,440)	13,963
Investment (expense)/income attributable to unitholders		(105)	592
<b>Net financial result</b>	B6	<b>75</b>	<b>(1,106)</b>
Fee and commission income		753	657
Share of (loss)/profit after tax of joint ventures and associates		(37)	69
Other operating expenses	B7	(965)	(838)
Other net foreign exchange gains/(losses)	B7	101	(68)
Other finance costs		(253)	(235)
<b>Profit/(loss) before tax</b>		<b>496</b>	<b>(811)</b>
Tax attributable to policyholders' returns		(25)	509
<b>Profit/(loss) before tax attributable to shareholders' profits</b>		<b>471</b>	<b>(302)</b>
Tax (expense)/credit	B8	(119)	613
Less: tax attributable to policyholders' returns		25	(509)
Tax attributable to shareholders' profits		(94)	104
<b>Profit/(loss) for the period</b>		<b>377</b>	<b>(198)</b>
<i>Attributable to:</i>			
Equity holders of Aviva plc		366	(209)
Non-controlling interests		11	11
<b>Profit/(loss) for the period</b>		<b>377</b>	<b>(198)</b>
<b>Earnings per share</b>			
Basic (pence per share)	B9	12.3	(6.3)
Diluted (pence per share)		12.1	(6.3)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## Condensed consolidated statement of comprehensive income

For the six month period ended 30 June 2023

	Note	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
<b>Profit/(loss) for the period</b>		<b>377</b>	<b>(198)</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to income statement</i>			
Share of other comprehensive loss of joint ventures and associates		—	(8)
Foreign exchange rate movements		(74)	183
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	B8(b)	(3)	(7)
<i>Items that will not be reclassified to income statement</i>			
Remeasurements of pension schemes	B15(b)	(173)	(583)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	B8(b)	44	178
<b>Total other comprehensive loss, net of tax</b>		<b>(206)</b>	<b>(237)</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>171</b>	<b>(435)</b>
<i>Attributable to:</i>			
Equity holders of Aviva plc		160	(446)
Non-controlling interests		11	11
		<b>171</b>	<b>(435)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## Condensed consolidated statement of changes in equity

For the six month period ended 30 June 2023

	Note	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
<b>Balance at 1 January</b>		<b>10,455</b>	<b>16,931</b>
Profit/(loss) for the period		377	(198)
Other comprehensive loss		(206)	(237)
<b>Total comprehensive income/(loss) for the period</b>		<b>171</b>	<b>(435)</b>
Return of capital to ordinary shareholders via B share scheme	B21	—	(3,750)
Dividends and appropriations	B10	(602)	(550)
Issue of tier 1 notes <sup>2</sup>		—	496
Shares purchased in buyback	B21	(300)	(336)
Non-controlling interests share of dividends declared in the period		(11)	(11)
Reserves credit for equity compensation plans		30	6
Shares purchased under equity compensation plans		(22)	(46)
Changes in non-controlling interests in subsidiaries		4	—
<b>Balance at 30 June</b>		<b>9,725</b>	<b>12,305</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual restricted tier 1 contingent convertible notes (the RT1 Notes). These RT1 Notes are treated as equity and any coupon payments are recognised directly in equity as they arise.

## Condensed consolidated statement of financial position

As at 30 June 2023

		Restated <sup>1</sup>	Restated <sup>1</sup>
	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
<b>Assets</b>			
Goodwill	2,031	1,749	2,035
Acquired value of in-force business and intangible assets	968	939	1,029
Interests in, and loans to, joint ventures	1,621	1,961	1,872
Interests in, and loans to, associates	149	87	41
Property and equipment	387	411	350
Investment property	6,005	7,373	5,899
Loans	30,152	33,950	29,633
Financial investments	231,469	229,551	224,086
Reinsurance contract assets	B11 7,021	6,686	6,727
Reinsurance assets for non-participating investment contracts	B12 4,614	5,137	5,290
Deferred tax assets	B13(b) 1,252	793	1,344
Current tax assets	228	294	336
Receivables	3,659	3,672	3,480
Deferred acquisition costs	799	873	851
Pension surpluses and other assets	1,102	2,092	1,234
Prepayments and accrued income	3,249	2,641	2,822
Cash and cash equivalents	19,836	13,744	22,505
<b>Total assets</b>	<b>314,542</b>	<b>311,953</b>	<b>309,534</b>
<b>Equity</b>			
Capital			
Ordinary share capital	B21 901	922	924
Preference share capital	200	200	200
	1,101	1,122	1,124
Capital reserves			
Share premium	B18 16	1,253	1,263
Capital redemption reserve	B18 24	3,855	3,855
Merger reserve	5,224	5,224	5,224
	5,264	10,332	10,342
Treasury shares	(57)	(83)	(85)
Currency translation reserve	388	531	485
Other reserves	(113)	(129)	(130)
Retained earnings	B18 2,332	(216)	(2,087)
<b>Equity attributable to shareholders of Aviva plc</b>	<b>8,915</b>	<b>11,557</b>	<b>9,649</b>
Tier 1 notes	496	496	496
<b>Equity excluding non-controlling interests</b>	<b>9,411</b>	<b>12,053</b>	<b>10,145</b>
Non-controlling interests	314	252	310
<b>Total equity</b>	<b>9,725</b>	<b>12,305</b>	<b>10,455</b>
<b>Liabilities</b>			
Insurance contract and participating investment contract liabilities	B11 116,204	125,448	117,249
Non-participating investment contract liabilities	B12 147,371	137,917	141,188
Net asset value attributable to unitholders	14,759	12,832	14,080
Pension deficits and other provisions	B15 639	716	724
Deferred tax liabilities	B13(b) 506	968	725
Current tax liabilities	21	25	40
Borrowings	B14 6,561	6,911	6,755
Payables and other financial liabilities	15,787	12,163	15,751
Other liabilities	2,969	2,668	2,567
<b>Total liabilities</b>	<b>304,817</b>	<b>299,648</b>	<b>299,079</b>
<b>Total equity and liabilities</b>	<b>314,542</b>	<b>311,953</b>	<b>309,534</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and remeasurement of the acquisition balance sheet, as described in note B2.

## Condensed consolidated statement of cash flows

For the six month period ended 30 June 2023

The cash flows presented in this statement cover all the Group's activities and include flows from both policyholder and shareholder activities. All cash and cash equivalents are available for use by the Group.

	Note	6 months 2023 £m	6 months 2022 £m
<b>Cash flows from operating activities<sup>1</sup></b>			
Cash (used in)/generated from operating activities		(1,056)	6,148
Tax paid		(115)	(155)
<b>Total net cash (used in)/from operating activities</b>		<b>(1,171)</b>	<b>5,993</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment		(63)	(6)
Proceeds on sale of property and equipment		—	2
Purchases of intangible assets		—	(21)
<b>Total net cash used in investing activities</b>		<b>(63)</b>	<b>(25)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares		7	5
Return of capital to ordinary shareholders via B share scheme		—	(3,750)
Shares purchased in buy-back	B21	(300)	(336)
Treasury shares purchased for employee trusts		(32)	(74)
New borrowings drawn down, net of expenses		241	136
Repayment of borrowings <sup>2</sup>		(368)	(665)
Net repayment of borrowings		(127)	(529)
Interest paid on borrowings		(113)	(225)
Repayment of leases		(5)	(32)
Preference dividends paid	B10	(9)	(9)
Ordinary dividends paid	B10	(576)	(541)
Capital contributions from non-controlling interests of subsidiaries		4	—
Coupon payments on tier 1 notes	B10	(17)	—
Issue of tier 1 notes <sup>3</sup>		—	496
Dividends paid to non-controlling interests of subsidiaries		(11)	(11)
Other		—	(1)
<b>Total net cash used in financing activities</b>		<b>(1,179)</b>	<b>(5,007)</b>
Total net (decrease)/increase in cash and cash equivalents		(2,413)	961
Cash and cash equivalents at 1 January		21,576	11,878
Effect of exchange rate changes on cash and cash equivalents		(65)	72
<b>Cash and cash equivalents at 30 June</b>	B20	<b>19,098</b>	<b>12,911</b>

1. Cash flows from operating activities include interest received of £1,960 million (HY22: £1,846 million) and dividends received of £1,731 million (HY22: £2,187 million). Cash flows from operating activities in 2022 include disinvestment from financial investments ahead of the return of capital to ordinary shareholders in 2022. This activity is reflected as an increase in cash generated from operating activities in the six month period ended 30 June 2022.

2. Repayment of borrowings includes the redemption of Enil (HY22: £500 million) subordinated debt and senior notes.

3. On 15 June 2022, the Group issued £500 million of 6.875% fixed rate reset perpetual restricted tier 1 contingent convertible notes (the RT1 Notes).



## B1 – Basis of preparation

(a) The condensed consolidated interim financial statements for the six months to 30 June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the UK, and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The results for the six months ended 30 June 2023 are unaudited but have been reviewed by the Auditor, PricewaterhouseCoopers LLP (PwC). The interim results do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative results for the year ended 31 December 2022 have been taken from the Group's 2022 Annual Report and Accounts except for certain balances which have been restated but not audited following the implementation of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments (see note B2). These interim financial statements should be read in conjunction with the Group's 2022 Annual Report and Accounts that were prepared in accordance with UK-adopted international accounting standards and the legal requirements of the Companies Act 2006. PwC reported on the 2022 financial statements and their report was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The Group's 2022 Annual Report and Accounts have been filed with the Registrar of Companies.

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

### Going concern

A detailed going concern review has been undertaken as part of the 2023 interim reporting process. This review includes consideration of the Group's current and forecast solvency and liquidity positions over a three-year period, which aligns to management's 2023-2025 business plan and evaluates the results of stress and scenario testing. Stress and scenario testing (including reverse stress testing) is used to test the resilience of business plans and to inform decision-making. These tests are driven by the Group's risk profile at a range of severities, as well as a range of other scenarios, as part of the Group solvency and liquidity management processes.

Even in severe downside scenarios, no material uncertainty in relation to going concern has been identified, due to the Group's strong solvency and liquidity positions providing considerable resilience to external shocks, underpinned by the Group's approach to risk management (see note B19).

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the financial statements. For this reason, the Group continues to adopt the going concern basis in preparing the financial statements.

### New standards, interpretations and amendments to published standards that have been adopted by the Group

The Group has applied IFRS 17 and IFRS 9 retrospectively from 1 January 2023. As a result, the Group has restated certain comparative amounts. IFRS 17 significantly impacts the measurement and presentation of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features (participating investment contracts). IFRS 9 has had no impact on the measurement of the Group's financial instruments, but introduces new disclosure requirements. The nature and effects of the transition to IFRS 17 and IFRS 9 are summarised in note B2, including the financial impacts on the statement of financial position as at 1 January 2022. The revised accounting policies are set out below.

In addition, the Group has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2023. The amendments have been issued and endorsed by the UK and do not have a significant impact on the Group's condensed consolidated financial statements.

- (i) Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies
- (ii) Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates
- (iii) Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- (iv) Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules

### Accounting Policies

The basis of preparation and summary of accounting policies applicable to the Group's condensed consolidated financial statements can be found in the Accounting policies section of the 2022 Annual Report and Accounts. The Group's accounting policies, which have been revised following the implementation of IFRS 17 and IFRS 9, are set out below.

#### (A) Group adjusted operating profit

The long-term nature of much of the Group's operations means that, for management's decision-making and internal performance management of our operating segments, the Group focuses on Group adjusted operating profit, a non-GAAP alternative performance measure (APM) which is not bound by IFRS. The APM incorporates the expected return on investments which supports its long-term and non-long-term businesses.

Group adjusted operating profit for life and non-life business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. Group adjusted operating profit also includes the effect of the mismatch between movements in expected future insurance contract cash flows measured at current discount rates and the corresponding adjustment to the contractual service margin (CSM) measured at locked in rates (see accounting policy D). Variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit. The exclusion of economic variances from the Group adjusted operating profit APM reflects the long-term nature of much of our business and presents separately the operating profit APM which is used in managing the performance of our operating segments from the impact of economic factors.

Group adjusted operating profit excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of intangibles acquired in business combinations; amortisation and impairment of acquired value of in-force business; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to mergers and acquisition activity which we view as strategic in nature, hence they are excluded from the operating profit APM as this is principally used to manage the performance of our operating segments when reporting to the Group's chief operating decision maker.

Group adjusted operating profit also excludes other items, which are those items that, in the directors' view, are required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Details of these items, including an explanation of the rationale for their exclusion, are provided in the Alternative Performance Measures section within 'Other information'.

The Group adjusted operating profit APM should be viewed as complementary to IFRS GAAP measures. It is important to consider Group adjusted operating profit and profit before tax together to understand the performance of the business in the period.

## **(B) Insurance service result**

The insurance service result represents the Group's profits recognised on insurance contracts, participating investment contracts and reinsurance contracts (measured in accordance with accounting policy (D)) in the period, excluding the impact of the time value of money and financial risks related to such contracts. The insurance service result contains three components:

### **i. Insurance revenue**

For insurance contracts and participating investment contracts applying general measurement model (GMM) and variable fee approach (VFA), insurance revenue is comprised of:

- The amortisation of contractual service margin (CSM);
- The release of the risk adjustment included within the liability for remaining coverage;
- Claims and expenses expected to be incurred in the period, as released from the liability for remaining coverage and adjusted for the allocation of loss components;
- Other, including revenue recognised for policyholder tax and other incurred expenses that have been charged to policyholder funds; and
- The recovery of insurance acquisition cash flows, which offsets the amortisation included in insurance service expenses.

For insurance contracts applying the premium allocation approach (PAA), insurance revenue is based upon the earning of expected premium receipts. Premium receipts are earned over the contract's coverage period based upon the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

### **ii. Insurance service expenses**

For insurance contracts and participating investment contracts, insurance service expenses are comprised of:

- Actual claims (excluding investment components) and non-acquisition fulfilment expenses incurred, adjusted for the allocation of loss components;
- The recognition of losses on onerous contracts;
- Other non-financial assumption changes which do not adjust the CSM, including those which affect the valuation of the liability for incurred claims;
- Any impairment of acquisition cash flows, net of reversals; and
- The amortisation of insurance acquisition cash flows.

For contracts not measured under the PAA, recovery of insurance acquisition cash flows is included in insurance revenue, as described above, and an equal and opposite amount for the amortisation of insurance acquisition cash flows is included in insurance service expenses. For contracts measured under the PAA, amortisation of insurance acquisition cash flows is based on the passage of time or, where there is evidence that the release of risk differs from the passage of time, on the basis of the expected timing of insurance service expenses.

### **iii. Net income and expenses from reinsurance contracts**

Net income (expenses) from reinsurance contracts held represents the insurance service result for groups of reinsurance contracts held and is comprised of:

- The allocation of reinsurance premiums paid, which is calculated using the same principles as used to calculate revenue on insurance contracts;
- Amounts recoverable from reinsurers, which is calculated using the same principles as used to calculate insurance service expenses on insurance contracts;
- The recognition of, and subsequent movements in, reinsurance loss recovery components; and
- The effect of changes in the risk of reinsurers' non-performance.

**(C) Insurance finance result**

Insurance finance income/expenses are calculated on insurance contracts, participating investment contracts and reinsurance contracts, comprising:

- The accretion of interest on the CSM;
- The unwind of discounting on fulfilment cash flows and the risk adjustment; and
- The impact of financial assumption changes upon fulfilment cash flows and the risk adjustment.

Where changes in expected future cash flows and risk adjustment on GMM contracts arise from non-financial assumption changes and experience variances, the difference between measuring the change in fulfilment cash flows using current financial assumptions and the impact which adjusts the CSM using locked in financial assumptions is recognised in the income statement in net finance expenses.

The accounting policies used to calculate amounts within the Insurance Finance Result are discussed in greater detail in accounting policy (D).

**(D) Insurance and participating investment contract liabilities**

Insurance contracts, participating investment contracts and reinsurance contracts are accounted for in accordance with IFRS 17. The key measurement principles are outlined below.

**(a) IFRS 17 measurement models**

The Group applies three measurement models to insurance contracts, participating investment contracts and reinsurance contracts as follows:

Model	Applicable business
GMM	<ul style="list-style-type: none"> <li>• Bulk purchase annuities</li> <li>• Individual immediate and deferred annuities</li> <li>• Individual and group protection</li> <li>• With-profits contracts with guaranteed annuity terms</li> <li>• Reinsurance contracts held, including non-life reinsurance contracts that are not eligible for PAA</li> </ul>
VFA	<ul style="list-style-type: none"> <li>• Participating investment contracts</li> <li>• Unit linked or with-profits contracts with significant insurance risk</li> </ul>
PAA	<ul style="list-style-type: none"> <li>• Short duration non-life insurance contracts</li> <li>• Longer duration non-life insurance contracts which are eligible for PAA</li> <li>• Reinsurance contracts held which are eligible for PAA</li> </ul>

The Group applies judgement when determining eligibility criteria for the VFA and PAA measurement models (see accounting policy (D) section (b)).

Under each measurement model insurance contract liabilities are measured as the sum of the liability for remaining coverage (LRC) and the liability for incurred claims (LIC). The LRC represents the obligation under the insurance contract for insured events that have not yet occurred i.e., the obligation that relates to the unexpired portion of the coverage period, including the contractual service margin (CSM). The LIC reflects the obligation to investigate and pay valid claims for insured events that have already occurred, including events that have already occurred but for which claims have not been reported.

The key features of each measurement model are set out below.

**i. General measurement model (GMM)**

The GMM is the default IFRS 17 measurement model. The fulfilment cash flows comprise the present value of future cash flows within the boundary of the contract, discounted at current rates, and an explicit risk adjustment for non-financial risk.

At inception, a CSM liability is recognised for each new group of contracts which represents the unearned profit to be recognised over the coverage period of the contract. Except for reinsurance contracts held, losses on groups of contracts that are onerous at inception are recognised immediately.

The CSM is subsequently remeasured for changes in the fulfilment cash flows relating to non-financial risk, applying locked in financial assumptions. Interest is accreted on the CSM using the locked-in discount rate and the CSM is amortised over the coverage period of the contract. The coverage period is determined based on the service provided to customers including both insurance and investment services. Losses on groups of contracts that are profitable at inception but subsequently become onerous are recognised immediately.

In contrast to insurance contracts, the CSM for groups of reinsurance contracts held can be an asset or liability. If reinsurance is in place when underlying groups of insurance contracts become onerous the reinsurance CSM recognised is adjusted to offset the gross losses arising. Where the net cost of purchasing reinsurance contracts held relates to events that occurred prior to purchase (for example adverse development cover) no CSM is recognised, and the net cost is recognised immediately in the income statement.

**ii. Variable fee approach (VFA)**

The VFA is a modified approach to the GMM that is applied to groups of insurance and investment contracts with direct participating features which meet eligibility requirements that demonstrate they provide substantial investment related services to policyholders.

Fulfilment cash flows for VFA contracts comprise the obligation to pay policyholders an amount equal to the fair value of underlying items, less the variable fee for future service.

Changes in the obligation to pay policyholders the fair value of underlying items are recognised within net finance expenses from insurance contracts in the income statement.

The variable fee includes the present value of the Group's share of the fair value of underlying items, adjusted for cash flows that do not vary with those underlying items. The risk adjustment reflects the compensation for non-financial risk in relation to the variable fee only.

The CSM is subsequently remeasured for changes in the variable fee due to both financial and non-financial risks using current market discount rates. Consistent with the GMM, the CSM is recognised in profit or loss over the coverage period in line with the insurance and investment services provided to customers.

### iii. Premium allocation approach (PAA)

The PAA is a simplified measurement model which can be applied to all short duration contracts and to longer duration contracts that meet PAA eligibility criteria. It is applied to all of the Group's non-life insurance and reinsurance contracts except for contracts that reinsure adverse development of incurred claims.

The LRC is measured as the amount of premium received net of acquisition cash flows, less the amount of premiums and acquisition cash flows that have been recognised in profit or loss over the expired portion of the coverage period. Premium receipts and acquisition cash flows are recognised in profit or loss over the life of the contract, based on the expected timing of incurred claims.

Where policyholder premiums are yet to be remitted by intermediaries, these premiums are treated as received within the LRC with a separate financial asset recognised for the amounts due from intermediaries. Commissions due to intermediaries are treated as paid within the LRC with a separate financial liability recognised. Variable commissions which are not yet due and which are dependent upon underwriting performance are measured within the liability for remaining coverage, until the coverage period expires and the liability amount is known, at which point they are reclassified as financial liabilities.

If facts and circumstances indicate that a group of contracts may be onerous, the LRC is measured using GMM principles and losses for onerous contracts are recognised immediately in the income statement.

For most contracts applying PAA, the measurement of the LIC aligns to the GMM, with an explicit risk adjustment for non-financial risk, and discounting applied to expected cash flows. For Health contracts an optional PAA exemption has been applied to measure the LIC on an undiscounted basis, allowable because claims are settled within 12 months of their incurred date.

## (b) Choice of measurement model

### i. VFA eligibility

Life business is considered to have direct participating features, and is required to be measured under the VFA model where:

- Contractual terms evidence that policyholders participate in a pool of clearly identified underlying items, for example unit-linked or with-profits funds;
- The policyholders expect to receive a substantial share of the returns on underlying items (defined by the Group as greater than 50%); and
- A substantial proportion of changes in amounts payable to policyholders varies with returns on the underlying items (defined by the Group as a correlation coefficient of greater than 50%).

Reinsurance contracts held are not eligible to apply the VFA.

### ii. PAA eligibility

The vast majority of the Group's direct non-life business has a duration of one year or less and is automatically eligible for the PAA model. For the remainder, financial modelling is performed to compare the value of the LRC measured under GMM and PAA. Where the LRC does not materially differ between the two measurement models (over the duration of the contract and in a range of reasonably foreseeable scenarios) the contract group is PAA eligible.

The Group has multiple non-life reinsurance contracts which are greater than one year in duration. These are assessed for PAA eligibility by applying the same financial modelling approach and are all PAA eligible except for treaties reinsuring the adverse development of incurred claims.

## (c) Level of aggregation

The unit of account is a group of contracts, so insurance contracts are aggregated into groups for measurement purposes. Discrete CSMs are determined for each group of insurance contracts applying GMM or VFA. Groups of insurance contracts have been determined by identifying portfolios of insurance contracts, comprising contracts subject to similar risks that are managed together, and dividing each portfolio into annual cohorts by year of issue. Each annual cohort is then further subdivided into three groups based on the profitability of contracts determined at initial recognition and comprising:

- contracts that are onerous;
- contracts that have no significant possibility of becoming onerous; (based on the probability that changes in assumptions would result in contracts becoming onerous); and
- all remaining contracts.

Reinsurance contracts held are also subdivided into three profitability groups, determined by reference to net gains/losses on initial recognition, and comprising:

- contracts that have a net gain at initial recognition;
- contracts that have no significant possibility of a net gain arising subsequently; and
- all remaining contracts.

The approach to profitability grouping makes use of sets. Where it can be demonstrated that all contracts within a set are sufficiently homogeneous, they are allocated to the same profitability group without performing an individual contract assessment. For Life product lines, sets of contracts usually correspond to policyholder pricing groups. The likelihood of changes in insurance, financial and other exposures resulting in contracts becoming onerous is monitored at the level of these pricing groups.

For contracts measured under the PAA, IFRS 17 permits a simplification whereby contract groups are assumed not to be onerous unless facts and circumstances indicate otherwise. The Group has used internal management information to identify facts and circumstances that may indicate that a group is onerous.

#### **(d) Recognition and derecognition**

An insurance contract issued by the Group is recognised from the earliest of:

- the beginning of its coverage period (i.e. the period during which the Group provides insurance contract services in respect of any premiums within the boundary of the contract);
- the date the first payment from the policyholder becomes due or, if there is no contractual due date, when it is received from the policyholder; and
- the date when facts and circumstances indicate that the contract is onerous.

Reinsurance contracts are recognised on the following dates:

- Reinsurance contracts that provide proportionate coverage: the later of the date on which any underlying insurance contract is initially recognised and the date the reinsurance is entered into. This applies to the Group's quota share reinsurance contracts.
- Other reinsurance contracts: the beginning of the coverage period of the group of reinsurance contracts. However, if the Group recognises an onerous group of underlying insurance contracts on an earlier date and the related reinsurance contract was entered into before that earlier date, then the group of reinsurance contracts is recognised on that earlier date. This applies to the Group's excess of loss and catastrophe cover reinsurance contracts.

An insurance or reinsurance contract acquired in a transfer of contracts or a business combination is recognised on the date of acquisition.

When the contract is recognised, it is added to an existing group of contracts or, if the contract does not qualify for inclusion in an existing group, it forms a new group to which future contracts are added. Groups of contracts are established on initial recognition and their composition is not revised once all contracts have been added to the group.

Insurance contracts are derecognised when the contract is extinguished, i.e. when the specified obligations expire, are discharged, or are cancelled. The Group also derecognises a contract if its terms are modified in a way that would have changed the accounting for the contract significantly had the new terms always existed, in which case a new contract based on the modified terms is recognised.

#### **(e) Estimate of future cash flows**

The estimate of future cash flows is assessed at the level of groups of contracts and represents the best estimate of the Group's cost to fulfil a contract incorporating current estimates of non-financial assumptions. The estimate allows for all the cash inflows and outflows expected to occur within the contract boundary. Cash flows are modelled separately for gross and reinsurance contracts.

##### **i. Contract boundaries**

Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide insurance contract services. A substantive obligation to provide services ends when the Group has the practical ability to reassess the risks (insurance and financial risks transferred from the policyholder, so excluding lapse and expense risks) and set a price or level of benefits that fully reflects those reassessed risks for either the particular policyholder or the portfolio that contains the contract.

Riders, representing add-on provisions to a basic insurance policy that provide additional benefits to the policyholder at additional cost, that are issued together with the main insurance contracts form part of a single insurance contract with all of the cash flows within its boundary.

Some insurance contracts issued by the Group provide policyholders with the option to buy additional insurance coverage. The Group assesses the practical ability to reprice such insurance contracts in their entirety to determine if the option cash flows are within or outside the insurance contract boundary. As a result of this assessment, options for which pricing is not guaranteed are not measured by the Group until they are exercised.

Cash flows are within the boundaries of participating investment contracts if they result from a substantive obligation of the Group to deliver cash at a present or future date.

Cash flows are within the contract boundary of a reinsurance contract held if they arise from substantive rights and obligations that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the reinsurer.

The contract boundary is reassessed at each reporting date to include the effect of changes in circumstances on the Group's substantive rights and obligations and, therefore, may change over time. Cash flows outside the contract boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

##### **ii. Principal non-financial assumptions**

Principal non-financial assumptions used in the calculation of life insurance and participating investment contract fulfilment cash flows include those in respect of annuitant and assurance mortality and future expenses. Expenses must be directly attributable to fulfilling insurance contracts, including an allocation of overheads to the extent that they can be allocated to groups of contracts in a systematic and rational way.

Principal non-financial assumptions used in the calculation of the non-life insurance and reinsurance contract liabilities use past claims experience to project future claims (estimated using a range of standard actuarial claims projection techniques).

### iii. Financial assumptions

#### Discount rates

Discounting is applied to the estimate of future cash flows. The Group uses a bottom-up discount rate for all life and non-life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cash flows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

#### Top-down discount rates

The discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liability. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

The CSM for annuity contracts is measured using a locked-in discount rate based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

#### Bottom-up discount rates

The discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

The illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business.

#### Inflation assumptions

Future inflation assumptions are treated as a financial assumption when applied to policyholder benefits or outsourced maintenance expenses that are contractually linked to an inflation index.

#### Presentation of financial assumption changes

The Group recognises the impact of financial assumption changes in the income statement, except for those that relate to changes in the variable fee for VFA contracts which adjust the CSM.

#### (f) Risk adjustment

The risk adjustment reflects the compensation required by the Group to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated to the Group's pricing and capital allocation framework, leveraging the Solvency II view of non-financial risk, considering a lifetime view, and including diversification between risks.

The change in risk adjustment relating to current or past service is recognised within insurance revenue in the income statement. The impact of discounting the risk adjustment for GMM and PAA contracts is disaggregated and recognised within net finance expenses from insurance contracts.

#### (g) CSM

The CSM represents a liability for unearned profit measured at inception and recognised in the income statement over the life of the contract as insurance and investment related services are provided to the customer.

For profitable groups of insurance contracts, the CSM is established to ensure no profit is recognised at inception, hence it is equal and opposite to the net present value of the expected cash flows (including initial premiums and insurance acquisition cash flows) and the risk adjustment. For groups of gross insurance contracts issued that are onerous at initial recognition, the CSM is set to nil and losses are recognised in the income statement. For reinsurance contracts the CSM is initially recognised at a value that ensures no gain or loss is recognised but may be adjusted for loss offsetting as set out in (h).

Subsequently, the CSM is adjusted for:

- Accretion of interest at locked-in discount rates (groups of GMM contracts only), which is charged to net finance expenses in the income statement;
- New contracts added to the same group;
- Changes in fulfilment cash flows (including risk adjustment) that relate to future service;
- For reinsurance contracts held, income recognised in profit or loss on initial recognition of onerous underlying contracts and adjustments to the loss recovery component set out in (h); and
- Currency exchange differences.



Changes in fulfilment cash flows that relate to future service include:

- Experience variances in premiums received during the period that relate to services provided from the start of the current period;
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from non-financial assumption changes and experience variances, measured using locked in financial assumptions;
- Changes in the variable fee and risk adjustment on VFA contracts arising from financial and non-financial assumption changes and experience variances, except where the risk mitigation option is applied; and
- Experience variances in non-distinct investment components, premium refunds and rights to withdraw payable in the period.

Changes in fulfilment cash flows that relate to past or current service do not adjust the CSM and are recognised immediately in the income statement, including the following:

- Experience variances in claims and expenses incurred, which are recognised as the difference between insurance revenue (expected claims and expenses incurred) and insurance service expenses (actual claims and expenses incurred); and
- Changes in expected future cash flows and risk adjustment on GMM contracts arising from financial assumption changes and experience variances, including changes in cash flows that are contractually linked to an inflation index, which are recognised in net finance expenses from insurance contracts.

The balance on the CSM at the end of the period is available for release to profit or loss. The amount of CSM recognised in insurance revenue each period (the CSM amortisation) is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. Benefits provided included those arising from both insurance and investment related services. Investment related services are only included if the Group is deemed to be providing a significant investment service for contracts including an investment component or policyholder's right to withdraw, that is expected to include an investment return generated by investment activity performed by the Group. This includes contracts where the value of the investment return that the policyholder benefits from is not directly related to the value of the underlying investments. Coverage units are discounted and are updated at each reporting date to reflect the current best estimate of service expected to be provided in future periods.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

#### **(h) Loss components and loss offsetting**

Losses on onerous contracts are recognised immediately within insurance service expenses in the income statement, and a loss component is established. Subsequent losses, and reversals of losses, arising from changes in fulfilment cash flows that relate to future service, adjust the loss component and are recognised immediately in insurance service expenses to the extent that a balance remains on the loss component, after which a CSM will be established. A variable proportion approach is used to systematically allocate changes in fulfilment cash flows that relate to past or current service to the loss component, resulting in a deduction from the amount of these changes that is recognised within insurance revenue in the income statement with an offsetting adjustment to insurance service expenses. The variable proportion is determined each reporting date as the proportion of the balance on the loss component relative to the fulfilment cash flows for that group of contracts.

A reinsurance loss recovery component is established for a group of reinsurance contracts that covers a group of onerous underlying contracts. At initial recognition this is the amount that the reinsurance CSM has been adjusted as a result of recognising income to offset losses recognised at inception on underlying insurance contracts, based on the percentage of the claims that are recoverable through the reinsurance. Subsequently the loss recovery component is adjusted for changes in the reinsurance fulfilment cash flows that correspond to changes in fulfilment cash flows that relate to future service for the underlying onerous contracts. The balance on the loss recovery component is systematically allocated to the income statement using a similar approach to loss components.

#### **(i) Investment components and rights to withdraw**

Investment components are amounts that are payable to the policyholder in all circumstances, regardless of whether an insured event occurs. This typically includes the account balance on unit-linked and with-profit contracts, surrender and maturity values on protection contracts and guaranteed payments on immediate annuities. Rights to withdraw, which may include items that are investment components, are amounts payable to policyholders that do not represent an additional benefit payable when an insured event occurs. This includes, but is not restricted to, maturity values that are not determined by the occurrence of an insured event, a policyholder's rights to receive a surrender value or refund of premiums on cancellation of a policy, rights to transfer an amount to another insurance provider and guaranteed annuity payments on a deferred annuity in excess of the death benefit payable prior to retirement. Investment components and rights to withdraw are excluded from insurance revenue and insurance service expenses in the income statement.

#### **(j) Insurance acquisition cash flows**

Insurance acquisition cash flows are initially deferred on the balance sheet as an insurance acquisition cash flow asset and then allocated against groups of insurance contracts to which they are directly attributable. This includes instances where insurance acquisition cash flows are directly attributable to the future renewal of existing contract groups for some products in the Group's non-life business. For contract groups applying PAA, the Group has chosen not to apply an exemption to recognise insurance acquisition cash flows as an expense at the point they are incurred.

Where insurance acquisition cash flows are allocated to contract groups applying GMM or VFA, they are included within the measurement of the CSM and recognised in the income statement over the period which services are provided to the customer. Insurance acquisition cash flows allocated to contract groups applying PAA are recognised in the income statement over the life of the contract based on the expected timing of incurred claims.

Insurance acquisition cash flow assets are assessed for impairment where facts and circumstances indicate that they may be impaired. The Group uses data on customer retention rates and the profitability of products to identify such facts and circumstances.

**(E) Reinsurance for non-participating investment contracts**

Reinsurance assets for non-participating investment contracts includes balances in respect of investment contracts that are legally reinsurance contracts but do not meet the definition of a reinsurance contract under IFRS 17 as they principally transfer financial risk. Premiums payable on these reinsurance contracts are accounted for directly through the statement of financial position.

A deposit asset is initially recognised, based on the consideration paid less any explicitly identified premiums or fees to be retained by the reinsured. The assets are subsequently measured at fair value through profit or loss (FVTPL).

**(F) Acquired value of in-force business (AVIF)**

The present value of future profits on a portfolio of long-term non-participating investment contracts, acquired either directly or through the purchase of a subsidiary, is recognised as an asset.

If the AVIF results from the acquisition of an investment in a joint venture or an associate, it is held within the carrying amount of that investment. In all cases, the AVIF is amortised over the useful lifetime of the related contracts in the portfolio on a systematic basis. The rate of amortisation is chosen by considering the profile of the additional value of in-force business acquired and the expected depletion in its value.

AVIF is reviewed for evidence of impairment, consistent with reviews conducted for other finite life intangible assets and impairment tested at product portfolio level by reference to a projection of future profits arising from the portfolio.

**(G) Recognition and classification of financial assets**

Financial assets are measured initially at fair value plus eligible transaction costs for financial assets held at amortised cost. Financial assets are subsequently measured at amortised cost or FVTPL based on a business model assessment and the extent to which the contractual cash flows associated with the financial assets are solely payments of principal and interest (SPPI). The Group measures financial assets at FVTPL if they do not meet the SPPI criteria or if they are held within a business model where they are managed and evaluated on a fair value basis resulting from the Group's management of capital on a regulatory basis. A financial asset is classified at amortised cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise to cash flows that are SPPI on the principal amount outstanding.

On initial recognition, the Group may irrevocably designate a financial asset at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Group has designated certain cash balances at FVTPL to reduce an accounting mismatch when these balances form part of the risk mitigation for insurance contracts measured under the VFA and to which the risk mitigation option is applied under IFRS 17. These cash balances would otherwise be measured at amortised cost.

The Group measures equity instruments at FVTPL, with subsequent changes in fair value recognised in the income statement, as it did not make an irrevocable election on initial recognition to measure equity instruments at fair value through other comprehensive income (FVOCI).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its objectives for managing those financial assets, in which case all affected financial assets are reclassified on the first day of the next reporting period.

**(H) Impairment of financial assets**

Financial assets held at amortised cost and lease receivables are in the scope of expected credit loss requirements under IFRS 9. This includes financial assets held at amortised cost such as loans to banks, other loans, and receivables.

Expected credit loss is an unbiased, probability-weighted estimate of credit losses. It considers all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

Expected credit losses are calculated on either a 12-month or lifetime basis depending on the extent to which credit risk has increased significantly since initial recognition, except where the Group uses the simplified approach to apply lifetime expected credit losses to trade receivables that do not contain a significant financing component.

The gross carrying amount of a financial asset is written off to the extent that there is no reasonable expectation of recovery. Subsequent recoveries in excess of the financial asset's written-down carrying value are credited to the income statement.

**(I) Financial investments**

The Group classifies financial investments at FVTPL using the business model assessment as described in accounting policy (G). The FVTPL category has two subcategories – those that meet the definition as being held for trading and those that are held at FVTPL based on the business model assessment. Debt securities and equity securities, which the Group acquires with the intention to resell in the short term and derivatives are classified as trading. All other investments are classified as other than trading.

The fair value of investments is based on the quoted price within the bid-ask spread that is most representative of fair value or based on the cash flow models using market observable inputs or unobservable inputs. Changes in the fair value of investments are included in the income statement in the period in which they arise.

Purchases and sales of investments are recognised on the trade date, which is the date that the Group commits to purchase or sell the assets, at their fair values.

**(J) Hedge accounting**

Hedge accounting is applied to certain transactions of the Group so that the financial statements represent the impact of the Group's hedging strategies for currency risk. The Group has applied the IFRS 9 hedge accounting requirements from 1 January 2023. Hedge accounting can be applied only if all the following criteria are met:

- The hedge relationship consists only of eligible hedging instruments and hedged items;
- There is formal designation and documentation of the hedging relationship and the risk management objective and the risk management strategy; and
- The hedge relationship meets the hedge effectiveness requirements.

The Group applies hedge accounting by using net investment hedges to hedge the currency risk arising from our foreign operations (hedged item) against foreign currency borrowings (hedging instrument). Changes in the fair value of the hedging instrument is recognised in other comprehensive income in a separate reserve within equity to the extent that it is effective. Gains and losses accumulated in this reserve are transferred to the income statement on disposal or part-disposal of the foreign operation.

The Group does not currently apply the specific hedge accounting rules to its derivative transactions and as a result, the fair value gains and losses on these derivatives are recognised immediately in net investment income.

**(K) Loans**

Loans with fixed maturities, mortgage loans on investment property, securitised mortgages and collateral loans, are recognised when cash is advanced to borrowers. Certain loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method.

As described in accounting policy (G), loans are classified and measured at either amortised cost or FVTPL based on the outcome of an assessment of the business model for managing financial assets and the extent to which the financial assets' contractual cash flows are solely payment of principal and interest.

The majority of mortgage loans are measured at fair value since they're managed and evaluated on a fair value basis. The fair values of these mortgages are estimated using discounted cash flow models, based on a risk-adjusted discount rate which reflects the risks associated with these products. They are revalued at each period end, with movements in their fair values being taken to the income statement.

The impairment policy is described in accounting policy (H) for loans measured at amortised cost.

**(L) Deferred acquisition costs for non-participating investment contracts and other assets**

For non-participating investment and investment fund management contracts, incremental acquisition costs and sales enhancements that are directly attributable to securing an investment management service are deferred.

These deferred acquisition costs are amortised over the period in which the service is provided.

Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written-off where they are no longer considered to be recoverable.

Other receivables and payables are initially recognised at cost, being fair value. Subsequent to initial measurement they are measured at amortised cost.

**(M) Borrowings**

Borrowings are classified as being for either core structural or operational purposes. They are recognised initially at their issue proceeds less transaction costs incurred. Subsequently, most borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. All borrowing costs are expensed as they are incurred except where they are directly attributable to the acquisition or construction of property and equipment.

Where loan notes have been issued in connection with certain securitised mortgage loans, the Group has taken advantage of the fair value option under IFRS 9 to present them at fair value to eliminate any accounting mismatch which would otherwise arise from using different measurement bases for these items and the associated mortgages and derivative financial instruments. The Group elects to recognise the amount of change in the fair value of borrowings attributable to changes in credit risk in the income statement, as the alternative of recognising the impact in other comprehensive income would create an accounting mismatch.

## B2 – Changes to comparative amounts on transition to IFRS 17 and IFRS 9

The Group has adopted IFRS 17 Insurance Contracts from 1 January 2023 and comparatives have been retrospectively restated from the transition date of 1 January 2022. A restated opening statement of financial position has been produced as at that date.

IFRS 17 Insurance Contracts provides a comprehensive and consistent approach to accounting for insurance contracts. It replaces IFRS 4, which was issued in 2005 and was largely based on grandfathering of previous local accounting policies.

The Group has also adopted IFRS 9 Financial Instruments from 1 January 2023 and comparatives have been retrospectively restated. IFRS 9 incorporates new classification and measurement requirements for financial assets, introduces a new expected credit loss impairment model to replace the IAS 39 incurred loss model and new hedge accounting requirements. The Group had previously deferred the application of IFRS 9 to align with the implementation of IFRS 17. IFRS 9 has not resulted in any measurement differences on adoption by the Group, but does impact the disclosure of financial instruments as described in note B2(b).

Accounting policies that have been revised as a result of adoption of IFRS 17 and IFRS 9 are presented in note B1. Significant methods, judgements and assumptions applied in measurement of insurance contracts are set out in note B11(f). This note focuses on the changes made on transition to IFRS 17 and IFRS 9.

### (a) IFRS 17 Insurance Contracts

#### (i) Transition to IFRS 17

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts, participating investment contracts and reinsurance contracts. It introduces a model that measures groups of contracts based on the present value of future cash flows with an explicit risk adjustment for non-financial risk (the fulfilment cash flows) and a CSM representing the unearned profit to be recognised in profit or loss over the service period (coverage period).

Losses on contracts that are onerous at inception are recognised immediately. The core of IFRS 17 is the GMM, supplemented by the VFA which is a specific adaptation for contracts with direct participation features, and the PAA which is a simplified model for short duration contracts.

The application of IFRS 17 significantly impacts the measurement and presentation of insurance and participating investment contracts, and reinsurance contracts. The financial impact of measurement changes is more significant for life insurance than non-life insurance contracts, however, there are significant changes to presentation and disclosures for all insurance contracts. Investment contracts with no significant insurance risk or discretionary participation features, equity release mortgage loans and investment management business are out of scope and therefore not impacted by the new standard.

Under IFRS 17 the presentation of insurance revenue and insurance service expenses in the income statement is based on the concept of insurance services provided during the period. Extensive disclosures provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts. Our disclosures will be aligned to three major groupings: life risk; life participating; and non-life (general insurance and health) which broadly align with the IFRS 17 measurement models GMM, VFA and PAA respectively. Further details of these groupings are provided in note B11.

Changes in accounting policies resulting from the implementation of IFRS 17 have been applied in accordance with the transitional provisions of the standard, which impact the measurement of the CSM at the transition date. The CSM represents a liability for unearned profit, hence will be recognised in the income statement over the remaining life of the contract as insurance and investment related services are provided to the customer.

The fully retrospective approach (FRA) has been used where practicable, calculating the CSM at the date of transition as if the standard had always applied. Where FRA is not practicable for a particular group of insurance contracts there is a choice to apply the modified retrospective approach (MRA) to the extent that reasonable and supportable information exists, or the fair value approach (FVA). The choice between MRA and FVA can have a significant impact on the valuation of the CSM on transition and has been made separately for each group of insurance contracts for which it is impracticable to apply FRA.

For non-life business in scope of the PAA the FRA has been used.

For life business and non-life adverse development reinsurance, the Group has applied judgement when determining whether the FRA is practicable and whether reasonable and supportable information exists to apply the MRA. For this business the following approaches have been applied on transition to IFRS 17:

- The FRA has been used for the majority of business written or acquired since 2016, as prior to this date the risk adjustment is considered indeterminable without the benefit of hindsight due to the multiple views of risk that were reported at that time;
- The MRA has been used for certain portfolios of UK individual protection business written in the period 2012-2015 and for certain portfolios of acquired UK VFA business; and
- The FVA has been used for all other business written prior to 2016, including annuities.

On transition, 35% of the CSM is calculated under the FRA, 9% under the MRA and 56% under the FVA.

**Application of the MRA**

Where information is not available to undertake the FRA the MRA allows certain modifications to be applied provided reasonable and supportable information is available to apply the modification. The aim is to achieve the closest possible outcome to the FRA.

For UK individual protection business measured using the MRA, modifications have been applied in respect of: assessment of groups using information at the transition date; determination of future cash flows and risk adjustment at the date of initial recognition; and determination of the coverage provided prior to the transition date.

For UK VFA business measured using the MRA, modifications have been applied in respect of: calculation of the CSM at the transition date; and using information available at the transition date for the assessments of contracts within the scope of IFRS 17, eligibility for the VFA measurement model and grouping of contracts.

For contracts transitioned under the FRA or MRA, the opening CSM balance at 1 January 2022 includes the effect of amortisation of the CSM for the period of retrospective restatement.

**Application of the FVA**

Under the FVA, the CSM recognised at the transition date has been determined as the fair value of the group of contracts less the fulfilment cash flows at the transition date. Unlike the FRA and MRA, no pre-transition information is required to calculate the FVA CSM. The FVA measures the value of the CSM at the date of transition to IFRS 17, 1 January 2022, the start of the comparative period. Subsequent to the transition date, the CSM is remeasured for movements since the date of transition according to the general (non-transition) requirements of IFRS 17, however the initial fair value as at 1 January 2022 is a point in time assessment that will not be reassessed for future reporting.

Where FVA has been applied to determine the value at transition, the fair value has been derived in accordance with IFRS 13 Fair Value Measurement (except a demand deposit floor was not applied) and represents the price a market participant would require to assume the insurance contract liabilities in an orderly transaction. As quoted market prices are not available for groups of insurance contracts, valuation models have been used to calculate the fair value of each group at the transition date. The choice of model and inputs to the model involves judgement and this gives rise to a range of plausible fair values at the transition date. Whilst the fair value at transition impacts the size of the CSM that will subsequently be recognised in profit over the remaining life of the contracts applying the accounting policy set out in note B1(D)(g), the fair value model and inputs to that model will not be applied to, or result in adjustment to, any subsequent measurement of the CSM.

The valuation models determine the fair value using a cost of capital approach. Expected cash flows and the required capital to run the business are projected forward, applying an appropriate weighted average cost of capital (WACC). Inputs have been calibrated to those Aviva would expect market participants to use had they priced the insurance contracts for transfer to them at the transition date.

This is based on a number of actuarial assumptions, including discount rates, and involves consideration of:

- The most appropriate assumptions for use by a third party in the principal market.
- The specifics of the group of insurance contracts being valued, such as the insurance cover and policyholder benefits provided and any legal requirements for its administration.
- Benchmarking against market transactions, where these exist.

Valuation inputs reference market information where available, with unobservable inputs otherwise used to estimate those that a third party would have applied as at the transition date of 1 January 2022. The most significant judgements for each portfolio were as follows:

- Identification of the principal market;
- The return on assets backing the insurance contracts and the consequential impact on the discount rate, particularly for UK annuities where the Solvency II capital regime was assumed to apply to market participants;
- The level of regulatory capital required to support the group of insurance contracts, which reflected Aviva's total Group working range for the Solvency II cover ratio of 160%-180%, adjusted to reflect differences in market participants for specific types of insurance contracts. It was assumed that a third party would require a higher level of regulatory capital for certain UK with-profits business aligned to the legal commitments made following the reattribution of the inherited estate in 2009; and
- The required rate of return on capital deployed, which reflected the characteristics of the group of contracts being measured.

All other material assumptions were aligned to the Aviva Solvency II valuation basis.

The FVA CSM on UK annuities is included within the life risk product group, whilst the FVA CSM on UK with-profits business measured in accordance with the VFA is included in the life participating product group.

For business transitioning under the FVA, the Group has taken advantage of the simplification permitting contracts in different annual cohorts to be placed into a single group of contracts.

## (ii) Financial impacts on transition to IFRS 17

Group consolidated equity attributable to shareholders of Aviva plc, as restated for the adoption of IFRS 17, is £16,679 million at the transition date of 1 January 2022, including life risk CSM of £4,853 million and life participating CSM of £1,293 million (both gross of tax). Group consolidated equity attributable to shareholders of Aviva plc reported on an IFRS 4 basis at 31 December 2021 was £19,202 million.

The financial impacts on transition to IFRS 17 are summarised in the table below, which sets out the restated condensed consolidated statement of financial position on the transition date:

	31 December 2021 As previously reported £m	Reclassification and derecognition £m	IFRS 17 measurement £m	Total change £m	1 January 2022 Restated £m
<b>Assets</b>					
Goodwill	1,741	—	—	—	1,741
Acquired value of in-force business and intangible assets	1,950	(956)	—	(956)	994
Interests in, and loans to, joint ventures	1,855	—	(71)	(71)	1,784
Interests in, and loans to, associates	118	—	—	—	118
Property and equipment	428	—	—	—	428
Investment property	7,003	—	—	—	7,003
Loans	38,624	(13)	—	(13)	38,611
Financial investments	264,961	—	—	—	264,961
Reinsurance contract assets	15,032	(5,122)	(1,753)	(6,875)	8,157
Reinsurance assets for non-participating investment contracts	N/A	5,122	—	5,122	5,122
Deferred tax assets	138	—	349	349	487
Current tax assets	170	—	—	—	170
Receivables	6,088	(2,348)	—	(2,348)	3,740
Deferred acquisition costs	2,721	(1,829)	—	(1,829)	892
Pension surpluses and other assets	2,769	—	—	—	2,769
Prepayments and accrued income	2,391	—	—	—	2,391
Cash and cash equivalents	12,485	—	—	—	12,485
<b>Total assets</b>	<b>358,474</b>	<b>(5,146)</b>	<b>(1,475)</b>	<b>(6,621)</b>	<b>351,853</b>
<b>Equity</b>					
<b>Capital</b>					
Ordinary share capital	941	—	—	—	941
Preference share capital	200	—	—	—	200
	1,141	—	—	—	1,141
<b>Capital reserves</b>					
Share premium	1,248	—	—	—	1,248
Capital redemption reserve	86	—	—	—	86
Merger reserve	8,974	—	—	—	8,974
	10,308	—	—	—	10,308
Treasury shares	(51)	—	—	—	(51)
Currency translation reserve	314	—	—	—	314
Other reserves	(66)	—	—	—	(66)
Retained earnings	7,556	253	(2,776)	(2,523)	5,033
<b>Equity attributable to shareholders of Aviva plc</b>	<b>19,202</b>	<b>253</b>	<b>(2,776)</b>	<b>(2,523)</b>	<b>16,679</b>
Tier 1 notes	—	—	—	—	—
<b>Equity excluding non-controlling interests</b>	<b>19,202</b>	<b>253</b>	<b>(2,776)</b>	<b>(2,523)</b>	<b>16,679</b>
Non-controlling interests	252	—	—	—	252
<b>Total equity</b>	<b>19,454</b>	<b>253</b>	<b>(2,776)</b>	<b>(2,523)</b>	<b>16,931</b>
<b>Liabilities</b>					
Insurance contract and participating investment contract liabilities (formerly gross insurance liabilities)	122,250	19,038	1,818	20,856	143,106
Non-participating investment contract liabilities (formerly gross liabilities for investment contracts)	172,452	(21,157)	—	(21,157)	151,295
Unallocated divisible surplus	1,960	(1,960)	—	(1,960)	N/A
Net asset value attributable to unitholders	16,427	—	—	—	16,427
Pension deficits and other provisions	1,001	—	—	—	1,001
Deferred tax liabilities	1,983	—	(517)	(517)	1,466
Current tax liabilities	35	—	—	—	35
Borrowings	7,344	—	—	—	7,344
Payables and other financial liabilities	12,609	(906)	—	(906)	11,703
Other liabilities	2,959	(414)	—	(414)	2,545
<b>Total liabilities</b>	<b>339,020</b>	<b>(5,399)</b>	<b>1,301</b>	<b>(4,098)</b>	<b>334,922</b>
<b>Total equity and liabilities</b>	<b>358,474</b>	<b>(5,146)</b>	<b>(1,475)</b>	<b>(6,621)</b>	<b>351,853</b>



### Reclassification and derecognition in the restated opening statement of financial position

On adoption of IFRS 17, the concepts of acquired value in force (AVIF), deferred acquisition costs (DAC) and unallocated divisible surplus (UDS) are no longer applied to produce separately recognised assets and liabilities in relation to insurance and participating investment contracts, instead they are implicitly included in the measurement of insurance contract assets and liabilities. £956 million AVIF, £751 million DAC and £(1,960) million UDS on long-term insurance and participating investment contracts has been derecognised on transition. £1,078 million DAC on non-life insurance contracts has been presented as a reclassification to insurance contract liabilities. AVIF and DAC in respect of non-participating investment contracts are unchanged.

There are also changes in presentation and content of the following financial statement line items:

- Non-participating investment contract liabilities and related reinsurance assets in scope of IFRS 9 are now presented in separate line items;
- Participating investment contracts in scope of IFRS 17 are presented within insurance and participating investment contract assets or liabilities;
- Receivables, payables and other liabilities in respect of insurance contracts in scope of IFRS 17 are now included within insurance and participating investment contract assets or liabilities; and
- Policy loans in scope of IFRS 17 have been reallocated from loans to insurance contract and participating investment contract liabilities.

### Remeasurement in the restated opening statement of financial position

The drivers of remeasurements in the restated opening statement of financial position include the following:

Drivers	Description	Remeasurement £m
IFRS 4 margins	Margins included in the IFRS 4 measurement of insurance contract liabilities are excluded from the IFRS 17 fulfilment cash flows, as the liabilities are measured on a best estimate basis with a separate explicit adjustment for risk.	3,141
Differences in the valuation of future cash flows	The primary differences in measurement of the future cash flows are: <ul style="list-style-type: none"> <li>• Inclusion of future shareholder profits from unit-linked and with-profits business, that are not fully recognised under IFRS 4;</li> <li>• Change in discount rate for life insurance business, most materially for annuities; and</li> <li>• Introduction of discounting for all non-life insurance business (under IFRS 4 only longer duration claims are discounted).</li> </ul>	1,445
Contractual service margin	This IFRS 17 liability represents the unearned profit of the insurance contracts which will be recognised in profit or loss over the coverage period in line with the service provided to customers.	(6,146)
Risk adjustment	The risk adjustment is an explicit allowance for risk recognised under IFRS 17, replacing some of the IFRS 4 margins.	(2,082)
Change in deferred tax due to increase in liabilities	Taxable profits are generally based on an accounting profit and the adoption of IFRS 17 will impact current tax liabilities. The principles of deferred tax mean that the total tax (current and deferred) remains aligned to the reported profits. The transition CSM includes profits that were previously reported in accordance with IFRS 4 and subject to tax. The reduction in net assets on adoption of IFRS 17, including the CSM recognition, gives rise to deferred tax asset as tax on profits is only paid once. The deferred tax asset will reverse as the CSM unwinds and profits are recognised in future.	866
<b>Total</b>		<b>(2,776)</b>

The impact on transition to IFRS 17 is most significant for the Group's annuity and protection business where the deferral of profit in the CSM is the most material. A significant proportion of the CSM on transition arises from the Group's existing immediate annuity portfolio, the unwind of which will become a material driver of the contribution to future profits by the UK & Ireland Insurance, Wealth and Retirement (IWR) operating segment. Offsetting this, the majority of profits on new annuity and protection business will now be deferred. In addition, under IFRS 17, the impact of changes in non-financial assumptions on future cash flows will be adjusted through the CSM and spread forward rather than being recognised immediately in profit as under IFRS 4.

There are more limited impacts from the Group's other lines of insurance business, with no impact for business out of scope of IFRS 17 including non-participating investment contracts, equity release mortgage loans, and investment management business.

IFRS 17 also introduces significant changes in the presentation of the income statement:

- The insurance service result separately presents the result, before the effects of financial risks, for insurance and participating investment contracts, and comprises insurance revenue and insurance service expenses.
- Insurance revenue, the composition of which is set out in the revised accounting policies (A) in note B1, represents the allocation over the life of the insurance contract of premiums received (excluding investment components as set out in note B2(C)(h)). Insurance revenue replaces net earned premiums.
- Insurance service expense separately presents the claims and expenses incurred in fulfilling insurance and participating investment contracts. Costs incurred in relation to other types of business, including non-participating investment contracts, continue to be presented within other operating expenses.
- The net financial result comprises investment return, the finance income/expense on insurance and participating investment contracts that arises from discounting, changes in financial risk and changes in the fair value of underlying items, and the previously presented movement in non-participating investment contract liabilities.
- Other income and expense items are presented in a similar manner as previously reported.

IFRS loss for the period ending 30 June 2022 has been restated as follows:

	As previously reported	Change <sup>1</sup>	As restated
	£m	£m	£m
<b>30 June 2022</b>			
<b>Group adjusted operating profit before tax attributable to shareholders' profits</b>	829	(168)	661
<i>Adjusted for the following:</i>			
Investment variances and economic assumption changes	(1,470)	607	(863)
Impairment of goodwill, associates and joint ventures and other amounts expensed	(14)	—	(14)
Amortisation and impairment of intangibles acquired in business combinations	(25)	—	(25)
Amortisation and impairment of acquired value of in-force business	(91)	57	(34)
Other	(27)	—	(27)
<b>Adjusting items before tax</b>	<b>(1,627)</b>	<b>664</b>	<b>(963)</b>
<b>IFRS loss before tax attributable to shareholders' profits</b>	<b>(798)</b>	<b>496</b>	<b>(302)</b>
Tax on Group adjusted operating profit	(149)	17	(132)
Tax on other activities	314	(78)	236
<b>IFRS loss for the period</b>	<b>(633)</b>	<b>435</b>	<b>(198)</b>

1. The restated HY22 comparatives include two changes unrelated to the adoption of IFRS 17 resulting in a £102 million reduction in group adjusted operating profit from previously reported under IFRS 4. The changes relate to (i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in non-operating investment variances and economic assumption changes for the Heritage business and (ii) a change in the calculations of General Insurance investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business.

### (b) IFRS 9 Financial Instruments

IFRS 9 introduces new classification and measurement requirements for financial assets, resulting in the Group's financial assets being measured at FVTPL or amortised cost. The basis of classification depends on the business model for managing the cash flows from these assets and their contractual cash flow characteristics, as set out in accounting policy (G) in note B1. The IFRS 9 expected credit loss model for impairment is applied to any financial assets held at amortised cost and lease receivables. The outcome for financial liabilities remains unchanged as the Group has elected to recognise fair value changes attributable to own credit risk in the income statement for financial liabilities designated at FVTPL.

Changes in accounting policies as a result of adopting IFRS 9 have been implemented retrospectively with the exception of:

- Hedge accounting, where the election to apply the IFRS 9 requirements for hedge accounting has been applied prospectively. Hedge relationships that were previously designated under IFRS 9 are deemed to be continuing hedges as they met the IFRS 9 criteria for hedge accounting at 1 January 2023.
- Assessments that have been made on the basis of facts and circumstances that existed at the date of initial application of 1 January 2023, as follows:
  - The determination of the business model within which a financial asset is held.
  - The designation (and revocation of previous designations) of certain financial assets and financial liabilities measured at FVTPL.

The retrospective restatement of comparatives has resulted in no adjustments to the measurement of financial instruments in the condensed consolidated financial statements.

The following table shows the original measurement categories and carrying amounts under IAS 39 and the new measurement categories and carrying amounts under IFRS 9 for each class of the Group's financial assets as at the transition date of 1 January 2022. The table presents the carrying amount of loans as previously reported, before the reclassification of £13 million policy loans to insurance contract liabilities under IFRS 17 as set out in note B2(a).

	Mandatorily held at FVTPL		Designated at FVTPL		Amortised cost		IFRS 9		IAS 39	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 January 2022</b>										
Loans	29,980	—	8,644	38,624	29,980	8,644	38,624			
Cash and cash equivalents	—	1,855	10,630	12,485	—	12,485	12,485			
Financial investments	264,961	—	—	264,961	264,961	—	264,961			
Reinsurance assets for non-participating investment contracts	5,122	—	—	5,122	5,122	—	5,122			

There were no impacts on the categorisation or measurement of financial liabilities.

### (c) Remeasurement of the Acquisition Balance Sheet

In line with the remeasurement period following acquisition of an entity allowed by IFRS 3, goodwill in the condensed consolidated statement of financial position as at 31 December 2022 has been reduced by £37 million to £2,035 million and pension deficits and other provisions have been reduced by £37 million to £724 million. The adjustments reflect additional information obtained about conditions existing at the acquisition date. No adjustments have been made to goodwill at 30 June 2022 as a result of this change.

## B3 – Exchange rates

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

	6 months 2023	6 months 2022	Full year 2022
<b>Eurozone</b>			
Average rate (€1 equals)	£0.88	£0.84	£0.85
Period end rate (€1 equals)	£0.86	£0.86	£0.89
<b>Canada</b>			
Average rate (\$CAD1 equals)	£0.60	£0.61	£0.62
Period end rate (\$CAD1 equals)	£0.60	£0.64	£0.61

## B4 – Segmental information

The Group's results can be segmented either by activity or by geography. Our primary reporting format is along business unit reporting lines, with supplementary information being given by business activity. This note provides segmental information on the consolidated income statement. Financial performance of our key business units are presented as UK & Ireland Insurance, Wealth and Retirement (IWR), General Insurance (which brings together our UK & Ireland GI businesses and Canada General Insurance) and Aviva Investors. Our international businesses are presented as International investments (consisting of our interest in India, China and Singapore). The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 Insurance contracts as described in note B2(a).

### (a) Operating segments

#### UK & Ireland Insurance, Wealth and Retirement (IWR)

The principal activities of our UK & Ireland Insurance, Wealth and Retirement (IWR) operations are life insurance, long-term health and accident insurance, savings, pensions and annuity business. This segment includes Succession Wealth following the acquisition on 11 August 2022.

#### General Insurance

##### UK & Ireland

The principal activities of our UK & Ireland General Insurance operations are the provision of insurance cover to individuals and businesses, for risks associated mainly with motor vehicles, property and liability (such as employers' liability and professional indemnity liability) and medical expenses.

##### Canada

The principal activity of our Canada General Insurance operation is the provision of personal and commercial lines insurance products, for risks associated mainly with motor, property and liability principally distributed through insurance brokers.

#### Aviva Investors

Aviva Investors operates in a number of international markets, in particular the UK, North America and Asia Pacific. Aviva Investors manages policyholders' and shareholders' invested funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products. These include investment funds, unit trusts, open-ended investment companies and individual savings accounts.

#### International investments

International investments comprise our long-term business operations in China, India and Singapore. In China, Aviva plc have a 50% shareholding in Aviva-COFCO Life Insurance Company Limited. In Singapore, Aviva plc has a 26% shareholding in Aviva Singlife. In India, the Group has a 74% shareholding in Aviva India.

#### Other Group activities

Other Group activities includes investment return on centrally held assets, head office (Corporate centre) expenses such as Group treasury and finance functions, financing costs arising on central borrowings, the elimination entries for certain inter-segment transactions and group consolidation adjustments.

#### Measurement basis

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. The Group evaluates performance of operating segments on the basis of:

- (i) profit or loss from operations before tax attributable to shareholders; and
- (ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items, including investment market performance.

**(i) Segmental income statement for the six months ended 30 June 2023**

	UK & Ireland Insurance, Wealth and Retirement (IWR) £m	UK & Ireland General Insurance £m	Canada General Insurance £m	Aviva Investors £m	International investments (India, China and Singapore) £m	Other Group activities £m	Total £m
Insurance revenue <sup>1</sup>	3,877	2,972	1,983	—	72	(9)	8,895
Insurance service expense	(3,340)	(2,564)	(1,713)	—	(72)	3	(7,686)
Net expense from reinsurance contracts	(126)	(218)	(49)	—	—	6	(387)
<b>Insurance service result</b>	<b>411</b>	<b>190</b>	<b>221</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>822</b>
Investment return <sup>1</sup>	4,540	111	111	5	66	86	4,919
Net finance expense from insurance contracts and participating investment contracts	(309)	(29)	(65)	—	(66)	—	(469)
Net finance income/(expense) from reinsurance contracts <sup>1</sup>	164	3	4	—	—	(1)	170
Movement in non-participating investment contract liabilities	(4,440)	—	—	—	—	—	(4,440)
Investment expense attributable to unitholders	—	—	—	—	—	(105)	(105)
<b>Net financial result</b>	<b>(45)</b>	<b>85</b>	<b>50</b>	<b>5</b>	<b>—</b>	<b>(20)</b>	<b>75</b>
Fee and commission income <sup>1</sup>	649	26	5	67	—	6	753
Inter-segment revenue	—	—	—	106	—	—	106
Share of loss after tax of joint ventures and associates <sup>1</sup>	(1)	—	—	—	(36)	—	(37)
Other operating expenses	(519)	(55)	(22)	(173)	—	(196)	(965)
Other net foreign exchange gains	1	33	—	—	—	67	101
Other finance costs	(112)	—	(2)	—	—	(139)	(253)
Inter-segment expenses	(97)	(4)	(3)	—	—	(2)	(106)
<b>Profit/(loss) before tax</b>	<b>287</b>	<b>275</b>	<b>249</b>	<b>5</b>	<b>(36)</b>	<b>(284)</b>	<b>496</b>
Tax attributable to policyholders' returns	(25)	—	—	—	—	—	(25)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>262</b>	<b>275</b>	<b>249</b>	<b>5</b>	<b>(36)</b>	<b>(284)</b>	<b>471</b>
<i>Adjusting items:</i>							
Reclassification of unallocated interest	(4)	(9)	23	—	—	(10)	—
Investment variances and economic assumption changes	124	(37)	(37)	—	82	33	165
Amortisation and impairment of intangibles acquired in business combinations	25	1	5	—	—	—	31
Amortisation and impairment of acquired value of in-force business	29	—	—	—	—	—	29
Other <sup>2</sup>	—	—	—	—	—	19	19
<b>Group adjusted operating profit/(loss) before tax attributable to shareholders' profits</b>	<b>436</b>	<b>230</b>	<b>240</b>	<b>5</b>	<b>46</b>	<b>(242)</b>	<b>715</b>

1. Total reported income, excluding inter-segment revenue, includes £12,417 million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.

2. Other includes a charge of £13 million relating to provisions for indemnities entered into through acquisition and disposal activity, a charge of £2 million relating to cost of fees and charges associated with the return of capital to ordinary shareholders and a charge of £4 million relating to the cost of the employee free share award.

(ii) Segmental income statement for the six months ended 30 June 2022 – restated<sup>1</sup>

	UK & Ireland Insurance, Wealth and Retirement (IWR) £m	UK & Ireland General Insurance £m	Canada General Insurance £m	Aviva Investors £m	International investments (India, China and Singapore) £m	Other Group activities £m	Total £m
Insurance revenue <sup>3</sup>	3,701	2,724	1,841	—	—	(4)	8,262
Insurance service expense	(3,280)	(2,413)	(1,623)	—	—	(11)	(7,327)
Net expense from reinsurance contracts	(11)	(171)	(41)	—	—	(2)	(225)
Insurance service result	410	140	177	—	—	(17)	710
Investment return <sup>3</sup>	(29,354)	(542)	(291)	16	—	(606)	(30,777)
Net finance income/(expense) from insurance contracts and participating investment contracts	16,006	567	174	—	—	(110)	16,637
Net finance (expense)/income from reinsurance contracts <sup>3</sup>	(1,345)	(325)	(9)	—	—	158	(1,521)
Movement in non-participating investment contract liabilities	13,980	—	—	(17)	—	—	13,963
Investment income attributable to unitholders	—	—	—	—	—	592	592
Net financial result	(713)	(300)	(126)	(1)	—	34	(1,106)
Fee and commission income <sup>3</sup>	527	22	4	86	—	18	657
Inter-segment revenue	—	—	—	117	—	—	117
Share of profit after tax of joint ventures and associates <sup>3</sup>	28	—	—	—	30	11	69
Other operating expenses	(393)	(34)	(12)	(188)	—	(211)	(838)
Other net foreign exchange losses	—	(38)	—	—	—	(30)	(68)
Other finance costs	(88)	(1)	(3)	—	—	(143)	(235)
Inter-segment expenses	(108)	(3)	(3)	—	—	(3)	(117)
(Loss)/profit before tax	(337)	(214)	37	14	30	(341)	(811)
Tax attributable to policyholders' returns	509	—	—	—	—	—	509
(Loss)/profit before tax attributable to shareholders' profits	172	(214)	37	14	30	(341)	(302)
Adjusting items:							
Reclassification of unallocated interest	(1)	(6)	13	—	—	(6)	—
Investment variances and economic assumption changes	260	383	146	—	19	55	863
Impairment of goodwill, joint ventures, associates and other amounts expensed	14	—	—	—	—	—	14
Amortisation and impairment of intangibles acquired in business combinations	20	—	5	—	—	—	25
Amortisation and impairment of acquired value of in-force business	34	—	—	—	—	—	34
Other <sup>4</sup>	1	—	—	—	—	26	27
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits <sup>2</sup>	500	163	201	14	49	(266)	661

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- The restated HY22 comparatives also includes two changes unrelated to the adoption of IFRS 17 resulting in a £102 million reduction in group adjusted operating profit from previously reported. The changes relate to (i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in non-operating investment variances and economic assumption changes for the Heritage business and (ii) a change in the calculations of General Insurance investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business.
- Total reported income, excluding inter-segment revenue, includes £ (25,093) million from the United Kingdom (Aviva plc's country of domicile). Income is attributed on the basis of geographical origin which does not differ materially from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
- Other includes a charge of £15 million relating to third party reinsurance accepted by Aviva from former Aviva France general insurance entity; a charge of £10 million relating to cost of fees and charges associated with the return of capital to ordinary shareholders; £1 million relating to provisions for indemnities entered into through acquisition and disposal activity and a charge of £1 million relating to the cost of the employee free share award.

(b) Further analysis by products and services

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

Long-term business

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

General insurance and health

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

Fund management

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

Other

Other includes service companies, head office expenses such as Group treasury and finance functions, and certain financing costs and taxes not allocated to business segments and elimination entries for certain inter-segment transactions and group consolidation adjustments.

**(i) Segmental income statement – products and services for the six months ended 30 June 2023**

	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
Insurance revenue	3,647	5,257	—	(9)	8,895
Insurance service expense	(3,165)	(4,525)	—	4	(7,686)
Net expense from reinsurance contracts	(127)	(266)	—	6	(387)
<b>Insurance service result</b>	<b>355</b>	<b>466</b>	<b>—</b>	<b>1</b>	<b>822</b>
Investment return	4,602	207	5	105	4,919
Net finance expense from insurance contracts and participating investment contracts	(375)	(94)	—	—	(469)
Net finance income/(expense) from reinsurance contracts	165	6	—	(1)	170
Movement in non-participating investment contract liabilities	(4,440)	—	—	—	(4,440)
Investment expense attributable to unitholders	—	—	—	(105)	(105)
<b>Net financial result</b>	<b>(48)</b>	<b>119</b>	<b>5</b>	<b>(1)</b>	<b>75</b>
Fee and commission income	646	34	67	6	753
Inter-segment revenue	—	—	106	—	106
Share of loss after tax of joint ventures and associates	(31)	—	—	(6)	(37)
Other operating expenses	(490)	(81)	(173)	(221)	(965)
Other net foreign exchange gains	1	29	—	71	101
Other finance costs	(112)	(3)	—	(138)	(253)
Inter-segment expenses	(97)	(7)	—	(2)	(106)
<b>Profit/(loss) before tax</b>	<b>224</b>	<b>557</b>	<b>5</b>	<b>(290)</b>	<b>496</b>
Tax attributable to policyholders' returns	(25)	—	—	—	(25)
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>199</b>	<b>557</b>	<b>5</b>	<b>(290)</b>	<b>471</b>
Adjusting items	252	(55)	—	47	244
<b>Group adjusted operating profit/(loss) before tax attributable to shareholders' profits</b>	<b>451</b>	<b>502</b>	<b>5</b>	<b>(243)</b>	<b>715</b>

**(ii) Segmental income statement – products and services for the six months ended 30 June 2022 — restated<sup>1</sup>**

	Long-term business £m	General insurance and health £m	Fund management £m	Other £m	Total £m
Insurance revenue	3,442	4,824	—	(4)	8,262
Insurance service expense	(3,068)	(4,261)	—	2	(7,327)
Net expense from reinsurance contracts	(10)	(213)	—	(2)	(225)
<b>Insurance service result</b>	<b>364</b>	<b>350</b>	<b>—</b>	<b>(4)</b>	<b>710</b>
Investment return	(29,353)	(832)	—	(592)	(30,777)
Net finance income/(expense) from insurance contracts and participating investment contracts	16,005	742	—	(110)	16,637
Net finance (expense)/income from reinsurance contracts	(1,345)	(334)	—	158	(1,521)
Movement in non-participating investment contract liabilities	13,963	—	—	—	13,963
Investment income attributable to unitholders	—	—	—	592	592
<b>Net financial result</b>	<b>(730)</b>	<b>(424)</b>	<b>—</b>	<b>48</b>	<b>(1,106)</b>
Fee and commission income	527	26	86	18	657
Inter-segment revenue	—	—	117	—	117
Share of profit after tax of joint ventures and associates	58	—	—	11	69
Other operating expenses	(353)	(58)	(189)	(238)	(838)
Other net foreign exchange losses	—	(19)	—	(49)	(68)
Other finance costs	(88)	(4)	—	(143)	(235)
Inter-segment expenses	(108)	(7)	—	(2)	(117)
<b>(Loss)/profit before tax</b>	<b>(330)</b>	<b>(136)</b>	<b>14</b>	<b>(359)</b>	<b>(811)</b>
Tax attributable to policyholders' returns	509	—	—	—	509
<b>Profit/(loss) before tax attributable to shareholders' profits</b>	<b>179</b>	<b>(136)</b>	<b>14</b>	<b>(359)</b>	<b>(302)</b>
Adjusting items	347	522	—	94	963
<b>Group adjusted operating profit/(loss) before tax attributable to shareholders' profits<sup>2</sup></b>	<b>526</b>	<b>386</b>	<b>14</b>	<b>(265)</b>	<b>661</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. The restated HY22 comparatives also includes two changes unrelated to the adoption of IFRS 17 resulting in a £102 million reduction in group adjusted operating profit from previously reported. The changes relate to (i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in non-operating investment variances and economic assumption changes for the Heritage business and (ii) a change in the calculations of General Insurance investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business.

## B5 – Insurance revenue

This note analyses the insurance revenue recognised in relation to our insurance contracts and participating investment contracts (which are described in note B11).

Insurance revenue for the six month period ended 30 June comprised:

	6 months 2023 £m	6 months 2022 £m
Contracts not measured under the PAA		
Amounts relating to changes in liabilities for remaining coverage		
CSM recognised for services provided	346	348
Change in risk adjustment for risk expired	87	85
Expected incurred claims and other insurance service expenses	3,071	3,065
Other <sup>1</sup>	(14)	(207)
Recovery of insurance acquisition cashflows	148	147
Contracts measured under the PAA	5,257	4,824
<b>Total insurance revenue</b>	<b>8,895</b>	<b>8,262</b>

1. Other is predominantly relates to revenue recognised for incurred policyholder tax expenses on participating business.

For contracts measured under the PAA, amounts recognised in insurance revenue are based on the expected premiums earned in the period.

## B6 – Net financial result

The following table analyses the Group's net financial result.

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
<b>Investment return</b>		
Interest and similar income	2,257	2,076
Dividend income	1,731	2,187
Net gains/(losses)	1,166	(36,178)
From financial assets mandatorily held at FVTPL	2,305	(34,142)
From financial assets held at amortised cost	166	35
From borrowings designated as FVTPL	(8)	(4)
From financial liabilities mandatorily held at FVTPL	(1,297)	(2,067)
Net income from investment properties	79	473
Rent	166	169
Expenses relating to these properties	(12)	(6)
Realised gains/(losses) on disposal	39	(3)
Fair value (losses)/gains on investment properties	(114)	313
Other	(313)	666
Net impairment loss on financial assets	(1)	(1)
<b>Total investment return</b>	<b>4,919</b>	<b>(30,777)</b>
<b>Net finance (expense)/income from insurance contracts and participating investment contracts</b>		
Changes in fair value of underlying items	(1,256)	3,030
Other movements <sup>2</sup>	787	13,607
<b>Total net finance (expense)/income from insurance contracts and participating investment contracts</b>	<b>(469)</b>	<b>16,637</b>
<b>Net finance income/(expense) from reinsurance contracts</b>	<b>170</b>	<b>(1,521)</b>
<b>Movement in non-participating investment contract liabilities</b>	<b>(4,440)</b>	<b>13,963</b>
<b>Investment (expense)/income attributable to unitholders</b>	<b>(105)</b>	<b>592</b>
<b>Net financial result</b>	<b>75</b>	<b>(1,106)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 9 and IFRS 17, as described in note B2.

2. Other movements includes interest accretion on CSM, the unwind of discounting and the impact of changes in financial assumptions on fulfilment cash flows, and the difference between non-financial assumption changes and experience variances using locked-in and current financial assumptions.



## B7 – Expenses

The following table analyses the Group's expenses in profit or loss.

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
Claims and benefits incurred - life	2,950	2,781
Claims and benefits incurred - general insurance and health business	2,971	2,815
Claim recoveries from reinsurers	(1,393)	(1,330)
Gains on onerous insurance contracts and participating investment contracts	29	26
Fee and commission expense	1,566	1,467
Other expenses	1,114	1,144
<b>Total expenses</b>	<b>7,237</b>	<b>6,903</b>
<i>Represented by expenses included within the income statement:</i>		
Insurance service expense	7,686	7,327
Net expense from reinsurance contracts <sup>2</sup>	(1,313)	(1,330)
Other operating expenses	965	838
Other net foreign exchange (gains)/losses	(101)	68
<b>Total expenses</b>	<b>7,237</b>	<b>6,903</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Net income/(expense) from reinsurance contracts comprises an allocation of premiums paid to reinsurers of £(1,700) million (HY22: £(1,555) million) and amount recovered from reinsurers of £1,313 million (HY22: £1,330 million).

Other operating expenses of £965 million (HY22: £838 million) includes the Group's Aviva Investors segment, amortisation on AVIF and intangibles acquired in business combinations, expenses attributable to non-participating investment contract, expenses attributable to non-insurance products such as wealth management services and Corporate Centre costs.

## B8 – Tax

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

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

(i) The total tax charged/(credited) comprises:

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
<b>Current tax</b>		
For the period	200	30
Prior period adjustments	3	(1)
<b>Total current tax</b>	<b>203</b>	<b>29</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(99)	(632)
Changes in tax rates or tax laws	—	—
Write down/(back) of deferred tax assets	15	(10)
<b>Total deferred tax</b>	<b>(84)</b>	<b>(642)</b>
<b>Total tax charged/(credited) to income statement</b>	<b>119</b>	<b>(613)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

(ii) The Group, as a proxy for policyholders in the UK and Ireland, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK and Ireland IWR insurance policyholder returns is included in the tax charge. The tax charge attributable to policyholder returns included in the charge above is £25 million (HY22: credit of £509 million).

(iii) The tax charge/(credit) above, comprising current and deferred tax, can be analysed as follows:

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
UK tax	84	(595)
Overseas tax	35	(18)
	<b>119</b>	<b>(613)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

**(b) Tax credited to other comprehensive income**

(i) The total tax credited comprises:

	6 months 2023 £m	6 months 2022 £m
Current tax		
In respect of pensions and other post-retirement obligations	(1)	(12)
In respect of foreign exchange movements	3	7
	2	(5)
Deferred tax		
In respect of pensions and other post-retirement obligations	(43)	(166)
<b>Total tax credited to other comprehensive income</b>	<b>(41)</b>	<b>(171)</b>

**(c) Tax charged/credited to equity**

No tax has been directly charged/(credited) to equity in either 2022 or 2023.

**(d) Tax reconciliation**

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

	6 months 2023			Restated <sup>1</sup> 6 months 2022		
	Shareholder £m	Policyholder £m	Total £m	Shareholder £m	Policyholder £m	Total £m
<b>Total profit/(loss) before tax</b>	<b>471</b>	<b>25</b>	<b>496</b>	<b>(302)</b>	<b>(509)</b>	<b>(811)</b>
Tax calculated at standard UK corporation tax rate of 23.50% (2022: 19.00%)	111	6	117	(57)	(97)	(154)
Reconciling items						
Different basis of tax – policyholders	—	20	20	—	(415)	(415)
Adjustment to tax charge in respect of prior periods	(7)	—	(7)	—	—	—
Non-assessable income and items not taxed at the full statutory rate	(17)	—	(17)	14	—	14
Non-taxable profit on sale of subsidiaries and associates	—	—	—	—	—	—
Disallowable expenses	11	—	11	19	—	19
Different local basis of tax on overseas profits	3	(1)	2	(10)	3	(7)
Change in future local statutory tax rates	—	—	—	—	—	—
Movement in deferred tax not recognised	(16)	—	(16)	(57)	—	(57)
Tax effect of profit from joint ventures and associates	9	—	9	(8)	—	(8)
Other	—	—	—	(5)	—	(5)
<b>Total tax charged/(credited) to income statement</b>	<b>94</b>	<b>25</b>	<b>119</b>	<b>(104)</b>	<b>(509)</b>	<b>(613)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

The tax charge/(credit) attributable to policyholder returns is removed from the Group's total profit before tax in arriving at the Group's profit before tax attributable to shareholders' profits. As the net of tax profits attributable to with-profits and unit-linked policyholders is zero, the Group's pre-tax profit attributable to policyholders is an amount equal and opposite to the tax charge/(credit) attributable to policyholders included in the total tax charge.

The UK corporation tax rate increased to 25% from 1 April 2023. This rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 30 June 2022, 31 December 2022 and 30 June 2023.

Legislation on The Organisation for Economic Co-operation and Development proposals to reform the international tax system and introduce a global minimum effective rate of corporation tax of 15% was substantively enacted by the UK government on 20 June 2023 to take effect from 31 December 2023. In accordance with the amendments to IAS 12 endorsed in the UK on 19 July 2023, the Group has applied the exemption and not provided for deferred tax in respect of the OECD reforms.

**B9 – Earnings per share**

This note shows how to calculate earnings per share on profit attributable to ordinary shareholders, based both on the present shares in issue (the basic earnings per share) and the potential future shares in issue, including conversion of share options granted to employees (the diluted earnings per share). We have also shown the same calculations based on our Group adjusted operating profit as we believe this gives an important indication of operating performance. Consideration of both these measures gives a full picture of the performance of the business during the year.

## (a) Basic earnings per share

### (i) Basic earnings per share is calculated as follows:

	6 months 2023			Restated <sup>1</sup> 6 months 2022		
	Group adjusted operating profit £m	Adjusting items £m	Total £m	Group adjusted operating profit <sup>2</sup> £m	Adjusting items £m	Total £m
Profit before tax attributable to shareholders' profits	715	(244)	471	661	(963)	(302)
Tax attributable to shareholders' profits	(126)	32	(94)	(132)	236	104
<b>Profit/(loss) for the period</b>	<b>589</b>	<b>(212)</b>	<b>377</b>	<b>529</b>	<b>(727)</b>	<b>(198)</b>
Amount attributable to non-controlling interests	(11)	—	(11)	(11)	—	(11)
Coupon payments in respect of tier 1 notes	(17)	—	(17)	—	—	—
Cumulative preference dividends for the period	(9)	—	(9)	(9)	—	(9)
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>552</b>	<b>(212)</b>	<b>340</b>	<b>509</b>	<b>(727)</b>	<b>(218)</b>
Weighted average number of shares (note B9 (a)(iii))	2,768	2,768	2,768	3,474	3,474	3,474
<b>Operating earnings per share<sup>3</sup>/Basic earnings per share</b>	<b>19.9</b>	<b>(7.6)</b>	<b>12.3</b>	<b>14.7</b>	<b>(21.0)</b>	<b>(6.3)</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- The restated HY22 comparatives also includes two changes unrelated to the adoption of IFRS 17 resulting in a £102 million reduction in group adjusted operating profit from previously reported. The changes relate to (i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in non-operating investment variances and economic assumption changes for the Heritage business and (ii) a change in the calculations of General Insurance investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business.
- Operating earnings per share in 2022 was impacted by the share consolidation completed on 16 May 2022. The operating earnings per share numbers using weighted average number of shares as if the share consolidation had taken place on 1 January 2022 would have been 18.1 pence per share.

### (ii) Basic earnings per share comprises:

	6 months 2023			Restated <sup>1</sup> 6 months 2022		
	Before tax £m	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Per share p	Before tax £m	Net of tax, NCI, preference dividends and tier 1 notes coupon payments £m	Per share p
<b>Group adjusted operating profit attributable to ordinary shareholders</b>	<b>715</b>	<b>552</b>	<b>19.9</b>	<b>661</b>	<b>509</b>	<b>14.7</b>
Adjusting items:						
Investment variances and economic assumption changes	(165)	(147)	(5.3)	(863)	(640)	(18.5)
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	—	(14)	(14)	(0.4)
Amortisation and impairment of intangibles acquired in business combinations	(31)	(23)	(0.8)	(25)	(19)	(0.6)
Amortisation and impairment of acquired value of in-force business	(29)	(22)	(0.8)	(34)	(28)	(0.8)
Other	(19)	(20)	(0.7)	(27)	(26)	(0.7)
<b>Profit/(loss) attributable to ordinary shareholders</b>	<b>471</b>	<b>340</b>	<b>12.3</b>	<b>(302)</b>	<b>(218)</b>	<b>(6.3)</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

(iii) The calculation of basic earnings per share uses a weighted average of 2,768 million (HY22: 3,474 million) ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 30 June 2023 was 2,738 million (30 June 2022: 2,803 million) or 2,725 million (30 June 2022: 2,782 million) excluding treasury shares. See note B21 for further information on the movements in share capital during the year.

## (b) Diluted earnings per share

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

	6 months 2023			Restated <sup>1</sup> 6 months 2022		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Profit attributable to ordinary shareholders	340	2,768	12.3	(218)	3,474	(6.3)
Dilutive effect of share awards and options <sup>2</sup>		31	(0.2)	—	—	—
<b>Diluted earnings per share</b>	<b>340</b>	<b>2,799</b>	<b>12.1</b>	<b>(218)</b>	<b>3,474</b>	<b>(6.3)</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).
- Excluded from the diluted figures are 37 million ordinary share options issued during the six months period ended 30 June 2022. If exercised, these would have a 0.1 pence per share anti-dilutive effect and are excluded in accordance with IAS 33 Earnings per share. The Group expects these share awards and options to be exercised.

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

	6 months 2023			Restated <sup>1</sup> 6 months 2022		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Group adjusted operating profit attributable to ordinary shareholders	552	2,768	19.9	509	3,474	14.7
Dilutive effect of share awards and options		31	(0.2)		37	(0.2)
<b>Diluted group adjusted operating profit per share</b>	<b>552</b>	<b>2,799</b>	<b>19.7</b>	<b>509</b>	<b>3,511</b>	<b>14.5</b>

- The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## B10 – Dividends and appropriations

This note analyses the total dividends and other appropriations paid during the period, as set out in the table below. Details are also provided of the interim dividend for 2023, which is not accrued in these financial statements and is therefore excluded from the table.

	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
Ordinary dividends declared and charged to equity in the year			
Final 2022 – 20.70 pence per share, paid on 18 May 2023	576	—	—
Interim 2022 – 10.30 pence per share, paid on 28 September 2022	—	—	287
Final 2021 – 14.70 pence per share, paid on 19 May 2022	—	541	541
	576	541	828
Preference dividends declared and charged to equity in the year	9	9	17
Coupon payments on tier 1 notes charged to equity in the year	17	—	17
	602	550	862

Subsequent to 30 June 2023, the directors declared an interim dividend for 2023 of 11.1 pence per ordinary share, amounting to £304 million. The dividend will be paid on 5 October 2023 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2023. See shareholder services in the 'Other information' section for further details.

See note B21 – Ordinary share capital for information on share buyback and return of capital to ordinary shareholders.

## B11 – Insurance and reinsurance contracts

For the purpose of this note, all references to insurance contracts include participating investment contracts.

The Group has presented the information about insurance and reinsurance contracts using the following product groups.

Reportable product group	Products and services	Measurement model
Life risk	<ul style="list-style-type: none"> <li>Annuities (bulk purchase and individual), term assurance, income protection and critical illness</li> <li>Includes participating pension saving contracts with guaranteed annuity terms as these contracts are expected to convert to annuity contracts and the predominant characteristics are life risk</li> </ul>	GMM
Life participating	<ul style="list-style-type: none"> <li>With profits savings contracts, unit linked insurance and unit linked participating contracts</li> </ul>	Predominantly measured using the VFA. There is some participating business which is measured using the GMM.
Non-life	<ul style="list-style-type: none"> <li>General insurance contracts</li> <li>Health insurance contracts</li> </ul>	Predominantly measured using the PAA. There is a small portion of non-life business which is measured using the GMM.

### (a) Carrying amount

Insurance and reinsurance contracts as at 30 June/31 December comprised:

	Note	30 June 2023				Restated <sup>1</sup> 31 December 2022			
		Life risk £m	Participating £m	Non-life £m	Total £m	Life risk £m	Participating £m	Non-life £m	Total £m
<b>Insurance contracts</b>									
<i>Insurance contract liabilities</i>									
Insurance contract balances	B11(b)	63,196	39,713	13,383	116,292	63,639	40,442	13,246	117,327
Assets for insurance acquisition cashflows		—	—	(88)	(88)	—	—	(78)	(78)
<b>Total insurance contract liabilities</b>		<b>63,196</b>	<b>39,713</b>	<b>13,295</b>	<b>116,204</b>	<b>63,639</b>	<b>40,442</b>	<b>13,168</b>	<b>117,249</b>
<b>Reinsurance contracts</b>									
Reinsurance contract assets	B11(b)	(5,233)	(13)	(1,775)	(7,021)	(4,880)	(13)	(1,834)	(6,727)

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## (b) Movements in the period

The following movements have occurred in the carrying amount for insurance contract balances in the period:

	6 months 2023 £m	Restated <sup>1</sup> Full year 2022 £m
Carrying amount at 1 January	117,327	143,178
Insurance revenue	(8,895)	(16,889)
Insurance service expenses	7,686	15,505
Insurance finance expense/(income)	469	(24,499)
Currency and other changes	(269)	381
Premiums received	10,393	18,367
Claims and expenses paid, including investment component	(8,777)	(16,615)
Acquisition cash flows	(1,642)	(3,119)
Effect of portfolio transfers, acquisitions and disposals <sup>2</sup>	—	1,018
<b>Carrying amount at 30 June/31 December</b>	<b>116,292</b>	<b>117,327</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Included within the carrying amounts are: the present value of expected future cashflows, representing a best estimate view; risk adjustment for non-financial risk; and CSM representing the unearned profit for future service.

The carrying amount for reinsurance contracts are recognised separately from insurance contract balances. Detailed movements on both are included in following tables.

The following summarises movements in CSM that have occurred during the period:

	30 June 2023				31 December 2022			
	Life risk £m	Participating £m	Non-life £m	Total £m	Life risk £m	Participating £m	Non-life £m	Total £m
<b>CSM in respect of insurance contracts</b>								
At 1 January	5,714	1,201	—	6,915	4,951	1,295	—	6,246
CSM recognised for services provided	(272)	(74)	—	(346)	(578)	(172)	—	(750)
Other movements in CSM	896	—	—	896	1,341	78	—	1,419
<b>At 30 June/31 December</b>	<b>6,338</b>	<b>1,127</b>	<b>—</b>	<b>7,465</b>	<b>5,714</b>	<b>1,201</b>	<b>—</b>	<b>6,915</b>
<b>CSM in respect of reinsurance contracts</b>								
At 1 January	(450)	(2)	—	(452)	(98)	(2)	—	(100)
CSM recognised for services received	14	—	—	14	63	—	—	63
Other movements in CSM	(390)	—	—	(390)	(415)	—	—	(415)
<b>At 30 June/31 December</b>	<b>(826)</b>	<b>(2)</b>	<b>—</b>	<b>(828)</b>	<b>(450)</b>	<b>(2)</b>	<b>—</b>	<b>(452)</b>
<b>Net CSM at 1 January</b>	<b>5,264</b>	<b>1,199</b>	<b>—</b>	<b>6,463</b>	<b>4,853</b>	<b>1,293</b>	<b>—</b>	<b>6,146</b>
<b>Net CSM at 30 June/31 December</b>	<b>5,512</b>	<b>1,125</b>	<b>—</b>	<b>6,637</b>	<b>5,264</b>	<b>1,199</b>	<b>—</b>	<b>6,463</b>

The CSM in respect of insurance contracts has increased as the recognition of new contracts and remeasurement of future service on existing contracts (both included within other movements in CSM) is larger than the CSM recognised for services provided. The CSM recognised in the period of £346 million (2022: £750 million) is a key component of insurance revenue.

The CSM in respect of reinsurance contracts has decreased significantly, predominantly due to the remeasurement of existing reinsurance contracts aligned to remeasurements of the underlying insurance contracts.

The following summarises movements in the risk adjustment that have occurred during the period:

	30 June 2023				31 December 2022			
	Life risk £m	Participating £m	Non-life £m	Total £m	Life risk £m	Participating £m	Non-life £m	Total £m
<b>Risk adjustment in respect of insurance contracts</b>								
At 1 January	1,443	62	553	2,058	2,653	79	569	3,301
Change in risk adjustment for risk expired	(84)	(3)	—	(87)	(171)	(5)	—	(176)
Other movements in risk adjustment	36	4	—	40	(1,039)	(12)	(16)	(1,067)
<b>At 30 June/31 December</b>	<b>1,395</b>	<b>63</b>	<b>553</b>	<b>2,011</b>	<b>1,443</b>	<b>62</b>	<b>553</b>	<b>2,058</b>
<b>Risk adjustment in respect of reinsurance contracts</b>								
At 1 January	(570)	—	(162)	(732)	(1,055)	—	(164)	(1,219)
Change in risk adjustment for risk expired	34	—	5	39	88	—	14	102
Other movements in risk adjustment	(53)	—	(5)	(58)	397	—	(12)	385
<b>At 30 June/31 December</b>	<b>(589)</b>	<b>—</b>	<b>(162)</b>	<b>(751)</b>	<b>(570)</b>	<b>—</b>	<b>(162)</b>	<b>(732)</b>
<b>Net risk adjustment at 1 January</b>	<b>873</b>	<b>62</b>	<b>391</b>	<b>1,326</b>	<b>1,598</b>	<b>79</b>	<b>405</b>	<b>2,082</b>
<b>Net risk adjustment at 30 June/31 December</b>	<b>806</b>	<b>63</b>	<b>391</b>	<b>1,260</b>	<b>873</b>	<b>62</b>	<b>391</b>	<b>1,326</b>

The net risk adjustment has decreased in the period, where the addition of risk adjustment on new business has been more than offset by the release of risk adjustment for risk expired and decreases due to the increase in discount rates.

During 2022, there was a significant fall in net risk adjustment, driven by the large rise in discount rates.

The following reconciliations show how the net carrying amounts of insurance and reinsurance contracts in each product group changed during the period as a result of cash flows and amounts recognised in the income statement.

**(i) Life risk**

**Insurance contracts**

The following table shows life risk insurance contracts analysed by measurement component:

	Contractual service margin (CSM)							Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m		
<b>6 months 2023</b>								
Opening assets	—	—	—	—	—	—	—	—
Opening liabilities	56,482	1,443	—	3,193	2,521	5,714	63,639	63,639
<b>Carrying amount at 1 January</b>	<b>56,482</b>	<b>1,443</b>	<b>—</b>	<b>3,193</b>	<b>2,521</b>	<b>5,714</b>	<b>63,639</b>	<b>63,639</b>
<i>Changes in comprehensive income</i>								
<i>Changes that relate to current services</i>								
CSM recognised for services provided	—	—	—	(142)	(130)	(272)	(272)	(272)
Change in risk adjustment for risk expired	—	(84)	—	—	—	—	(84)	(84)
Experience adjustments	9	—	—	—	—	—	9	9
<i>Changes that relate to future services</i>								
Contracts initially recognised in the period	(266)	79	—	—	188	188	1	1
Changes in estimates that adjust the CSM	(610)	(6)	—	156	460	616	—	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	(80)	—	—	—	—	—	(80)	(80)
<b>Insurance service result</b>	<b>(947)</b>	<b>(11)</b>	<b>—</b>	<b>14</b>	<b>518</b>	<b>532</b>	<b>(426)</b>	<b>(426)</b>
Net finance income from insurance contracts	(918)	(34)	—	73	29	102	(850)	(850)
Effect of movements in exchange rates	(77)	(3)	—	(5)	(5)	(10)	(90)	(90)
<b>Total changes in comprehensive income</b>	<b>(1,942)</b>	<b>(48)</b>	<b>—</b>	<b>82</b>	<b>542</b>	<b>624</b>	<b>(1,366)</b>	<b>(1,366)</b>
Premiums received	4,756	—	—	—	—	—	4,756	4,756
Claims and other insurance service expense paid, including investment components	(3,589)	—	—	—	—	—	(3,589)	(3,589)
Insurance acquisition cashflows	(244)	—	—	—	—	—	(244)	(244)
<b>Total cash flows</b>	<b>923</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>923</b>	<b>923</b>
<b>Carrying amount at 30 June</b>	<b>55,463</b>	<b>1,395</b>	<b>—</b>	<b>3,275</b>	<b>3,063</b>	<b>6,338</b>	<b>63,196</b>	<b>63,196</b>
Closing assets	—	—	—	—	—	—	—	—
Closing liabilities	55,463	1,395	—	3,275	3,063	6,338	63,196	63,196
<b>Carrying amount at 30 June</b>	<b>55,463</b>	<b>1,395</b>	<b>—</b>	<b>3,275</b>	<b>3,063</b>	<b>6,338</b>	<b>63,196</b>	<b>63,196</b>

	Contractual service margin (CSM)							Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m		
<b>Restated<sup>1</sup></b>								
<b>Full year 2022</b>								
Opening assets	—	—	—	—	—	—	—	—
Opening liabilities	74,467	2,653	—	2,911	2,040	4,951	82,071	82,071
<b>Carrying amount at 1 January</b>	<b>74,467</b>	<b>2,653</b>	<b>—</b>	<b>2,911</b>	<b>2,040</b>	<b>4,951</b>	<b>82,071</b>	<b>82,071</b>
<i>Changes in comprehensive income</i>								
<i>Changes that relate to current services</i>								
CSM recognised for services provided	—	—	—	(304)	(274)	(578)	(578)	(578)
Change in risk adjustment for risk expired	—	(171)	—	—	—	—	(171)	(171)
Experience adjustments	(90)	—	—	—	—	—	(90)	(90)
<i>Changes that relate to future services</i>								
Contracts initially recognised in the year	(570)	186	—	—	418	418	34	34
Changes in estimates that adjust the CSM	(677)	(69)	—	453	293	746	—	—
Changes in estimates that result in losses and reversal of losses on onerous contracts	103	(5)	—	—	—	—	98	98
<b>Insurance service result</b>	<b>(1,234)</b>	<b>(59)</b>	<b>—</b>	<b>149</b>	<b>437</b>	<b>586</b>	<b>(707)</b>	<b>(707)</b>
Net finance income from insurance contracts	(18,053)	(1,159)	—	124	35	159	(19,053)	(19,053)
Effect of movements in exchange rates	63	8	—	9	9	18	89	89
<b>Total changes in comprehensive income</b>	<b>(19,224)</b>	<b>(1,210)</b>	<b>—</b>	<b>282</b>	<b>481</b>	<b>763</b>	<b>(19,671)</b>	<b>(19,671)</b>
Premiums received	7,857	—	—	—	—	—	7,857	7,857
Claims and other insurance service expense paid, including investment components	(6,755)	—	—	—	—	—	(6,755)	(6,755)
Insurance acquisition cashflows	(508)	—	—	—	—	—	(508)	(508)
<b>Total cash flows</b>	<b>594</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>594</b>	<b>594</b>
Effect of portfolio transfers, acquisitions and disposals <sup>2</sup>	645	—	—	—	—	—	645	645
<b>Carrying amount at 31 December</b>	<b>56,482</b>	<b>1,443</b>	<b>—</b>	<b>3,193</b>	<b>2,521</b>	<b>5,714</b>	<b>63,639</b>	<b>63,639</b>
Closing assets	—	—	—	—	—	—	—	—
Closing liabilities	56,482	1,443	—	3,193	2,521	5,714	63,639	63,639
<b>Carrying amount at 31 December</b>	<b>56,482</b>	<b>1,443</b>	<b>—</b>	<b>3,193</b>	<b>2,521</b>	<b>5,714</b>	<b>63,639</b>	<b>63,639</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Key changes that impact the income statement include the release of CSM for services provided and the release of risk adjustment for expired risks.

Changes that relate to future service include:

- New contracts recognised in the year that give rise to a CSM liability representing unearned future profit on service yet to be provided;
- Experience variances and assumption changes on profitable contracts that impact the fulfilment cash flows and adjust the CSM liability;
- Recognition of new onerous contracts and experience variances or assumption changes on onerous contracts impacting the income statement immediately.

The changes in estimates that increase the CSM at 30 June 2023 of £616 million, relate primarily to an assumption change related to spouses of BPA scheme members and beneficial experience variance on annuity business. The changes in estimates that increase the CSM at 31 December 2022 of £746 million, reflects a change to longevity assumptions in the second half of 2022.

The net finance income from insurance contracts of £850 million (2022: £19,053 million) recognised in the income statement includes the impact of the change in financial assumptions, the unwind of discounting on the fulfilment cash flows and interest accretion on the CSM. There were significant increases in discount rates during 2022, with a smaller increase seen in the first half of 2023.

#### Reinsurance contracts

The following table shows life risk reinsurance contracts analysed by measurement component:

	Contractual service margin (CSM)							Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m		
<b>6 months 2023</b>								
Opening assets	3,860	570	(74)	384	140	450	4,880	
Opening liabilities	—	—	—	—	—	—	—	
<b>Carrying amount at 1 January</b>	<b>3,860</b>	<b>570</b>	<b>(74)</b>	<b>384</b>	<b>140</b>	<b>450</b>	<b>4,880</b>	
<i>Changes in comprehensive income</i>								
Changes that relate to current services								
CSM recognised for services received	—	—	3	(19)	2	(14)	(14)	
Change in risk adjustment for risk expired	—	(34)	—	—	—	—	(34)	
Experience adjustments	1	—	—	—	—	—	1	
Changes that relate to future services								
Contracts initially recognised in the period	(60)	56	—	—	4	4	—	
Changes in recoveries of losses on onerous underlying contracts that adjust the CSM	—	—	—	—	—	—	—	
Changes in estimates and recovery of losses on onerous underlying contracts	(457)	(1)	(1)	13	366	378	(80)	
<b>Net expenses from reinsurance contracts</b>	<b>(516)</b>	<b>21</b>	<b>2</b>	<b>(6)</b>	<b>372</b>	<b>368</b>	<b>(127)</b>	
Net finance income from reinsurance contracts	154	—	(1)	8	3	10	164	
Effect of movements in exchange rates	(18)	(2)	—	(2)	—	(2)	(22)	
<b>Total changes in comprehensive income</b>	<b>(380)</b>	<b>19</b>	<b>1</b>	<b>—</b>	<b>375</b>	<b>376</b>	<b>15</b>	
Premiums paid	1,530	—	—	—	—	—	1,530	
Amounts received	(1,192)	—	—	—	—	—	(1,192)	
<b>Total cash flows</b>	<b>338</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>338</b>	
<b>Carrying amount at 30 June</b>	<b>3,818</b>	<b>589</b>	<b>(73)</b>	<b>384</b>	<b>515</b>	<b>826</b>	<b>5,233</b>	
Closing assets	3,818	589	(73)	384	515	826	5,233	
Closing liabilities	—	—	—	—	—	—	—	
<b>Carrying amount at 30 June</b>	<b>3,818</b>	<b>589</b>	<b>(73)</b>	<b>384</b>	<b>515</b>	<b>826</b>	<b>5,233</b>	



	Contractual service margin (CSM)							Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	Other contracts £m	CSM Total £m		
Restated <sup>1</sup>								
Full year 2022								
Opening assets	5,136	1,055	(71)	281	(112)	98		6,289
Opening liabilities	—	—	—	—	—	—		—
Carrying amount at 1 January	5,136	1,055	(71)	281	(112)	98		6,289
<i>Changes in comprehensive income</i>								
<i>Changes that relate to current services</i>								
CSM recognised for services received	—	—	12	(43)	(32)	(63)		(63)
Change in risk adjustment for risk expired	—	(88)	—	—	—	—		(88)
Experience adjustments	(53)	—	—	—	—	—		(53)
<i>Changes that relate to future services</i>								
Contracts initially recognised in the year	(159)	155	—	—	4	4		—
Changes in estimates and recovery of losses on onerous underlying contracts	(273)	(65)	(13)	133	280	400		62
Net expenses from reinsurance contracts	(485)	2	(1)	90	252	341		(142)
Net finance expense from reinsurance contracts	(1,306)	(491)	(2)	9	(1)	6		(1,791)
Effect of movements in exchange rates	33	4	—	4	1	5		42
<b>Total changes in comprehensive income</b>	<b>(1,758)</b>	<b>(485)</b>	<b>(3)</b>	<b>103</b>	<b>252</b>	<b>352</b>		<b>(1,891)</b>
Premiums paid	2,779	—	—	—	—	—		2,779
Amounts received	(2,297)	—	—	—	—	—		(2,297)
<b>Total cash flows</b>	<b>482</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>		<b>482</b>
<b>Carrying amount at 31 December</b>	<b>3,860</b>	<b>570</b>	<b>(74)</b>	<b>384</b>	<b>140</b>	<b>450</b>		<b>4,880</b>
Closing assets	3,860	570	(74)	384	140	450		4,880
Closing liabilities	—	—	—	—	—	—		—
<b>Carrying amount at 31 December</b>	<b>3,860</b>	<b>570</b>	<b>(74)</b>	<b>384</b>	<b>140</b>	<b>450</b>		<b>4,880</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

The movements in the life risk reinsurance contract assets are aligned to the movements in the underlying insurance contract liabilities.

## (ii) Life participating

### Insurance Contracts

The following table shows life participating insurance contracts analysed by measurement component:

	Contractual service margin (CSM)							Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	CSM Total £m			
6 months 2023								
Opening assets	—	—	—	—	—	—		—
Opening liabilities	39,179	62	438	763	1,201	40,442		40,442
<b>Carrying amount at 1 January</b>	<b>39,179</b>	<b>62</b>	<b>438</b>	<b>763</b>	<b>1,201</b>	<b>40,442</b>		<b>40,442</b>
<i>Changes in comprehensive income</i>								
<i>Changes that relate to current services</i>								
CSM recognised for services provided	—	—	(27)	(47)	(74)	(74)		(74)
Change in risk adjustment for risk expired	—	(3)	—	—	—	—		(3)
Experience adjustments	63	—	—	—	—	—		63
Revenue recognised for incurred policyholder tax expenses	(37)	—	—	—	—	—		(37)
<i>Changes that relate to future services</i>								
Changes in estimates that adjust the CSM	—	—	25	(25)	—	—		—
<b>Insurance service result</b>	<b>26</b>	<b>(3)</b>	<b>(2)</b>	<b>(72)</b>	<b>(74)</b>	<b>(51)</b>		<b>(51)</b>
Net finance expenses from insurance contracts	1,221	4	—	—	—	—		1,225
Effect of movements in exchange rates	(29)	—	—	—	—	—		(29)
<b>Total changes in comprehensive income</b>	<b>1,218</b>	<b>1</b>	<b>(2)</b>	<b>(72)</b>	<b>(74)</b>	<b>1,145</b>		<b>1,145</b>
Premiums received	143	—	—	—	—	—		143
Claims and other insurance service expense paid, including investment components	(2,017)	—	—	—	—	—		(2,017)
<b>Total cash flows</b>	<b>(1,874)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1,874)</b>		<b>(1,874)</b>
<b>Carrying amount at 30 June</b>	<b>38,523</b>	<b>63</b>	<b>436</b>	<b>691</b>	<b>1,127</b>	<b>39,713</b>		<b>39,713</b>
Closing assets	—	—	—	—	—	—		—
Closing liabilities	38,523	63	436	691	1,127	39,713		39,713
<b>Carrying amount at 30 June</b>	<b>38,523</b>	<b>63</b>	<b>436</b>	<b>691</b>	<b>1,127</b>	<b>39,713</b>		<b>39,713</b>

	Contractual service margin (CSM)						Total £m
	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Contracts under modified retrospective transition approach £m	Contracts under fair value transition approach £m	CSM		
					Total £m	Total £m	
Restated <sup>1</sup>							
Full year 2022							
Opening assets	—	—	—	—	—	—	—
Opening liabilities	46,394	79	496	799	1,295	47,768	47,768
Carrying amount at 1 January	46,394	79	496	799	1,295	47,768	47,768
<i>Changes in comprehensive income</i>							
Changes that relate to current services							
CSM recognised for services provided	—	—	(74)	(98)	(172)	(172)	(172)
Change in risk adjustment for risk expired	—	(5)	—	—	—	—	(5)
Experience adjustments	(79)	—	—	—	—	—	(79)
Revenue recognised for incurred policyholder tax expenses	449	—	—	—	—	—	449
Changes that relate to future services							
Changes in estimates that adjust the CSM	(66)	(10)	15	61	76	76	—
Changes in estimates that result to losses and reversal of losses on onerous contracts	7	—	—	—	—	—	7
Insurance service result	311	(15)	(59)	(37)	(96)	(96)	200
Net finance income from insurance contracts	(4,217)	(2)	1	1	2	2	(4,217)
Effect of movements in exchange rates	1	—	—	—	—	—	1
Total changes in comprehensive income	(3,905)	(17)	(58)	(36)	(94)	(94)	(4,016)
Premiums received	257	—	—	—	—	—	257
Claims and other insurance service expense paid, including investment components	(3,930)	—	—	—	—	—	(3,930)
Insurance acquisition cashflows	(10)	—	—	—	—	—	(10)
Total cash flows	(3,683)	—	—	—	—	—	(3,683)
Effect of portfolio transfers, acquisitions and disposals <sup>2</sup>	373	—	—	—	—	—	373
Carrying amount at 31 December	39,179	62	438	763	1,201	40,442	40,442
Closing assets	—	—	—	—	—	—	—
Closing liabilities	39,179	62	438	763	1,201	40,442	40,442
Carrying amount at 31 December	39,179	62	438	763	1,201	40,442	40,442

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. The movement in 2022 relates to the acquisition of an additional 25% of the ordinary shares of Aviva Life Insurance Company India Limited giving Aviva a controlling interest in the entity.

Key changes that impact the income statement include the release of CSM for services provided, offset by experience variances for the period. Other changes that relate to current services include revenue recognised for policyholder tax expenses charged to the policyholder funds.

Net finance income / expenses represents investment returns on the net assets held in policyholder funds.

#### Reinsurance contracts

The following table shows life participating reinsurance contracts analysed by measurement component:

	Contractual service margin			
	Estimates of present value of future cash flows £m	Contracts under fair value transition approach £m	CSM	
			Total £m	Total £m
6 months 2023				
Opening assets	11	2	2	13
Opening liabilities	—	—	—	—
Carrying amount at 1 January	11	2	2	13
<i>Changes in comprehensive income</i>				
Net finance expense from reinsurance contracts	—	—	—	—
Effect of movements in exchange rates	—	—	—	—
Total changes in comprehensive income	—	—	—	—
Premiums paid	—	—	—	—
Total cash flows	—	—	—	—
Carrying amount at 30 June	11	2	2	13
Closing assets	11	2	2	13
Closing liabilities	—	—	—	—
Carrying amount at 30 June	11	2	2	13

	Estimates of present value of future cash flows £m	Contractual service margin		Total £m
		Contracts under fair value transition approach £m	CSM Total £m	
Restated <sup>1</sup>				
Full year 2022				
Opening assets	21	2	2	23
Opening liabilities	—	—	—	—
Carrying amount at 1 January	21	2	2	23
<i>Changes in comprehensive income</i>				
Net finance expense from reinsurance contracts	(13)	—	—	(13)
Effect of movements in exchange rates	1	—	—	1
Total changes in comprehensive income	(12)	—	—	(12)
Premiums paid	2	—	—	2
Total cash flows	2	—	—	2
Carrying amount at 31 December	11	2	2	13
Closing assets	11	2	2	13
Closing liabilities	—	—	—	—
Carrying amount at 31 December	11	2	2	13

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

### (iii) Non-life

#### Insurance contracts

The following table shows non-life insurance contracts analysed by remaining coverage and incurred claims:

	Liabilities for remaining coverage		Estimates of present value of future cash flows £m	Liabilities for incurred claims		Total £m
	Excluding loss component £m	Loss component £m		Risk adjustment for non-financial risk £m		
6 months 2023						
Opening assets	—	—	—	—	—	—
Opening liabilities	2,439	44	10,210	553	13,246	
Carrying amount at 1 January	2,439	44	10,210	553	13,246	
<i>Changes in comprehensive income</i>						
Insurance revenue	(5,257)	—	—	—	(5,257)	
Insurance service expenses	1,287	4	3,233	1	4,525	
Incurred claims and other insurance service expenses	—	(22)	3,165	89	3,232	
Losses on onerous contracts and reversal of those losses	—	26	—	—	26	
Amortisation of insurance acquisition cash flows	1,287	—	—	—	1,287	
Adjustments to liabilities for incurred claims	—	—	68	(88)	(20)	
Insurance service result	(3,970)	4	3,233	1	(732)	
Net finance expenses from insurance contracts	—	—	90	4	94	
Effect of movements in exchange rates	(26)	(1)	(118)	(5)	(150)	
Total changes in comprehensive income	(3,996)	3	3,205	—	(788)	
<i>Cash flows</i>						
Premiums received	5,494	—	—	—	5,494	
Claims and other insurance service expenses paid	—	—	(3,171)	—	(3,171)	
Insurance acquisition cash flows	(1,398)	—	—	—	(1,398)	
Total cash flows	4,096	—	(3,171)	—	925	
Carrying amount at 30 June	2,539	47	10,244	553	13,383	
Closing assets	—	—	—	—	—	
Closing liabilities	2,539	47	10,244	553	13,383	
Carrying amount at 30 June	2,539	47	10,244	553	13,383	

	Liabilities for remaining coverage		Estimates of present value of future cash flows £m	Liabilities for incurred claims		Total £m
	Excluding loss component £m	Loss component £m		Risk adjustment for non-financial risk £m		
Restated <sup>1</sup> Full year 2022						
Opening assets	—	—	—	—	—	—
Opening liabilities	2,398	27	10,345	569	13,339	13,339
Carrying amount at 1 January	2,398	27	10,345	569	13,339	13,339
<i>Changes in comprehensive income</i>						
Insurance revenue	(10,049)	—	—	—	(10,049)	(10,049)
Insurance service expenses	2,391	16	6,722	43	9,172	9,172
Incurred claims and other insurance service expenses	—	(43)	6,535	110	6,602	6,602
Losses on onerous contracts and reversal of those losses	—	59	—	—	59	59
Amortisation of insurance acquisition cash flows	2,391	—	—	—	2,391	2,391
Adjustments to liabilities for incurred claims	—	—	187	(67)	120	120
Insurance service result	(7,658)	16	6,722	43	(877)	(877)
Net finance income from insurance contracts	—	—	(1,160)	(69)	(1,229)	(1,229)
Effect of movements in exchange rates	47	1	233	10	291	291
<b>Total changes in comprehensive income</b>	<b>(7,611)</b>	<b>17</b>	<b>5,795</b>	<b>(16)</b>	<b>(1,815)</b>	<b>(1,815)</b>
<i>Cash flows</i>						
Premiums received	10,253	—	—	—	10,253	10,253
Claims and other insurance service expenses paid	—	—	(5,930)	—	(5,930)	(5,930)
Insurance acquisition cash flows	(2,601)	—	—	—	(2,601)	(2,601)
<b>Total cash flows</b>	<b>7,652</b>	<b>—</b>	<b>(5,930)</b>	<b>—</b>	<b>1,722</b>	<b>1,722</b>
Carrying amount at 31 December	2,439	44	10,210	553	13,246	13,246
Closing assets	—	—	—	—	—	—
Closing liabilities	2,439	44	10,210	553	13,246	13,246
Carrying amount at 31 December	2,439	44	10,210	553	13,246	13,246

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

### Reinsurance contracts

The following table shows non-life reinsurance contracts analysed by remaining coverage and incurred claims:

	6 months 2023					Total £m
	Assets for remaining coverage £m	Contracts not under PAA £m	Assets for incurred claims		Total £m	
			Contracts under PAA	Risk adjustment for non-financial risk £m		
	£m	£m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m		
Opening assets	855	—	907	72	1,834	1,834
Opening liabilities	—	—	—	—	—	—
Carrying amount at 1 January	855	—	907	72	1,834	1,834
<i>Changes in comprehensive income</i>						
Allocation of reinsurance premiums paid	(454)	—	—	—	(454)	(454)
Amounts recoverable from reinsurers						
Recoveries of incurred claims and other insurance service expenses	28	39	88	9	164	164
Adjustments to assets for incurred claims	—	—	38	(8)	30	30
Effect of changes in non-performance risk of reinsurers	—	—	—	—	—	—
Net expenses from reinsurance contracts	(426)	39	126	1	(260)	(260)
Net finance income from reinsurance contracts	3	—	3	—	6	6
Effect of movements in exchange rates	(10)	—	(6)	1	(15)	(15)
<b>Total changes in comprehensive income</b>	<b>(433)</b>	<b>39</b>	<b>123</b>	<b>2</b>	<b>(269)</b>	<b>(269)</b>
<i>Cash flows</i>						
Premiums paid	398	—	—	—	398	398
Amounts received	—	(39)	(149)	—	(188)	(188)
<b>Total cash flows</b>	<b>398</b>	<b>(39)</b>	<b>(149)</b>	<b>—</b>	<b>210</b>	<b>210</b>
Carrying amount at 30 June	820	—	881	74	1,775	1,775
Closing assets	820	—	881	74	1,775	1,775
Closing liabilities	—	—	—	—	—	—
Carrying amount at 30 June	820	—	881	74	1,775	1,775

	Assets for incurred claims				Restated <sup>1</sup>
	Contracts under PAA				Full year 2022
	Assets for remaining coverage £m	Contracts not under PAA £m	Estimates of present value of future cash flows £m	Risk adjustment for non-financial risk £m	Total £m
Opening assets	1,051	—	736	60	1,847
Opening liabilities	—	—	—	—	—
Carrying amount at 1 January	1,051	—	736	60	1,847
<i>Changes in comprehensive income</i>					
Allocation of reinsurance premiums paid	(886)	—	—	—	(886)
Amounts recoverable from reinsurers					
Recoveries of incurred claims and other insurance service expenses	174	71	419	14	678
Adjustments to assets for incurred claims	—	—	(32)	6	(26)
Effect of changes in non-performance risk of reinsurers	(5)	—	(2)	—	(7)
Net expenses from reinsurance contracts	(717)	71	385	20	(241)
Net finance expense from reinsurance contracts	(221)	—	(95)	(3)	(319)
Effect of movements in exchange rates	14	—	20	(5)	29
Total changes in comprehensive income	(924)	71	310	12	(531)
<i>Cash flows</i>					
Premiums paid	728	—	—	—	728
Amounts received	—	(71)	(139)	—	(210)
Total cash flows	728	(71)	(139)	—	518
Carrying amount at 31 December	855	—	907	72	1,834
Closing assets	855	—	907	72	1,834
Closing liabilities	—	—	—	—	—
Carrying amount at 31 December	855	—	907	72	1,834

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

### (c) Effect of contracts initially recognised in the period

The following table shows the present value of premiums arising from the initial recognition of insurance and reinsurance contracts measured under the GMM or VFA in the period.

	Life risk £m	Participating £m	6 months 2023		Life risk £m	Participating £m	Full year 2022	
			Total £m				Total £m	
Expected premiums (inc. investment components) from new insurance contracts	3,654	—	3,654		7,277	—	7,277	

The following tables summarise the effect on the measurement components arising from the initial recognition of insurance and reinsurance contracts measured under the GMM or VFA in the period.

#### (i) Life risk

##### Insurance contracts

	6 months 2023			Full year 2022		
	Profitable contracts issued £m	Onerous contracts issued £m	Total £m	Profitable contracts issued £m	Onerous contracts issued £m	Total £m
Claims and other insurance service expenses payable	3,118	15	3,133	5,487	712	6,199
Insurance acquisition cash flows	254	1	255	492	16	508
Estimates of present value of cash outflows	3,372	16	3,388	5,979	728	6,707
Estimates of present value of cash inflows	(3,639)	(15)	(3,654)	(6,562)	(715)	(7,277)
Risk adjustment	79	—	79	165	21	186
CSM	188	—	188	418	—	418
<b>Losses recognised on initial recognition</b>	—	1	1	—	34	34

##### Reinsurance contracts

	6 months 2023			Full year 2022		
	Contracts initiated without loss recovery component £m	Contracts initiated with loss recovery component £m	Total £m	Contracts initiated without loss recovery component £m	Contracts initiated with loss recovery component £m	Total £m
Estimates of present value of cash inflows	(2,219)	—	(2,219)	(4,233)	—	(4,233)
Estimates of present value of cash outflows	2,279	—	2,279	4,392	—	4,392
Risk adjustment	(56)	—	(56)	(155)	—	(155)
Income recognised on initial recognition	—	—	—	—	—	—
<b>CSM</b>	4	—	4	4	—	4

**(ii) Life participating**

There is no CSM, loss component or loss recovery component effect on life participating business from contracts initially recognised in the current or comparative period.

**(iii) Non-life**

There is no CSM, loss component or loss recovery component effect on non-life business from contracts initially recognised in the current or comparative period under the general measurement model.

**(d) Significant judgements and estimates****(i) Business description**

The Group underwrites life business primarily in the UK and Ireland. This is mainly written in the 'Non-Profit' funds and in a number of 'With-Profits' sub-funds. In the 'Non-Profit' funds shareholders are entitled to 100% of the distributed profits. In the 'With-Profits' sub-funds the with-profits policyholders are entitled to between 40% and 100% of distributed profits, depending on the fund rules. There is also the Reattributed Inherited Estate External Support Account (RIEESA) in the UK, which does not itself underwrite any business, but provides capital support to one of the 'With-Profits' sub-funds and receives any surplus or deficit emerging from it. In the RIEESA, shareholders are entitled to 100% of the distributed profits, but these can only be distributed in line with the criteria set by the Reattribution Scheme.

The Group underwrites non-life business in the UK, Ireland and Canada, providing individual and corporate customers with a wide range of insurance products.

**(ii) Fulfilment cash flows**

Fulfilment cash flows comprise:

- estimates of future cash flows;
- an adjustment (discount rate) to reflect the time value of money and the financial risks related to future cash flows, to the extent that the financial risks are not included in the estimates of future cash flows; and
- a risk adjustment.

The Group's objective in estimating future cash flows is to determine the expected value of a range of scenarios that reflects the full range of possible outcomes. A deterministic approach, producing point estimates based on best estimate assumptions, is used for valuing most of the Group's business. The exception is for contracts with embedded options and guarantees, in particular with-profits participation business, where a stochastic approach based on the average of a number of scenarios is used. Stochastic modelling involves projecting future cash flows under a large number of possible economic scenarios for market variables such as interest rates and equity returns.

**Estimates of future cash flows**

In estimating future cash flows, the Group incorporates, in an unbiased way, all reasonable and supportable information that is available without undue cost or effort at the reporting date. This information includes both internal and external historical data about claims and other experience, updated to reflect current expectations of future events.

The estimates of future cash flows reflect the Group's view of current conditions at the reporting date, using market variables consistent with observable market prices, where applicable.

When estimating future cash flows, the Group takes into account current expectations of future events that might affect those cash flows. However, expectations of future changes in legislation that would change or discharge a present obligation or create new obligations under existing contracts are not taken into account until the change in legislation is substantively enacted. For cashflows which are contractually linked to an index of prices or wages, the Group derives an assumption for future RPI from RPI swap curves, and adjusts this to derive future inflation assumptions for other price and wage indices.

Cash flows within the boundary of a contract relate directly to the fulfilment of the contract, including those for which the Group has discretion over the amount or timing. These include payments to (or on behalf of) policyholders, insurance acquisition cash flows and other costs that are incurred in fulfilling contracts.

Insurance acquisition cash flows arise from the activities of selling, underwriting and starting a group of contracts that are directly attributable to the portfolio of contracts to which the group belongs. This includes initial and recurring commissions payable on instalment premiums receivable within the contract boundary. Other costs that are incurred in fulfilling the contracts include:

- claims handling, maintenance and administration costs;
- costs that the Group will incur in providing investment services;
- costs that the Group will incur in performing investment activities to the extent that the Group performs them to enhance benefits from insurance coverage for policyholders by generating an investment return from which policyholders will benefit if an insured event occurs; and
- income tax and other costs specifically chargeable to the policyholders under the terms of the contracts.

Insurance acquisition cash flows and other costs that are incurred in fulfilling contracts comprise both direct costs and an allocation of fixed and variable overheads.

Cash flows are attributed to acquisition activities, other fulfilment activities and other activities at local entity level using activity-based costing techniques. Cash flows attributable to acquisition and other fulfilment activities are allocated to groups of contracts using methods that are systematic and rational and are consistently applied to all costs that have similar characteristics.

## Contract boundaries

The assessment of the contract boundary, which defines which future cash flows are included in the measurement of a contract, requires judgement and consideration of the Group's substantive rights and obligations under the contract.

### Insurance contracts

Group protection policies issued by the Group have terms that are guaranteed to be renewable every two or three years. The Group determines that the cash flows related to future renewals (i.e. the guaranteed renewable terms) of these contracts are outside the contract boundary. This is because the premium charged for the period reflects the Group's expectation of its exposure to risk for that period and, on renewal, the Group can reprice the premium to reflect the reassessed risks for the next period based on claims experience and expectations for the respective portfolio. Any renewal of the contract is treated as a new contract and is recognised, separately from the initial contract, when the recognition criteria are met.

Pension savings contracts with guaranteed annuity terms allow the policyholder to convert, on maturity of the stated term, the maturity benefit into an immediately starting life-contingent annuity at a predetermined rate. The Group has assessed the contract boundary for the entire contract, including the option, and concluded that the cash flows related to the fulfilment of the annuity option fall within the boundary of the contract. This is because the Group does not have the practical ability to reprice the contract on maturity of the stated term.

### Reinsurance contracts

Quota share - The Group manages risks arising from Life insurance contracts through external quota share reinsurance contracts. These reinsurance contracts cover underlying contracts issued within the term on a risk-attaching basis and provides unilateral rights to both the Group and the reinsurer to terminate the cession of new business subject to giving notice to the other party. Notice can usually be given at any time, with termination to new business effective three months from notice being given, albeit a limited number of the Group's quota share reinsurance contract currently stipulate a different notice period. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Group expects to issue and cede under the reinsurance contract within the next three months. Subsequently risks expected to attach beyond the end of this initial notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within the rolling three-month notice period.

Excess of loss - The Group's non-Life excess of loss reinsurance contracts held provide coverage for claims incurred during an accident year. Thus, all cash flows arising from claims incurred and expected to be incurred in the accident year are included in the measurement of the reinsurance contracts held. Some of these contracts include mandatory or voluntary reinstatement reinsurance premiums, which are guaranteed per the contractual arrangements and are thus within the contract boundary.

Risk attaching reinsurance - The Group's risk-attaching non-life treaties have varying coverage periods, ranging from annual treaties to indefinite treaties. Such treaties provide unilateral rights to the Group and reinsurer to terminate the cession of new business by giving notice to the other party based upon notice periods defined by the treaty. On initial recognition, the cash flows within the reinsurance contract boundary are determined to be those arising from underlying contracts that the Group expects to issue and cede under the reinsurance contract within the termination notice period. Subsequently risks attaching beyond the end of the initial termination notice period are considered cash flows of new reinsurance contracts and are recognised, separately from the initial contract, as they fall within subsequent termination notice periods.

Adverse development cover - The Group's non-Life adverse development cover treaties are deemed to expire when all uncertainty associated with the ceded claims liabilities has expired. The contract boundary is based upon the best estimate of when all obligations associated with the liabilities will be extinguished.

## Life contracts

### Death and other claim benefits

Death and other claim benefits are projected using decrements appropriate to each class of business, including persistency, mortality and morbidity.

Mortality assumptions are set with regard to recent Company experience and general industry trends. Local, generally accepted, published standard mortality tables are used for different categories of business as appropriate. The mortality tables used in the valuation for the most material lines of business are summarised below:

Mortality tables used	30 June 2023	31 December 2022
Life protection	AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements	AM00/AF00 or TM16/TF16 adjusted for smoker status and age/sex specific factors with allowance for future mortality improvements
Pure endowments and deferred annuities before vesting	AM00/AF00 adjusted with allowance for improvements	AM00/AF00 adjusted with allowance for improvements
<b>Ireland business</b>		
Life protection	TMS08/TMN08/TFS08/TFN08 adjusted	TMS08/TMN08/TFS08/TFN08 adjusted

### Annuity payments

The conventional immediate and deferred annuity business is valued by discounting future benefit payments with an allowance for mortality, including future improvements in mortality. Mortality assumptions are set with regard to Company experience and general industry trends. The mortality tables used in the valuation for the most material lines of business are summarised below:



Mortality tables used	30 June 2023	31 December 2022
<b>UK business</b>		
Pensions business and general annuity business	<b>PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement</b>	PMA16_IND/PFA16_IND or PMA16_IND_INT/PFA16_IND_INT plus allowance for future mortality improvement
Bulk purchase annuities	<b>CV3 plus allowance for future mortality improvement</b>	CV3 plus allowance for future mortality improvement
<b>Ireland business</b>		
Annuities	<b>PMA08/PFA08 (conventional) adjusted plus allowance for future mortality improvement</b>	PMA08/PFA08 (conventional) adjusted plus allowance for future mortality improvement

For the largest portfolio of pensions annuity business, the underlying mortality assumptions for males are 104.1% of PMA16\_IND with base year 2016 (restated 31 December 2022: 104.1% of PMA16\_IND with base year 2016); for females the underlying mortality assumptions are 100.3% of PFA16\_IND with base year 2016 (restated 31 December 2022: 100.3% of PFA16\_IND with base year 2016).

Improvements are based on 'CMI\_2021 (S=7.25) Advanced with adjustments' (restated 31 December 2022: 'CMI\_2021 (S=7.25) Advanced with adjustments') with a long-term improvement rate of 1.5% (restated 31 December 2022: 1.5%) for males and 1.5% (restated 31 December 2022: 1.5%) for females. An allowance has been made to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI\_2021 is based and long-term improvement rates are set to taper to zero between ages 85 and 110 (restated 31 December 2022: between 85 and 110). In addition, on a significant proportion of individual annuity business, year-specific adjustments are made to allow for potential selection effects due to the development of the enhanced annuity market and covering possible selection effects from pension freedom reforms (unchanged from 2022).

### Expenses

Maintenance expense assumptions for life business are generally expressed as a per policy charge set with regards to an allocation of current year expense levels by category of business and using the policy counts for in-force business. Expenses are generally charged to with-profits funds using a fixed per policy charge in line with a memorandum of understanding between the with-profits funds and the non-profit fund within the company. Any differential between that and the total charge for each policy accrues to the non-profit fund and is also included in the fulfilment cash flows. The assumptions also include an allowance for future expense inflation over the lifetime of each contract, which is assumed to be in line with RPI. An additional liability is held if projected per policy expenses in future years are expected to exceed current assumptions. A further allowance is made for non-discretionary project costs that typically relate to mandatory requirements. Investment expense assumptions are generally expressed as a proportion of the assets backing the liabilities.

### Non-life contracts

The Group establishes reserves for claim events that occurred before the valuation date, whether reported or not. When calculating claim costs, the Group takes into account estimated future recoveries from salvage and subrogation. Where non-Life contracts are onerous, the measurement of the loss component includes an estimate of future claims that are expected to occur within the remaining coverage period.

Case estimates are set by skilled claims technicians and established case setting procedures. Claims above certain limits are referred to senior claims handlers for estimate authorisation. No adjustments are made to the claims technicians' case estimates included in booked claim provisions, except for rare occasions when the estimated ultimate cost of individual large or unusual claims may be adjusted, subject to internal reserve committee approval, to allow for uncertainty regarding, for example, the outcome of a court case.

The ultimate cost of outstanding claims is then estimated by using a range of standard actuarial claims projection techniques, such as the inflation-adjusted Chain Ladder and Bornhuetter-Ferguson methods. Historical claims development is mainly analysed by accident period, although underwriting or notification period is also used where this is considered appropriate.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome. The ultimate cost of outstanding claims includes provision for expenses associated with handling claims.

### UK mesothelioma claims

The level of uncertainty associated with latent claims is considerable due to the relatively small number of claims and the long-tail nature of the liabilities. UK mesothelioma claims account for a large proportion of the Group's latent claims. The key assumptions underlying the estimation of these claims include claim numbers, the base average cost per claim, future inflation in the average cost of claims and legal fees. The best estimate of the liabilities considers the latest available market information and studies and how these might impact Aviva's liabilities.

### Lump sums payable to bodily injury claimants

Lump sum payments in settlement of bodily injury claims that are decided by the UK courts are calculated in accordance with the Ogden Tables and discount rate. The Ogden discount rate is set by the Lord Chancellor and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes. The balance sheet reserves in the UK have been calculated using the current Ogden discount rate of -0.25%, as this is the enacted legislative rate that was announced by the Lord Chancellor in August 2019. The Ogden discount rate is expected to be reviewed by the Lord Chancellor by summer 2024.

## Discount rates

All cash flows are discounted using risk-free yield curves adjusted to reflect the characteristics of the cash flows and the liquidity of the insurance contracts. For the risk-free yield curves, the Group generally uses the risk-free interest rate curves published by the PRA and EIOPA for regulatory reporting, which are based on swap rates and in the UK based on SONIA (Sterling Over Night Index Average). In Canada, the Group uses the Canadian risk-free curve provided by Bloomberg. Where necessary, yield curves are interpolated between the last available market data point and an ultimate forward rate, which reflects long-term real interest rate and inflation expectations.

The Group uses a bottom-up discount rate for all life and non-life insurance contracts except for annuities. A top-down discount rate is applied to annuities to reflect more appropriately the characteristics of the annuity liabilities. For other contracts where liabilities are subject to lapse risk or where cashflows depend on underlying asset performance (such as unit-linked and with-profits), the characteristics of the liability can be reflected using the bottom-up method which requires the application of less judgement.

Under the top-down approach, the discount rate is determined from the yield implicit in the fair value of an appropriate reference portfolio of assets that reflects the characteristics of the liabilities. Adjustments are made for differences between the reference portfolio and liability cash flows, including an allowance for defaults which reflects the compensation a market participant would require for credit risk.

For the measurement of new annuity business at inception only, the discount rates are based on assets expected to be originated for new business at initial recognition of the contracts. On subsequent measurement of the fulfilment cash flows the reference portfolio is based on the assets held to match the portfolio of liabilities. For recently written contracts, an adjustment is made to liabilities where appropriate assets are yet to be sourced.

Under the bottom-up approach, the discount rate is determined as the risk-free yield, adjusted for differences in liquidity characteristics between the financial assets used to derive the risk-free yield and the relevant liability cash flows (known as an 'illiquidity premium').

For UK business, the illiquidity premium is determined as a percentage of the current spread over the risk-free yield on an index of covered bonds. For Canadian business, the illiquidity premium is determined with reference to a spread of bonds available on the market. The percentage applied reflects the liquidity characteristics of the liabilities including the propensity and ability of policyholders to lapse or surrender their contracts; for example, 100% for structured settlements where surrenders are not possible, and 0% for unit-linked contracts where policyholders can normally immediately surrender their contract for the unit value. An intermediate percentage is applied for other types of business. In Canada, a single illiquidity premium is selected given the limited duration differences and similar liquidity characteristics.

The tables below set out the yield curves used to discount the cash flows of insurance contracts for major currencies:

	30 June 2023						Restated <sup>1</sup> 31 December 2022					
	1 year	5 years	10 years	15 years	20 years	40 years	1 year	5 years	10 years	15 years	20 years	40 years
<b>Life contracts</b>												
<b>Immediate and deferred annuities</b>												
GBP	7.7 %	6.6 %	5.9 %	5.6 %	5.5 %	5.0 %	6.1 %	5.7 %	5.3 %	5.2 %	5.1 %	4.7 %
EUR	4.5 %	3.7 %	3.4 %	3.3 %	3.2 %	3.4 %	3.7 %	3.7 %	3.6 %	3.6 %	3.3 %	3.4 %
<b>Life protection contracts</b>												
GBP	6.4 %	5.4 %	4.6 %	4.4 %	4.3 %	3.8 %	5.0 %	4.6 %	4.2 %	4.1 %	4.0 %	3.6 %
EUR	4.0 %	3.1 %	2.9 %	2.8 %	2.7 %	2.8 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
<b>With-profits contracts</b>												
GBP	6.6 %	5.6 %	4.8 %	4.6 %	4.5 %	4.0 %	5.2 %	4.8 %	4.5 %	4.4 %	4.3 %	3.9 %
EUR	4.0 %	3.1 %	2.9 %	2.8 %	2.7 %	2.8 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
<b>Unit-linked contracts</b>												
GBP	6.1 %	5.0 %	4.3 %	4.0 %	3.9 %	3.4 %	4.5 %	4.1 %	3.7 %	3.6 %	3.5 %	3.2 %
EUR	4.0 %	3.1 %	2.9 %	2.8 %	2.7 %	2.8 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
<b>Non-life contracts</b>												
<b>Structured settlements</b>												
GBP	6.8 %	5.8 %	5.0 %	4.8 %	4.6 %	4.2 %	5.5 %	5.1 %	4.7 %	4.6 %	4.5 %	4.2 %
<b>Latent claims</b>												
GBP	6.6 %	5.6 %	4.8 %	4.6 %	4.5 %	4.0 %	5.2 %	4.8 %	4.5 %	4.4 %	4.3 %	3.9 %
EUR	4.5 %	3.7 %	3.4 %	3.4 %	3.2 %	3.4 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
<b>Other general insurance claims</b>												
GBP	6.4 %	5.4 %	4.6 %	4.4 %	4.3 %	3.8 %	5.0 %	4.6 %	4.2 %	4.1 %	4.0 %	3.7 %
EUR	4.4 %	3.5 %	3.3 %	3.2 %	3.0 %	3.2 %	3.4 %	3.3 %	3.3 %	3.2 %	3.0 %	3.0 %
CAD	6.0 %	4.6 %	4.2 %	4.2 %	4.1 %	4.0 %	5.6 %	4.4 %	4.3 %	4.3 %	4.4 %	4.3 %

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

The yields used are after a reduction for risk, but before allowance for investment expenses (which are included in the expected future cash flows).

For annuity business, the allowance for risk comprises long-term assumptions for defaults or, in the case of equity release assets, expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating.

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 34bps, 31bps, and 76bps respectively at 30 June 2023 (restated 31 December 2022: 35bps, 26bps, and 83bps respectively).

For with-profits business, the liabilities associated with guarantees and options are measured using a market-consistent stochastic model. The cash flows are discounted at scenario-specific rates calibrated, on average, to be the bottom-up discount rates. Volatility assumptions are set with reference to implied volatility data on traded market instruments, where available, or on a best estimate basis where not.

Volatility	30 June 2023	31 December 2022
Equity returns	18.2 %	19.3 %
Property returns	15.0 %	15.0 %

The equity volatility used depends on term, moneyness and region. The figure shown is for a sample UK equity, at the money, with a ten-year term.

### Risk adjustments for non-financial risk

Risk adjustments for non-financial risk reflect the compensation required by the Group to accept the uncertainty about the amount and timing of future cash flows that arises from non-financial risk. The calculation of the risk adjustment is calibrated with reference to the Group's pricing and capital allocation framework. The calibration leverages the Solvency II view of non-financial risk, considering a lifetime view, and includes diversification between portfolios using correlation matrix techniques, but not between entities across the Group.

For life business, the risk adjustment is allocated to the individual contract level using provisions for adverse deviation (PADs) applied to the best estimate non-financial assumptions.

For non-life business, the risk adjustment is allocated to the individual group of contract level based upon their capital intensity, with a greater amount allocated to contract groups with greater valuation uncertainty.

The Group applies these techniques on a net of reinsurance basis.

For with-profits contracts the risk adjustment reflects the shareholder's interest in the with-profits fund. However, for non-profit contracts in the with-profit funds, the fund is treated as the entity and the risk adjustment reflects a 100% share of the risk, as for other non-profit business.

### (iii) Contractual service margin

#### Determination of coverage units

The amount of CSM recognised in profit or loss to reflect services provided in each year is determined by considering, for each group of contracts, coverage units that reflect the quantity of the benefits provided in each period and the expected coverage period. The coverage units are reviewed and updated at each reporting date.

The coverage units used by major product lines are:

Product line	Coverage units
Immediate annuity	Annuity outgo
Deferred annuity	Annuity outgo for insurance service post retirement and weighted expected investment return for the investment return service provided prior to retirement
Individual and Group Protection	Sum assured
Individual and Group Income Protection	Benefit amount payable
Unit linked insurance	Sum assured including unit value
With-profits	Cost of guarantees plus asset share

For deferred annuities, judgement has been applied in determining the appropriate method for measuring coverage units and the weighting of those coverage units across the investment return service provided prior to retirement and the insurance service provided post-retirement. That judgement was supported by evidence of market pricing of these services, resulting in an approach that targets equivalence at retirement with the CSM for immediate annuities (when pricing in an active market) that provide an insurance service equivalent to that provided by the deferred annuities post-retirement.

The coverage units for the investment return service combine the expected investment return with the weighting that produces the target CSM after allowing for expected retirement date, transfers and commutations. There is limited estimation uncertainty arising when applying this approach, not least because the weighting of services does not directly impact on the measurement of the CSM, instead it impacts on the pattern of CSM release over the long life of these contracts. Expected investment return is calculated using the locked in discount rate throughout the life of the contract, to represent the investment return that policyholders benefit from through the pricing of their contract. Expected rates of transfers taken by retirement date and take up rates for tax free cash (the main commutations taken at retirement in the UK) are not typically subject to significant fluctuations.

Coverage units for reinsurance contracts held are typically consistent with the underlying gross contracts, adjusted for differences in the services provided.

### Risk mitigation option

The Group uses derivatives and financial investments to mitigate the financial risk arising from equity and interest rate exposures in UK with-profit funds, in accordance with its documented risk management objective and strategy for mitigating financial risk. An economic offset exists between the insurance contracts and the risk-mitigating items (derivatives and financial investments held at FVTPL), and credit risk does not dominate the economic offset.

For the with-profit sub-fund supported by the RIEESA, the Group has chosen to recognise changes in fulfilment cash flows due to changes in the effect of financial risk not arising from underlying items that are mitigated by the use of derivatives and financial investments held at FVTPL in profit or loss and not to adjust the CSM.

**(iv) Investment components**

The Group identifies the investment component of a contract by determining the amount that it would be required to repay to the policyholder in all scenarios with commercial substance. These include circumstances in which an insured event occurs or the contract matures or is terminated without an insured event occurring. Investment components and rights to withdraw are both excluded from insurance revenue and insurance service expenses, and variances between actual and expected cash flows adjust the CSM.

Participating and some non-participating whole-life contracts have explicit surrender values. The non-distinct investment component excluded from insurance revenue and insurance service expenses is determined as the surrender value specified in the contractual terms.

Immediate annuities with a guarantee period contain a non-distinct investment component equal to the value of those guaranteed payments.

Deferred annuities include a non-distinct investment component if all of the following features are present:

- transfer value in the deferral period;
- death benefit in the deferral period; and
- guarantee period once the annuity is in payment.

The investment component excluded from insurance revenue and insurance service expenses is determined as the lower of the present value of each of those possible payments. Any amounts in excess of the investment component, or any payments made under those features that do not qualify as an investment component, are treated as rights to withdraw. In either case, transfer values paid during the deferral period are presented as premium refunds.

**(v) Fair value of insurance contracts and measurement of contracts on transition to IFRS 17**

The Group has measured the fair value of insurance contracts when it acquired contracts in a business combination and when it applied the fair value approach on transition to IFRS 17. The Group has also applied the modified retrospective approach on transition to IFRS 17.

For further details on the measurement of contracts on transition to IFRS 17, see note B2(a).

**B12 – Non-participating investment contracts**

This note analyses our gross liabilities for non-participating investment contracts by type of product and describes the calculation of these liabilities.

**(a) Carrying amount**

Non-participating investment contracts as at 30 June/31 December comprised:

	30 June 2023	Restated <sup>1</sup> 31 December 2022
	£m	£m
Liabilities for non-participating investment contracts	147,371	141,188
Reinsurance assets for non-participating investment contracts	(4,614)	(5,290)
<b>Net</b>	<b>142,757</b>	<b>135,898</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

**(b) Group practice**

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the issuer and and if they do not contain a significant discretionary participation feature they are treated as financial instruments in scope of IFRS 9.

Many investment contracts contain a discretionary participation feature in which the contract holder has a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts and are measured according to the methodology as prescribed by IFRS 17 insurance contracts.

Investment contracts that do not contain a discretionary participation feature are referred to as non-participating contracts and the liability is measured at fair value. For non-participating investment contracts designated at FVTPL, the Group elects to present the change in fair value attributable to a change in the credit risk of the contracts in the income statement.

Of the non-participating investment contracts measured at fair value, £147,340 million at 30 June 2023 (restated 31 December 2022: £141,160 million) are unit-linked in structure and the fair value liability is equal to the current unit fund value, including any unfunded units, plus if required, additional non-unit reserves based on a discounted cash flow analysis.

These contracts are generally classified as Level 1 in the fair value hierarchy, as the unit reserve is calculated as the publicly quoted unit price multiplied by the number of units in issue, and any non-unit reserve is insignificant.

**(c) Movements in the period**

The following movements have occurred in the gross provisions for non-participating investment contracts in the period:

	Restated <sup>1</sup>	
	6 months 2023 £m	Full year 2022 £m
<b>Carrying amount at 1 January</b>	<b>141,188</b>	<b>151,295</b>
Liabilities in respect of new business	1,702	4,120
Expected change in existing business	(1,755)	(3,185)
Variance between actual and expected experience	6,445	(11,360)
Impact of operating assumption changes	—	(17)
Impact of economic assumption changes	—	(106)
Other movements recognised as an expense	—	28
<b>Change in liability</b>	<b>6,392</b>	<b>(10,520)</b>
Effect of portfolio transfers, acquisitions and disposals	—	—
Foreign exchange rate movements	(209)	415
Other movements	—	(2)
<b>Carrying amount at 30 June/31 December</b>	<b>147,371</b>	<b>141,188</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The following movements have occurred in the reinsurance asset for non-participating investment contracts in the period:

	Restated <sup>1</sup>	
	6 months 2023 £m	Full year 2022 £m
<b>Carrying amount at 1 January</b>	<b>5,290</b>	<b>5,122</b>
Assets in respect of new business	55	409
Expected change in existing business assets	(129)	(176)
Variance between actual and expected experience	213	(63)
Impact of non-economic assumption changes	—	—
Impact of economic assumption changes	—	—
Other movements recognised as an expense <sup>2</sup>	(815)	—
<b>Change in asset</b>	<b>(676)</b>	<b>170</b>
Effect of portfolio transfers, acquisitions and disposals	—	—
Foreign exchange rate movements	—	—
Other movements	—	(2)
<b>Carrying amount at 30 June/ 31 December</b>	<b>4,614</b>	<b>5,290</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. £815 million of policyholder assets have transferred from reinsured funds to non-reinsured funds during the six months ending 30 June 2023.

**B13 – Tax assets and liabilities**

This note analyses the tax assets and liabilities that appear in the statement of financial position and explains the movements in these balances in the year.

**(a) Current tax**

Current tax assets recoverable and liabilities payable in more than one year are £112 million and £nil (30 June 2022: £116 million and £10 million; 31 December 2022: £116 million and £10 million), respectively.

The Group is party to the CFC & Dividend Group Litigation Order, which challenged the tax treatment of dividends received from non-UK entities before 2009. The Group is attempting to recover claims from HMRC covered by this judgement. A recoverable balance of £106 million is included within current tax assets.

**(b) Deferred tax**

(i) The balances at 30 June/31 December comprise:

	30 June 2023 £m	Restated <sup>1</sup>	
		30 June 2022 £m	31 December 2022 £m
Deferred tax assets	1,252	793	1,344
Deferred tax liabilities	(506)	(968)	(725)
<b>Net deferred tax asset/(liability)</b>	<b>746</b>	<b>(175)</b>	<b>619</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

(ii) The net deferred tax asset/(liability) arises on the following items:

	30 June 2023	Restated <sup>1</sup> 30 June 2022	Restated <sup>1</sup> 31 December 2022
	£m	£m	£m
Long-term business technical provisions and other insurance items	491	269	362
Deferred acquisition costs	(8)	(92)	(30)
Unrealised gains on investments	(167)	(261)	(187)
Pensions and other post-retirement obligations	(213)	(482)	(250)
Unused losses and tax credits	323	207	421
Subsidiaries, associates and joint ventures	—	(2)	—
Intangibles and additional value of in-force long-term business	(239)	(196)	(259)
Provisions and other temporary differences	559	382	562
<b>Net deferred tax asset/(liability)</b>	<b>746</b>	<b>(175)</b>	<b>619</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

(iii) The movement in the net deferred tax asset/(liability) was as follows:

	6 months 2023	Restated <sup>1</sup> 6 months 2022	Restated <sup>1</sup> Full year 2022
	£m	£m	£m
Net liability at 1 January as previously reported	—	(1,845)	(1,845)
Adjustment at 1 January for adoption of IFRS 17	—	866	866
Net liability at 1 January restated	619	(979)	(979)
Acquisition and disposal of subsidiaries	—	—	(79)
Amounts charged to income statement (note B8(a))	84	642	1,263
Amounts charged to other comprehensive income (note B8(b))	43	166	412
Foreign exchange rate movements	—	(4)	2
Other movements	—	—	—
<b>Net asset/(liability) 30 June/31 December</b>	<b>746</b>	<b>(175)</b>	<b>619</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

Net deferred tax assets in respect of policyholder investments arose as a result of significant market volatility in 2022. These positions are expected to reverse as the market recovers. The deferred tax asset relates to UK tax losses which carry forward indefinitely and is recognised based on probable future taxable investment income and gains within 5 years. Assumed investment returns are consistent with actuarial assumptions used in reserving and alternative assumptions modelled by the Group also show full recovery of the deferred tax asset over this period.

Where shareholder deferred tax assets are not supported by deferred tax liabilities, they are recognised to the extent that it is probable that future taxable profits will be available against which the tax losses can be utilised. In assessing future profitability, the directors have relied on board approved business plans and profit forecasts for up to 5 years and the Group's history of taxable profits in the relevant jurisdictions.

The Group has unrecognised gross tax losses (excluding capital losses) and other temporary differences of £395 million (30 June 2022: £634 million; 31 December 2022: £487 million) to carry forward against future taxable income of the necessary category in the companies concerned. Of these, trading losses of £45 million (30 June 2022: £11 million; 31 December 2022: £26 million) will expire within the next 8 years. The remaining losses have no expiry date.

In addition, the Group has unrecognised gross capital losses of £579 million (30 June 2022: £571 million; 31 December 2022: £579 million). These have no expiry date.

At 30 June 2023, a potential deferred tax liability of £18 million (30 June 2022: £26 million, 31 December 2022: £14 million) is not recognised on temporary differences relating to reserves of overseas subsidiaries which are not expected to be distributed.

## B14 – Borrowings

Our borrowings are classified as either core structural borrowings, which are included within the Group's capital employed, or operational borrowings drawn by operating subsidiaries. This note shows the carrying values of each type.

### (a) Analysis of total borrowings

Total borrowings comprise:

	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
Core structural borrowings, at amortised cost	5,285	5,719	5,469
Operational borrowings, at amortised cost	186	82	195
Operational borrowings designated at fair value	1,090	1,110	1,091
	1,276	1,192	1,286
<b>Total</b>	<b>6,561</b>	<b>6,911</b>	<b>6,755</b>

**(b) Core structural borrowings**

The carrying amounts of these borrowings are:

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
<b>Subordinated debt</b>			
6.125% £700 million subordinated notes 2036	697	696	697
6.125% £800 million undated subordinated notes	—	502	—
6.875% £600 million subordinated notes 2058	595	595	595
6.125% €650 million subordinated notes 2043	260	259	267
3.875% €700 million subordinated notes 2044	603	603	619
5.125% £400 million subordinated notes 2050	397	396	396
3.375% €900 million subordinated notes 2045	773	772	793
4.375% £400 million subordinated notes 2049	396	396	396
4.000% £500 million subordinated notes 2055	494	493	493
4.000% \$CAD450 million subordinated notes 2030	267	286	274
	<b>4,482</b>	<b>4,998</b>	<b>4,530</b>
<b>Senior notes</b>			
0.625% €500 million senior notes 2023	272	271	278
1.875% €750 million senior notes 2027	398	398	409
	<b>670</b>	<b>669</b>	<b>687</b>
<b>Commercial paper</b>	<b>133</b>	<b>52</b>	<b>252</b>
<b>Total</b>	<b>5,285</b>	<b>5,719</b>	<b>5,469</b>

All borrowings are stated at amortised cost.

**(c) Operational borrowings**

The carrying amounts of these borrowings are:

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
<b>Amounts owed to financial institutions</b>			
Loans	186	82	195
<b>Securitised mortgage loan notes</b>			
UK lifetime mortgage business <sup>1</sup>	1,090	1,110	1,091
<b>Total</b>	<b>1,276</b>	<b>1,192</b>	<b>1,286</b>

1. The fair value of these loan notes is calculated using similar techniques to the related securitised mortgage assets discussed in note B17(g).

**(d) Subsequent events****(i) Dated Tier 2 Reset Note redemption**

On 5 July 2023 the Group redeemed its 6.125% €301 million Dated Tier 2 Reset Notes in full at their optional first call date. This was the remaining part of the Group's 6.125% €650 million notes that were partially redeemed on 16 March 2021.

**(ii) Tier 2 Note Terms and conditions modification**

At a meeting of the noteholders of the £600 million Tier 2 Fixed to Floating Rate Notes due 2058 on 14 July 2023, the necessary resolution was passed to implement modifications to the terms and conditions of the notes in consideration of a voting fee of £92 million. The fee was paid to noteholders on 21 July 2023. The terms and conditions of the notes have been modified to ensure compliance with Solvency II requirements following the end of the grandfathering transitional period and to bring them into closer alignment with the terms and conditions of Tier 2 notes currently set out in Aviva plc's £7 billion Euro Note Programme.

**B15 – Pension deficits and other provisions****(a) Carrying amounts****(i) Provisions in the condensed consolidated statement of financial position**

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

	30 June 2023 £m	30 June 2022 £m	Restated <sup>1</sup> 31 December 2022 £m
Total IAS 19 obligations to staff pension schemes	355	322	360
Restructuring provisions	64	92	70
Other provisions	220	302	294
<b>Total pension deficits and other provisions</b>	<b>639</b>	<b>716</b>	<b>724</b>

1. The 31 December 2022 comparative amount for Other provisions has been restated following remeasurement of the balance sheet on acquisition of an entity, as set out in Note B2(c)

Other provisions shown above primarily include amounts set aside throughout the Group relating to product governance rectification and staff entitlements.



**(ii) Pension obligations**

The Group operates a number of defined benefit and defined contribution pension schemes. The material defined benefit schemes are in the UK, Ireland and Canada. The assets and liabilities of these schemes are shown below.

	30 June 2023 £m	30 June 2022 £m	31 December 2022 £m
Total fair value of scheme assets	11,241	14,560	11,763
Present value of defined benefit obligation	(10,546)	(12,803)	(10,931)
Restriction to surplus in Friends First Pension Scheme	—	(5)	—
<b>Net IAS 19 surplus in the schemes</b>	<b>695</b>	<b>1,752</b>	<b>832</b>
Surpluses included in other assets <sup>1</sup>	1,050	2,074	1,192
Deficits included in provisions	(355)	(322)	(360)
<b>Net IAS 19 surplus in the schemes</b>	<b>695</b>	<b>1,752</b>	<b>832</b>

1. Pension surpluses and other assets on the condensed consolidated statement of financial position totalling £1,102 million (30 June 2022: £2,092 million, 2022: £1,234 million) includes pension surpluses of £1,050 million (30 June 2022: £2,074 million, 2022: £1,192 million) and other assets of £52 million (30 June 2022: £18 million, 2022: £42 million).

**(b) Movements in the schemes' surpluses and deficits**

Movements in the pension schemes' surpluses and deficits since 31 December comprise:

	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
<b>Net IAS 19 surplus in the schemes at 1 January</b>	<b>832</b>	<b>2,269</b>	<b>2,269</b>
Administrative expenses	(10)	(8)	(20)
Total pension cost charged to net operating expenses	(10)	(8)	(20)
Net interest credited to investment income/(finance costs) <sup>1</sup>	20	21	42
<b>Total recognised in income statement</b>	<b>10</b>	<b>13</b>	<b>22</b>
<b>Remeasurements:</b>			
Actual return on these assets	(247)	(4,577)	(7,125)
Less: Interest income on scheme assets	(275)	(177)	(352)
Return on scheme assets excluding amounts in interest income	(522)	(4,754)	(7,477)
Gains from change in financial assumptions	414	4,500	5,724
Gains/(losses) from change in demographic assumptions	57	(110)	540
Experience losses	(122)	(214)	(329)
Change in the restriction to surplus in the Friends First Pension Scheme	—	(5)	—
<b>Total remeasurements recognised in other comprehensive income</b>	<b>(173)</b>	<b>(583)</b>	<b>(1,542)</b>
Employer contributions	23	57	89
Foreign exchange rate movements	3	(4)	(6)
<b>Net IAS 19 surplus in the schemes at 30 June/31 December</b>	<b>695</b>	<b>1,752</b>	<b>832</b>

1. Net interest income of £33 million (HY22: £29 million, 2022: £62 million) has been credited to investment income and net interest expense of £13 million (HY22: £8 million, 2022: £20 million) has been charged to finance costs.

The reduction in the surplus in the six months ended 30 June 2023 is primarily due to remeasurements recognised in other comprehensive income. The remeasurements recognised are principally net actuarial losses resulting from economic movements, including the increase in interest rates as well as experience losses on the schemes' liabilities which includes the impact of higher than expected inflation increases. In addition, the Aviva Staff Pension Scheme (ASPS) carried out a further bulk annuity buy-in transaction with Aviva Life & Pensions UK Limited, a Group Company. Due to different measurement bases applying for accounting purposes, the premium paid by the scheme exceeded the valuation of the plan asset and was recognised as an actuarial loss in the actual return on assets within other comprehensive income. The plan asset is transferable and so has not been subject to consolidation within the Group's financial statements.

Under the IAS 19 valuation basis, the Group applies the principles of IFRIC 14, IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, whereby a surplus is only recognised to the extent that the Company is able to access the surplus either through an unconditional right to refund of the surplus or through reduced future contributions relating to ongoing service, which have been substantively enacted or contractually agreed. The Group has determined that it can derive economic benefit from the surplus in the ASPS via a reduction to future employer contributions for defined contribution members, which could theoretically be paid from the surplus funds in the ASPS. In the RAC 2003 Pension Scheme (RAC) and Friends Provident Pension Scheme (FPPS) and in the Aviva Ireland Staff Pensions Fund (AISPF) in Ireland, the Group has determined that the rules set out in the schemes' governing documentation provide for an unconditional right to a refund from any future surplus funds in the schemes.

## B16 – Related party transactions

During the period, there have been no changes in the nature of the related party transactions from those described in the Group's 2022 Annual Report and Accounts.

In the period to 30 June 2023, the Aviva Staff Pension Scheme (ASPS) completed one (HY22: one, 2022: two) bulk annuity buy-in transactions with Aviva Life & Pensions UK Limited (AVLAP). Total premiums of £134 million (HY22: £796 million, 2022: £1,324 million) were paid by the scheme to AVLAP, with AVLAP recognising total best estimate liabilities of £119 million (restated HY22: £683 million, restated 2022: £1,130 million). After allowing for initial expenses, risk adjustment and CSM, no profit or loss was recognised on initial recognition (restated HY22: £nil, restated 2022: £nil). The ASPS recognised total plan assets of £101 million (HY22: £536 million, 2022: £891 million), with the difference between the plan assets recognised and the premiums paid being recognised as an actuarial loss through Other Comprehensive Income. As at 30 June 2023, AVLAP recognised cumulative best estimate liabilities of £3,125 million (restated 30 June 2022: £3,523 million, restated 2022: £3,155 million) in relation to buy-in transactions with the ASPS which have been included within the Group's insurance contract liabilities, and the ASPS held a transferable plan asset of £2,900 million (30 June 2022: £3,140 million, 2022: £2,875 million) which does not eliminate on consolidation. The AVLAP 2022 liabilities comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## B17 – Fair value methodology

This note explains the methodology for valuing our assets and liabilities measured at fair value and for fair value disclosures. It also provides an analysis of these according to a fair value hierarchy, determined by the market observability of valuation inputs. Fair value methodology used to support the fair value approach to IFRS 17 transition is set out in note B2(a).

### (a) Basis for determining fair value hierarchy

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

#### Level 1

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date. Level 1 inputs already reflect market participant views of climate change impacts and no further adjustments are made to these values.

#### Level 2

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

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

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

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

#### Level 3

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

The majority of the Group's assets and liabilities measured at fair value are based on quoted market information or observable market data. Of the total assets and liabilities measured at fair value 13.8% (restated 30 June 2022: 16.1%, restated 2022: 15.5%) of assets and 0.8% (30 June 2022: 1.0%, 2022: 0.9%) of liabilities are based on estimates and recorded as Level 3. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

### (b) Changes to valuation techniques

There were no changes in the valuation techniques during the period compared to those described in the Group's 2022 Annual Report and Accounts.

### (c) Carrying amount and fair values of financial instruments

The carrying amounts of financial assets and financial liabilities are set out in the following table:

	30 June 2023				Restated <sup>1</sup> 30 June 2022				Restated <sup>1</sup> 31 December 2022			
	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount	Mandatorily held at FVTPL	Designated at FVTPL	Amortised cost	Total carrying amount
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Financial assets</b>												
Loans	25,323	—	4,829	30,152	27,008	—	6,942	33,950	25,920	—	3,713	29,633
Cash and cash equivalents	—	1,083	18,753	19,836	—	1,632	12,112	13,744	—	1,064	21,441	22,505
Financial investments	231,469	—	—	231,469	229,551	—	—	229,551	224,086	—	—	224,086
Fixed maturity securities	105,881	—	—	105,881	112,344	—	—	112,344	103,776	—	—	103,776
Equity securities	89,093	—	—	89,093	84,635	—	—	84,635	85,790	—	—	85,790
Other investments (including derivatives)	36,495	—	—	36,495	32,572	—	—	32,572	34,520	—	—	34,520
Reinsurance assets for non-participating investment contracts	4,614	—	—	4,614	5,137	—	—	5,137	5,290	—	—	5,290
<b>Financial liabilities</b>												
Non-participating investment contracts	—	148,186	—	148,186	—	137,917	—	137,917	—	141,188	—	141,188
Net (asset)/liability attributable to unitholders	—	14,759	—	14,759	—	12,832	—	12,832	—	14,080	—	14,080
Borrowings	—	1,090	5,471	6,561	—	1,110	5,801	6,911	—	1,091	5,664	6,755
Derivative liabilities	9,224	—	—	9,224	8,042	—	—	8,042	9,541	—	—	9,541

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 9 and IFRS 17, as described in note B2.

Borrowings held at amortised cost of £5,471 million (30 June 2022: £5,801 million, 2022: £5,664 million) have fair value of £5,155 million (30 June 2022: £5,879 million, 2022: £5,408 million).

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

- Receivables
- Cash and cash equivalents
- Loans at amortised cost
- Payables and other financial liabilities

### (d) Fair value hierarchy analysis

An analysis of assets and liabilities measured at amortised cost and fair value categorised by fair value hierarchy is given below.

30 June 2023	Fair value hierarchy			Sub-total Fair value	Amortised cost	Total carrying value
	Level 1	Level 2	Level 3			
	£m	£m	£m	£m	£m	£m
<b>Recurring fair value measurements</b>						
Investment property	—	—	6,005	6,005	—	6,005
Loans	—	—	25,323	25,323	4,829	30,152
Cash and cash equivalents	1,083	—	—	1,083	18,753	19,836
Financial investments measured at fair value						
Fixed maturity securities	24,662	76,496	4,723	105,881	—	105,881
Equity securities	88,765	—	328	89,093	—	89,093
Other investments (including derivatives)	30,985	4,710	800	36,495	—	36,495
Reinsurance assets for non-participating investment contracts <sup>1</sup> (note B12)	4,614	—	—	4,614	—	4,614
<b>Total</b>	<b>150,109</b>	<b>81,206</b>	<b>37,179</b>	<b>268,494</b>	<b>23,582</b>	<b>292,076</b>
Financial liabilities measured at fair value						
Non-participating investment contracts	148,186	—	—	148,186	—	148,186
Net liability/(asset) attributable to unit holders	14,765	—	(6)	14,759	—	14,759
Borrowings	—	—	1,090	1,090	5,471	6,561
Derivative liabilities	69	8,835	320	9,224	—	9,224
<b>Total</b>	<b>163,020</b>	<b>8,835</b>	<b>1,404</b>	<b>173,259</b>	<b>5,471</b>	<b>178,730</b>

30 June 2023	Fair value hierarchy			Total fair value
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
<b>Non-recurring fair value measurement</b>				
Properties occupied by group companies	—	—	7	7
<b>Total</b>	<b>—</b>	<b>—</b>	<b>7</b>	<b>7</b>

Restated <sup>1</sup> 30 June 2022	Fair value hierarchy			Sub-total fair value £m	Amortised cost £m	Total carrying value £m
	Level 1 £m	Level 2 £m	Level 3 £m			
<b>Recurring fair value measurements</b>						
Investment property	—	—	7,373	7,373	—	7,373
Loans	—	—	27,008	27,008	6,942	33,950
Cash and cash equivalents	1,362	—	—	1,362	12,382	13,744
<b>Financial investments measured at fair value</b>						
Fixed maturity securities	23,509	81,611	7,224	112,344	—	112,344
Equity securities	84,282	—	353	84,635	—	84,635
Other investments (including derivatives)	27,227	3,884	1,461	32,572	—	32,572
Reinsurance assets for non-participating investment contracts (note B12)	5,137	—	—	5,137	—	5,137
<b>Total</b>	<b>141,517</b>	<b>85,495</b>	<b>43,419</b>	<b>270,431</b>	<b>19,324</b>	<b>289,755</b>
<b>Financial liabilities measured at fair value</b>						
Non-participating investment contracts	137,917	—	—	137,917	—	137,917
Net (asset)/liability attributable to unit holders	12,820	—	12	12,832	—	12,832
Borrowings	—	—	1,110	1,110	5,801	6,911
Derivative liabilities	483	7,026	533	8,042	—	8,042
<b>Total</b>	<b>151,220</b>	<b>7,026</b>	<b>1,655</b>	<b>159,901</b>	<b>5,801</b>	<b>165,702</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 9 and IFRS 17, as described in note B2.

30 June 2022	Fair value hierarchy			Sub-total fair value £m
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Non-recurring fair value measurement</b>				
Properties occupied by group companies	—	—	15	15
<b>Total</b>	<b>—</b>	<b>—</b>	<b>15</b>	<b>15</b>

Restated <sup>1</sup> At 31 December 2022	Fair value hierarchy			Sub-total fair value £m	Amortised cost £m	Total carrying value £m
	Level 1 £m	Level 2 £m	Level 3 £m			
<b>Recurring fair value measurements</b>						
Investment property	—	—	5,899	5,899	—	5,899
Loans	—	—	25,920	25,920	3,713	29,633
Cash and cash equivalents	1,064	—	—	1,064	21,441	22,505
<b>Financial investments measured at fair value</b>						
Fixed maturity securities	22,140	74,448	7,188	103,776	—	103,776
Equity securities	85,459	—	331	85,790	—	85,790
Other investments (including derivatives)	28,192	5,021	1,307	34,520	—	34,520
Reinsurance assets for non-participating investment contracts <sup>2</sup> (note B12)	5,290	—	—	5,290	—	5,290
<b>Total</b>	<b>142,145</b>	<b>79,469</b>	<b>40,645</b>	<b>262,259</b>	<b>25,154</b>	<b>287,413</b>
<b>Financial liabilities measured at fair value</b>						
Non-participating investment contracts	141,188	—	—	141,188	—	141,188
Net (asset)/liability attributable to unit holders	14,070	—	10	14,080	—	14,080
Borrowings	—	—	1,091	1,091	5,664	6,755
Derivative liabilities	200	8,986	355	9,541	—	9,541
<b>Total</b>	<b>155,458</b>	<b>8,986</b>	<b>1,456</b>	<b>165,900</b>	<b>5,664</b>	<b>171,564</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 9 and IFRS 17, as described in note B2.

At 31 December 2022	Fair value hierarchy			Sub-total fair value £m
	Level 1 £m	Level 2 £m	Level 3 £m	
<b>Non-recurring fair value measurement</b>				
Properties occupied by group companies	—	—	8	8
<b>Total</b>	<b>—</b>	<b>—</b>	<b>8</b>	<b>8</b>

IFRS 13 Fair Value Measurement permits assets and liabilities to be measured at fair value on either a recurring or non-recurring basis. Recurring fair value measurements are those that other IFRSs require or permit in the statement of financial position at the end of each reporting period, whereas non-recurring fair value measurements of assets or liabilities are those that other IFRSs require or permit in the statement of financial position in particular circumstances. The value of freehold owner-occupied properties measured on a non-recurring basis at 30 June 2023 was £7 million (30 June 2022: £15 million, 2022: £8 million), stated at their revalued amounts in line with the requirements of IAS 16 Property, Plant and Equipment.

### (e) Valuation approach for fair value assets and liabilities classified as Level 2

Please see note B17(a) for a description of typical Level 2 inputs.

Fixed maturity securities, in line with market practice, are generally valued using an independent pricing service. These valuations are determined using independent external quotations from multiple sources and are subject to a number of monitoring controls, such as monthly price variances, stale price reviews and variance analysis. Pricing services, where available, are used to obtain the third-party broker quotes. Where pricing services providers are used, a single valuation is obtained and applied. When prices are not available from pricing services, quotes are sourced from brokers.

Over-the-counter derivatives are valued using broker quotes or models such as option pricing models, simulation models or a combination of models. The inputs for these models include a range of factors which are deemed to be observable, including current market and contractual prices for underlying instruments, period to maturity, correlations, yield curves and volatility of the underlying instruments.

Unit Trusts and other investment funds (included under the other investments category) are valued using net asset values which are not subject to a significant adjustment for restrictions on redemption or for limited trading activity.

### (f) Transfers between levels of the fair value hierarchy

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

#### Transfers between Level 1 and Level 2

There were no significant transfers between Level 1 and Level 2 (HY22: no significant transfers, 2022: no significant transfers).

#### Transfers to/from Level 3

£230 million (HY22: £290 million, 2022: £698 million) of assets transferred into Level 3 and £2,385 million (HY22: £473 million, 2022: £509 million) of assets transferred out of Level 3 relate principally to fixed maturity securities held by our business in the UK. These are transferred between Levels 2 and 3 depending on the availability of observable inputs and whether the counterparty and broker quotes are corroborated using valuation models with observable inputs.

£nil (HY22: £297 million, 2022: £297 million) of liabilities transferred into Level 3 relate to derivatives held by our business in the UK. These have been transferred into level 3 following a change to using an internally-derived valuation model from the previous counterparty supplied valuations to ensure consistency of approach with the associated assets and liabilities held at fair value.

£48 million (HY22: £nil, 2022: £nil) of liabilities transferred out of Level 3 relate to derivatives held by our business in the UK.

### (g) Further information on Level 3 assets and liabilities

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

	Assets					Liabilities		
	Investment Property	Loans	Fixed maturity securities	Equity securities	Other investments (including derivatives)	Net (liability)/asset attributable to unitholders	Derivative liabilities	Borrowings
	£m	£m	£m	£m	£m	£m	£m	£m
30 June 2023								
<b>Opening balance at 1 January</b>	<b>5,899</b>	<b>25,920</b>	<b>7,188</b>	<b>331</b>	<b>1,307</b>	<b>(10)</b>	<b>(355)</b>	<b>(1,091)</b>
Total net (losses)/gains recognised in the income statement <sup>1</sup>	(56)	(1,156)	(99)	(35)	130	—	(192)	(13)
Purchases	202	2,536	612	16	888	—	(638)	(8)
Issuances	—	48	—	—	—	—	—	—
Disposals	(30)	(2,106)	(671)	(3)	(1,558)	16	808	—
Settlements	—	—	—	—	—	—	9	22
Transfers into Level 3	—	86	83	22	39	—	—	—
Transfers out of Level 3	—	—	(2,385)	—	—	—	48	—
Foreign exchange rate movements	(10)	(5)	(5)	(3)	(6)	—	—	—
<b>Balance at 30 June</b>	<b>6,005</b>	<b>25,323</b>	<b>4,723</b>	<b>328</b>	<b>800</b>	<b>6</b>	<b>(320)</b>	<b>(1,090)</b>

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

	Assets					Liabilities		
	Investment Property	Loans	Fixed maturity securities	Equity securities	Other investments (including derivatives)	Net (asset)/liability attributable to unitholders	Derivative liabilities	Borrowings
	£m	£m	£m	£m	£m	£m	£m	£m
30 June 2022								
<b>Opening balance at 1 January</b>	<b>7,003</b>	<b>29,980</b>	<b>8,477</b>	<b>350</b>	<b>1,530</b>	<b>(10)</b>	<b>(445)</b>	<b>(1,140)</b>
Total net gains/(losses) recognised in the income statement <sup>1</sup>	308	(3,600)	(1,336)	(16)	(125)	—	193	(7)
Purchases	244	2,278	808	5	42	(2)	(1)	—
Issuances	—	70	—	—	—	—	—	—
Disposals	(194)	(1,723)	(515)	(10)	(25)	—	1	—
Settlements	—	—	—	—	—	—	16	37
Transfers into Level 3	—	—	253	11	26	—	(297)	—
Transfers out of Level 3	—	—	(470)	—	(3)	—	—	—
Foreign exchange rate movements	12	3	7	13	16	—	—	—
<b>Balance at 30 June</b>	<b>7,373</b>	<b>27,008</b>	<b>7,224</b>	<b>353</b>	<b>1,461</b>	<b>(12)</b>	<b>(533)</b>	<b>(1,110)</b>

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

	Assets					Liabilities		
	Investment Property	Loans	Fixed maturity securities	Equity securities	Other investments (including derivatives)	Net (asset)/liability attributable to unitholders	Derivative liabilities	Borrowings
31 December 2022	£m	£m	£m	£m	£m	£m	£m	£m
Opening balance at 1 January	7,003	29,980	8,477	350	1,530	(10)	(445)	(1,140)
Total net (losses)/gains recognised in the income statement <sup>1</sup>	(1,159)	(6,691)	(2,053)	11	(214)	—	280	(22)
Purchases	434	4,979	2,274	18	190	—	(1)	—
Issuances	—	139	—	—	—	—	—	—
Disposals	(407)	(2,496)	(1,681)	(64)	(233)	—	74	71
Settlements	—	—	—	—	—	—	34	—
Transfers into Level 3	—	—	666	6	27	—	(297)	—
Transfers out of Level 3	—	—	(508)	(1)	(1)	—	—	—
Foreign exchange rate movements	28	9	13	11	8	—	—	—
<b>Balance at 31 December</b>	<b>5,899</b>	<b>25,920</b>	<b>7,188</b>	<b>331</b>	<b>1,307</b>	<b>(10)</b>	<b>(355)</b>	<b>(1,091)</b>

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

Total net losses recognised in the income statement in the period ended 30 June 2023 in respect of Level 3 assets measured at fair value amounted to £1,216 million (HY22: net losses of £4,769 million) with net losses in respect of liabilities of £205 million (HY22: net gains of £186 million). Net losses of £1,280 million (HY22: net losses of £4,781 million) attributable to assets and net losses of £205 million (HY22: net losses of £27 million) attributable to liabilities relate to those still held at 30 June 2023.

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

### (i) Investment property

- Investment property is valued in the UK at least annually by external chartered surveyors in accordance with guidance issued by The Royal Institution of Chartered Surveyors, and using estimates during the intervening period. Outside the UK, valuations are produced by external qualified professional appraisers in the countries concerned. External valuers in the UK comply with the 'Sustainability and ESG in commercial property valuation and strategic advice' professional standard issued by the Royal Institution of Chartered Surveyors in December 2021. In a valuation context, sustainability involves the consideration of matters that include environment and climate change, health and wellbeing, and personal and corporate responsibility that can or do impact the valuation of an asset. This includes the consideration of capital expenditure required to maintain the utility of the asset due to the longer-term obsolescence and risk.
- Investment properties are valued on an income approach that is based on current rental income plus anticipated uplifts at the next rent review, lease expiry, or break option taking into consideration lease incentives and assuming no further growth in the estimated rental value of the property. The uplift and discount rates are derived from rates implied by recent market transactions on similar properties. These inputs are deemed unobservable. The yield used to value the portfolio ranges from 125bps to 2385bps (2022: 100bps to 2160bps) with higher yields predominately relating to properties in the retail and leisure sectors. Over 95% of the portfolio is valued using spreads within the range from 125bps to 820bps (2022: 100bps to 810bps).

### (ii) Loans

- Commercial mortgage loans and Primary Healthcare loans held by our UK Life business are valued using a Portfolio Credit Risk Model. This model calculates a Credit Risk Adjusted Value for each loan. The risk adjusted cash flows are discounted using a yield curve plus an allowance for illiquidity. Loans valued using the Portfolio Credit Risk Model have been classified as Level 3 as the liquidity premium is deemed to be non-market observable. At 30 June 2023 the liquidity premium used in the discount rate was 135bps (2022: 110bps). Future capital expenditure costs of 0.9% per annum (2022: 0.9%) are included in the modelling of the Credit Risk Adjusted Value of the loans to address climate change actions, including potential climate-related changes. The impact is a reduction in the fair value of the properties securing the loans.
- Equity release mortgage loans held by our UK Life business are valued using an internal model, with fair value initially being equal to the transaction price. The value of these loans is dependent on the expected term of the mortgage and the forecast property value at the end of the term, and is calculated by adjusting future cash flows for credit risk and discounting using a yield curve plus an allowance for illiquidity. At 30 June 2023 the illiquidity premium used in the discount rate was 150bps (2022: 155bps).
- The equity release mortgages have a no negative equity guarantee ('NNEG') such that the cost of any potential shortfall between the value of the loan and the realised value of the property at the end of the term is recognised by a deduction to the value of the loan. Property valuations at the reporting date are obtained by taking the most recent valuation for the property and indexing using an internal house price index based on published Land Registry data. NNEG is calculated using base property growth rates reduced for the cost of potential dilapidations, using a stochastic model. In addition, a cost of capital charge is applied to reflect the variability in these cash flows. The base property growth rate assumption is RPI +0.75% (2022: RPI +0.75%) which includes a reduction to the growth rate of 0.5% per annum for the potential impact of climate change actions. The modelled growth rates include an adjustment for the 5-year period 2023-2027 to reflect the market view of short-term growth being lower than long-term average growth. The combination of the adjusted rate over the first five years and the base property growth rate equates to a long-term average growth rate of 3.5% per annum at 30 June 2023 (2022: 3.1%) over a twenty five year projection. After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.5% per annum (2022: 0.4%).
- Infrastructure and Private Finance Initiative (PFI) loans held by our UK Life business are valued using a discounted cash flow model. This adds spreads for credit and illiquidity to a risk-free discount rate. Credit spreads used in the discount rate are calculated using an internally developed methodology which depends on the credit rating of each loan, credit spreads on publicly traded bonds and an estimated recovery rate in event of default and are deemed to be unobservable. At 30 June 2023, the illiquidity premium used in the discount rate was 140bps (2022: 115bps) for the PFI loans and ranged from 25bps to 210bps (2022: 25bps to 210bps) for the infrastructure loans.

**(iii) Fixed maturity securities**

- Structured bond-type, non-standard debt products and privately placed notes held by our business in the UK do not trade in an active market. These fixed maturity securities are valued using discounted cash flow model, designed to appropriately reflect the credit and illiquidity risk of the instrument. These bonds have been classified as Level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads.
- Other fixed maturity securities held by our Life business in the UK which are not traded in an active market have been valued using third-party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transaction.
- The unobservable credit and illiquidity spreads used in the discount rate range from 26bps to 530bps (2022: 25bps to 344bps). Fixed maturity securities held by our UK and Asian businesses which are not traded in an active market have been valued using third-party or counterparty valuations. These prices are considered to be unobservable due to infrequent market transaction.

**(iv) Equity securities**

- Equity securities which primarily comprise private equity holdings held in the UK are valued by a number of third-party specialists. These are valued using a range of techniques, including earnings multiples, forecast cash flows and price/earnings ratios which are deemed to be unobservable.

**(v) Other investments (including derivatives)**

- Other investments are held for index-linked, unit-linked and with-profit funds and are valued based on external valuation reports received from fund managers. The investments consist of:
  - Unit trusts;
  - Other investment funds including property funds; and
  - Derivatives.
- Where valuations are at a date other than the balance sheet date, as is the case for some private equity funds, adjustments are made for items such as subsequent draw-downs and distributions and the fund manager's carried interest.

**(vi) Liabilities**

- The principal liabilities classified as Level 3 are securitised mortgage loan notes, presented within Borrowings, which are valued using a similar technique to the related Level 3 securitised mortgage assets. These liabilities are included within the relevant liability category within the sensitivity table below.

**Sensitivities**

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

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



The tables below show the sensitivity of the fair value of Level 3 assets and liabilities to changes in unobservable inputs to a reasonable alternative:

	Fair value	Most significant unobservable input	Reasonable alternative	Sensitivities	
				Positive impact	Negative impact
30 June 2023	£bn			£bn	£bn
<b>Investment property</b>	<b>6.0</b>	Equivalent rental yields	+/-5-10%	<b>0.4</b>	<b>(0.4)</b>
<b>Loans</b>					
Commercial mortgage loans and Primary Healthcare loans	8.9	Illiquidity premium	+/-20 bps	0.1	(0.1)
		Base property growth rate	+/-100 bps p.a.	0.1	(0.1)
Equity release mortgage loans	9.0	Base property growth rate	+/-40 bps p.a.	0.2	(0.2)
		Current property market values	+/-10%	0.2	(0.3)
Infrastructure and Private Finance Initiative (PFI) loans	4.9	Illiquidity premium	+/-25 bps <sup>1</sup>	0.1	(0.1)
Other	2.5	Illiquidity premium	+/-25 bps <sup>1</sup>	—	—
<b>Fixed maturity securities</b>					
Structured bond-type and non-standard debt products	1.3	Market spread (credit, liquidity and other)	+/-25 bps	—	—
Privately placed notes	3.0	Credit spreads	+/-25 bps <sup>1</sup>	0.1	(0.1)
Other fixed maturity securities	0.4	Credit and liquidity spreads	+/-20-25 bps	0.1	(0.1)
<b>Equity securities</b>	<b>0.3</b>	Market multiples applied to net asset values	+/-25%	<b>0.1</b>	<b>—</b>
<b>Other investments</b>					
Property Funds	0.2	Market multiples applied to net asset values	+/-15-20%	—	—
Other investments (including derivatives)	0.6	Market multiples applied to net asset values	+/-10-40% <sup>2</sup>	0.1	—
<b>Liabilities</b>					
Borrowings	(1.1)	Illiquidity premium	+/-50 bps	—	—
Other liabilities (including derivatives)	(0.3)	Independent valuation vs counterparty	N/A	—	—
<b>Total Level 3 investments</b>	<b>35.7</b>			<b>1.5</b>	<b>(1.4)</b>

1. On discount rate spreads  
2. Dependent on investment category

	Fair value	Most significant unobservable input	Reasonable alternative	Sensitivities	
				Positive impact	Negative impact
30 June 2022	£bn			£bn	£bn
<b>Investment property</b>	<b>7.4</b>	Equivalent rental yields	+/-5-10%	<b>0.4</b>	<b>(0.4)</b>
<b>Loans</b>					
Commercial mortgage loans and Primary Healthcare loans	10.5	Illiquidity premium	+/-20 bps	0.1	(0.1)
		Base property growth rate	+/-100 bps p.a.	0.1	(0.1)
Equity release mortgage loans	10.8	Base property growth rate	+/-40 bps p.a.	0.2	(0.2)
		Current property market values	+/-10%	0.2	(0.3)
Infrastructure and Private Finance Initiative (PFI) loans	5.4	Illiquidity premium	+/-25 bps <sup>1</sup>	0.2	(0.2)
Other	0.3	Illiquidity premium	+/-25 bps <sup>1</sup>	—	—
<b>Fixed maturity securities</b>					
Structured bond-type and non-standard debt products	0.5	Market spread (credit, liquidity and other)	+/-25 bps	—	—
Privately placed notes	3.0	Credit spreads	+/-25 bps <sup>1</sup>	0.1	(0.1)
Other fixed maturity securities	3.7	Credit and liquidity spreads	+/-20-25 bps	0.2	(0.2)
<b>Equity securities</b>	<b>0.4</b>	Market multiples applied to net asset values	+/-25%	<b>0.1</b>	<b>(0.1)</b>
<b>Other investments</b>					
Property Funds	0.2	Market multiples applied to net asset values	+/-15-20%	—	—
Other investments (including derivatives)	1.2	Market multiples applied to net asset values	+/-10-40% <sup>2</sup>	0.2	(0.1)
<b>Liabilities</b>					
Borrowings	(1.1)	Illiquidity premium	+/-50 bps	—	—
Other liabilities (including derivatives)	(0.5)	Independent valuation vs counterparty	N/A	—	—
<b>Total Level 3 investments</b>	<b>41.8</b>			<b>1.8</b>	<b>(1.8)</b>

1. On discount rate spreads  
2. Dependent on investment category

31 December 2022	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities	
				Positive impact £bn	Negative impact £bn
Investment property	5.9	Equivalent rental yields	+/-5-10%	0.3	-0.3
Loans					
Commercial mortgage loans and Primary Healthcare loans	9.4	Illiquidity premium	+/-20 bps	0.1	(0.1)
		Base property growth rate	+/-100 bps p.a.	0.1	(0.1)
Equity release mortgage loans	9.6	Base property growth rate	+/-40 bps p.a.	0.2	(0.2)
		Current property market values	+/-10%	0.2	(0.2)
Infrastructure and Private Finance Initiative (PFI) loans	5.3	Illiquidity premium	+/-25 bps1	0.2	(0.2)
Other	1.6	Illiquidity premium	+/-25 bps1	—	—
Fixed maturity securities					
Structured bond-type and non-standard debt products	0.4	Market spread (credit, liquidity and other)	+/-25 bps	—	—
Privately placed notes	2.9	Credit spreads	+/-25 bps1	0.1	(0.1)
Other fixed maturity securities	3.9	Credit and liquidity spreads	+/-20-25 bps	0.1	(0.1)
Equity securities	0.3	Market multiples applied to net asset values	+/-25%	0.1	(0.1)
Other investments					
Property Funds	0.2	Market multiples applied to net asset values	+/-15-20%	—	—
Other investments (including derivatives)	1.1	Market multiples applied to net asset values	+/-10-40%2	0.1	(0.1)
Liabilities					
Borrowings	(1.1)	Illiquidity premium	+/-50 bps	—	—
Other liabilities (including derivatives)	(0.4)	Independent valuation vs counterparty	N/A	—	—
<b>Total Level 3 investments</b>	<b>39.1</b>			<b>1.5</b>	<b>(1.5)</b>

1. On discount rate spreads
2. Dependent on investment category

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

## B18 – Capital reserves and Retained earnings

This note analyses the movements in the consolidated retained earnings during the period.

	6 months 2023				Restated <sup>1</sup> 6 months 2022			
	Capital reserves			Retained earnings	Capital reserves			Retained earnings
Share premium	Capital redemption reserve	Merger reserve	Share premium		Capital redemption reserve	Merger reserve	Retained earnings	
	£m	£m	£m	£m	£m	£m	£m	
<b>Balance at 1 January</b>	<b>1,263</b>	<b>3,855</b>	<b>5,224</b>	<b>(2,087)</b>	<b>1,248</b>	<b>86</b>	<b>8,974</b>	<b>5,033</b>
Profit/(loss) for the period attributable to equity shareholders	—	—	—	366	—	—	—	(209)
Remeasurements of pension schemes (note B15(b))	—	—	—	(173)	—	—	—	(583)
Dividends and appropriations (note B10)	—	—	—	(602)	—	—	—	(550)
Shares purchased in buyback (note B21)	—	24	—	(300)	—	19	—	(336)
Capital Reductions (note B18(a))	(1,256)	(3,855)	—	5,111	—	—	—	—
Return of capital to ordinary shareholders via B share scheme (note B21)	—	—	—	—	—	3,750	(3,750)	(3,750)
Net shares issued under equity compensation plans	9	—	—	(27)	5	—	—	1
Aggregate tax effect	—	—	—	44	—	—	—	178
<b>Balance at 30 June</b>	<b>16</b>	<b>24</b>	<b>5,224</b>	<b>2,332</b>	<b>1,253</b>	<b>3,855</b>	<b>5,224</b>	<b>(216)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

### (a) Capital Reductions

At a General Meeting of Aviva held on 4 May 2023, Aviva received shareholder approval to a reduction of £1,256 million in its share premium account and to a reduction of £3,855 million in its capital redemption reserve (the Capital Reductions). The Capital Reductions received Court approval on 23 May 2023 and were effected on 25 May 2023.

### (b) Aviva plc company

Retained earnings of Aviva plc, the Company, were £9,020 million at 30 June 2023 and £5,248 million at 31 December 2022 (see note H on the Company Financial statements of the Aviva plc Annual Report and Accounts 2022). The retained earnings of Aviva plc are not impacted by the adoption of IFRS 17.

## B19 – Risk management

Risk management is key to Aviva's success. We accept the risks inherent to our core business lines of life, health and general insurance and asset management. We diversify these risks through our scale, the variety of the products and services we offer and the channels through which we sell them. We receive premiums which we invest 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 prefer retaining those risks we believe we are capable of managing to generate a return.

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

### Risk environment

While the first half of 2023 has seen a reduction in headline inflation rates from earlier highs in developed markets, underlying inflation remains elevated, in particular in the UK. Macroeconomic growth remains subdued, while financial markets have been volatile following the collapse and rescue of a number of high-profile banks in the USA and Credit Suisse in Switzerland. Affordability remains a concern to trading because of the economic climate and will impact all customers, including relatively affluent customers. Customer experience and retention will continue to require close monitoring.

The biggest immediate threat to the Group's future prospects and capital and liquidity positions remains the overall macroeconomic environment driven by the risks of persistent inflation, rising geo-political tensions due to the Russia-Ukraine conflict and the tightening of monetary policy through rising interest rates. Areas of uncertainty include credit downgrades, future interest rates, changes in commercial and residential property prices, and default rates on the commercial mortgage portfolio. We continue to closely track these developments in our businesses and take appropriate actions so that the impact on our businesses and our customers is limited.

The Group's Financial Event Response Plan ('FERP') provides an operational framework that enables senior management to respond quickly to any elevated financial market stresses. The Group continues to maintain strong solvency and liquidity positions validated through a range of scenarios and stress testing that model the potential impacts of trigger events both directly on operations of the Group and the wider macroeconomic environment. The stress testing demonstrates that the Aviva Group has considerable resilience to external shocks, even in severe downside scenarios.

There remains uncertainty over the outcome from continuing COVID-19 business interruption claims litigation and the impact on the Group, as well as the long-term impact of the COVID-19 pandemic on mortality and morbidity, and consequential strains on UK public healthcare and customer demand for private medical insurance.

The Group's general insurance business does not have material underwriting exposure to Russia and the Ukraine, and does not conduct operations in the affected region. Due to the conflict there was disruption to global supply chains resulting in heightened claims inflation during 2022 which has persisted into 2023 and has increased the uncertainty associated with the cost of settling general insurance claims. While the impacts of heightened claims inflation are being mitigated via new business pricing actions, our ability to price for inflation is dependent on market, competitor and customer behaviour resulting in uncertainty around the impact of inflation on future profitability.

The threat of cyber attack (including malware and ransomware) is actively monitored and we continue to actively monitor the threat environment and enhance our IT infrastructure and cyber controls to help identify, detect and prevent attacks.

Aviva remains committed to supporting a low carbon economy that will improve the resilience of our economy, society and the financial system in line with the 2015 Paris Agreement target on climate change. In March 2021, we set an ambition to become a Net Zero carbon company by 2040 and we are acting now to mitigate and manage the impact of climate change on our business. We calculate a Climate Value at Risk (VaR) against Intergovernmental Panel on Climate Change (IPCC) scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators are used to assess the impact on our investments and insurance liabilities. As part of our actions to mitigate climate risks, Aviva originates assets for their climate credentials.

We expect continued and heightened regulatory change for the remainder of 2023 and beyond. In the third quarter of 2023 the UK Government and PRA are expected to conclude their review of Solvency II Reform potentially impacting how much prudential capital the Group is required to hold and how the Group invests the funds backing its annuity business. On 31 July 2023, the FCA's Consumer Duty for open products came into effect and will be effective from July 2024 for closed products. The FCA Consumer Duty, combined with the current cost of living pressures, is expected to increase regulatory scrutiny on the fair value of products provided by the insurance industry.

### Risk Management Framework (RMF)

Aviva's RMF is at the heart of every business decision and is key to a robust control environment and the Group's sustainable success. The key components of our RMF are risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes we use to identify, measure, manage, monitor and report risks, including the use of our risk models and stress and scenario testing. A risk taxonomy is maintained for a consistent approach to risk identification, measurement and reporting, and to determine application of the Group Risk Appetite Framework and the risks for which a Risk Policy is required. The taxonomy is arranged in a hierarchy with more granular risk types grouped into the following principal risk categories: credit and market, liquidity, life insurance, general insurance (including health), operational and strategic risk. Risks falling within these types may affect several outcomes including those relating to solvency, liquidity, profit, reputation, and conduct.

To promote a consistent and rigorous approach to risk management across all businesses we have risk policies and business standards which set out the risk strategy/forward plan, appetite, framework, key controls, and minimum requirements for the Group's worldwide operations. The business unit's chief executive officers make an annual declaration supported by an opinion from the business unit chief risk officers on whether the system of governance and internal controls are effective and fit for purpose for their business throughout the year.

### Material risks and uncertainties

In accordance with the requirements of the Financial Conduct Authority (FCA) Handbook (DTR 4.2.7) we provide an update here on the material risks and uncertainties facing the Group. The types of risks to which the Group is exposed have not changed significantly during the first half of the year and remain credit, market, liquidity, life and health insurance, general insurance, asset management and operational risks. These risks are described below. Further detail on these risks is given within note 58 of the Group's 2022 Annual Report and Accounts.

#### (a) Credit risk

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to Aviva, or variations in market values as a result of changes in expectations related to these risks. Aviva has a strong record of managing credit risk and we see credit as an area where we can make a good return for the benefit of both our policyholders and shareholders. In general we prefer to take credit risk over equity and property risks, because of the better expected risk adjusted return, our credit risk analysis capability and the structural investment advantages conferred to insurers with long-dated, relatively illiquid liabilities.

Our approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. Our credit risks arise principally through exposures to debt security investments, structured asset investments, bank deposits, derivative counterparties, mortgage lending and reinsurance counterparties.

The Group manages its credit risk at business unit and Group level. All business units are required to implement credit risk management processes (including limits frameworks), operate specific risk management committees, and report and monitor of their exposures against pre-established risk criteria. At Group level, we manage and monitor all exposures across our business units on a consolidated basis, and operate a Group limit framework that must be adhered to by all.

The Group has minimal direct investment exposure to Russia and Ukraine, and no exposure to Belarus.

We experienced negligible credit defaults to date in 2023 and continue to monitor closely any deterioration in the credit markets. Our capital position includes an allowance for the expected potential impacts from downgrades and defaults.

Financial assets are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated credit risk exposure of the Group for financial assets with external credit ratings. 'Not rated' assets capture assets not rated by external ratings agencies.

As at 30 June 2023	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value £m
Fixed maturity securities	16.3%	41.1%	19.6%	12.8%	4.5%	5.7%	105,881
Reinsurance contract assets	—%	54.3%	45.5%	0.2%	—%	—%	7,021
Reinsurance assets for non-participating investment contracts	—%	88.0%	6.4%	5.6%	—%	—%	4,614
Other investments	1.6%	0.2%	0.3%	0.2%	—%	97.7%	36,495
Loans	0.8%	10.8%	1.7%	0.5%	—%	86.2%	30,152
<b>Total</b>							<b>184,163</b>

  

Restated <sup>1</sup> As at 31 December 2022	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value £m
Fixed maturity securities	18.0%	37.6%	21.9%	13.0%	3.8%	5.7%	103,776
Reinsurance contract assets <sup>1</sup>	—%	57.3%	42.7%	—%	—%	—%	6,727
Reinsurance assets for non-participating investment contracts <sup>1</sup>	—%	88.2%	1.5%	10.3%	—%	—%	5,290
Other investments	—%	—%	0.1%	—%	—%	99.9%	34,520
Loans <sup>1</sup>	—%	9.0%	1.0%	0.4%	—%	89.6%	29,633
<b>Total</b>							<b>179,946</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a). As described in note B2, reinsurance assets for non-participating investment contracts are presented as separate line items in the table.

At 30 June 2023, a significant proportion of assets remain investment grade in line with 2022. We have remained focused on high quality assets.

#### (b) Market risk

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, foreign currency exchange rates, equity and property prices.

We continue to limit our direct equity exposure in line with our risk preferences. At a business unit level, investment limits and local investment regulations require that business units hold diversified portfolios of assets thereby reducing exposure to individual equities. The Group does not have material holdings of unquoted equity securities.

Equity risk is also managed using a variety of derivative instruments, including futures and options. Businesses actively model the performance of equities through the use of risk models, in particular to understand the impact of equity performance on guarantees, options and bonus rates. An equity hedging strategy remains in place to help control the Group's overall direct and indirect exposure to equities.

Exposure to interest rate risk is monitored through several measures that include duration, capital modelling, sensitivity testing and stress and scenario testing. Increasing interest rates as a result of the monetary policy response to inflationary pressures have positively impacted the Group's regulatory capital cover ratio. This could be offset by the negative impact of credit downgrades, counterparty defaults, claims and maintenance expenses and lapse rates if high inflation persists and the economy stagnates or falls. Conversely, rising credit spreads will adversely impact IFRS shareholders' equity.

At a Group level we actively seek to manage currency risk primarily by matching assets and liabilities in functional currencies at the business unit level. The Group has minimal exposure to currency risk from financial instruments held by business units in currencies other than their functional currencies, as nearly all such holdings are backing either unit-linked or with-profits contract liabilities or are hedged. As a result the foreign exchange gains and losses on investments are largely offset by changes in unit-linked and with-profits liabilities and fair value changes in derivatives attributable to changes in foreign exchange rates recognised in the income statement.

Aviva launched a formal Group-wide programme of change activity in 2019 to manage the transition to alternative risk-free rates from LIBOR settings. Three sub programmes were established covering the UK insurance business, Aviva Investors and other Group activities, reporting into a Group Steering Committee. The majority of Aviva's exposure to IBOR rates existed within the UK insurance business and Aviva Investors, where Aviva has reviewed all financial instruments, engaged with counterparties to either transition to alternative risk-free rates or have exited positions where required. Significant progress has been made, with a substantive majority of Aviva's original IBOR exposure already resolved. Aviva's only remaining exposure to GBP LIBOR relates to a small number of currently fixed-rate public bonds that would revert to LIBOR-referencing floating rates in the event of a non-call by the issuer at the next call date. We continue to assess the likelihood of this event. Aviva's only remaining exposure to USD LIBOR relates to a small number of loans which are linked to synthetic USD LIBOR. We continue to work with borrowers on the transition of these in advance of the discontinuation of synthetic LIBOR after 30 September 2024. Aviva's exposure to CDOR relates to a small number of interest rate swaps whose transition will be planned prior to CDOR's termination after 28 June 2024. Aviva has worked closely with UK regulators, impacted clients, industry experts and industry associations so that there is a smooth and transparent transition of the exposures. No change to the Company's risk management strategy has been required in response to the transition. At 30 June 2023, £430 million (HY22: £711 million) of non-derivative financial assets, £48 million (HY22: £32 million) of derivative financial assets and £113 million (HY22: £39 million) of derivative financial liabilities had yet to transition to an alternative risk-free rate.

### (c) Liquidity risk

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form. 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 and infrastructure loans. The Group seeks to maintain sufficient financial resources to meet its obligations as they fall due through the application of a Group liquidity risk policy and business standard and through the development of its liquidity risk management plan. At Group and business unit level, there is a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. In the period, the Group position remained within appetite.

Sources of liquidity in normal markets also include a variety of short and long-term instruments including commercial papers and medium and long-term debt. In addition to the existing liquid resources and expected inflows, the Group and Company maintain significant undrawn committed borrowing facilities (30 June 2023: £1.70 billion) from a range of leading international banks to further mitigate this risk.

### (d) Life insurance risk

Life insurance risk in the Group arises through its exposure to mortality risk and exposure to worse than anticipated operating experience on factors such as persistency levels, exercising of policyholder options, and management and administration expenses.

The Group chooses to take measured amounts of life insurance risk provided that the relevant business has the appropriate core skills to assess and price the risk and adequate returns are available. The Group's underwriting strategy and appetite is communicated via specific policy statements, related business standards and guidelines. Life insurance risk is managed primarily at business unit level with oversight at the Group level.

The Group's life insurance risk continues to be dominated by exposure from our UK business. Longevity risk remains the most significant life insurance risk due to the Group's annuity portfolio. We are also exposed to longevity risk through the Aviva Staff Pension Scheme, to which our economic exposure has been reduced since 2014 by entering into a longevity swap covering the majority of pensioner in-payment scheme liabilities in force at the time. We purchase reinsurance for some of the longevity risk relating to our annuity business and this also includes the bulk annuity buy-in transactions with the Aviva Staff Pension Scheme that have been carried out since 2019.

UK has been experiencing population deaths in H1 2023 at a level that is higher than in most of the years immediately preceding the Covid-19 pandemic. We are tracking this to identify trends and drivers of future experience. We have passed the peak in deaths due to the Covid-19 pandemic and are closely monitoring any potential longer-term impacts (including for morbidity experience) as well as those arising from the disruption and delays occurring in the NHS.

Current persistency experience is not showing any significant deterioration in the short term, despite cost of living pressures, and there remains some uncertainty about the potential for future deterioration, which is being monitored closely. External factors that may impact future persistency experience include the continuing levels of higher inflation, higher interest rates, increased stock-market volatility, and the potential for a recession in the markets in which we operate.

**(e) General insurance and health insurance risk**

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

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

We recognise that the severity and frequency of weather-related events has the potential to adversely impact provisions for insurance liabilities and our earnings, with the result that there is some variability in our results from period to period. Large catastrophic (CAT) losses arising as a result of these events are explicitly considered in our economic capital modelling so we are resilient to such CAT scenarios.

The High Court in the UK handed down its judgment on the preliminary issues trial of Stonegate Pub Co Ltd vs MS Amlin Corp Member Ltd (and others) and related cases in October 2022. Aviva was not a party to the cases, although could be affected by the final rulings. The Court ruled in favour of the parties on different issues, and all parties have appealed the majority of the decisions. The judgment was carefully considered and the potential impact on claims related to business interruption policies assessed, noting that significant uncertainty remains due to the appeals made to the Court of Appeal which is listed for hearing on 27th November 2023 and continuing litigation in respect of other policy wordings.

In Canada, we are party to several litigation proceedings, including class actions that challenge coverage under our commercial property policies. However, we believe we have a strong argument that there is no pandemic coverage under these policies. The Group purchases reinsurance protection on its property portfolio that includes coverage for business interruption and is collecting or seeking reinsurance recoveries of business interruption losses that are covered by reinsurance.

The Group's general insurance business does not have material underwriting exposure to Russia and the Ukraine, and does not conduct operations in the affected region. All commercial underwriting lines with exposures above £1 million were reviewed in 2022 and all have clear war exclusions.

The conflict in Ukraine and ongoing disruption to global supply chains resulted in heightened claims inflation during 2022 which has persisted into 2023 and has increased the uncertainty associated with the cost of settling general insurance claims. While the impacts of heightened claims inflation are being mitigated via new business pricing actions, our ability to price for inflation is dependent on market, competitor and customer behaviour resulting in uncertainty around the impact of inflation on future profitability.

**(f) Operational risk (including conduct risk)**

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. We have limited appetite for operational risk and aim to reduce these risks as far as is commercially sensible.

The Group continues to operate, validate and enhance its key operational controls and purchase insurance to minimise losses arising from inadequate or ineffective internal processes, people and systems or from external events. The Group maintains constructive relationships with its regulators around the world and responds appropriately to developments in relation to key regulatory changes.

The Operational Risk Appetite framework enables management and the Board to assess the overall quality of the operational risk environment relative to risk appetite and, where a Business Unit (or the Group) are outside of appetite, require clear and robust plans to be put in place in order to return to appetite. As part of our continual improvements of our risk management approach to keep pace with the business, increasing regulatory expectations, and the macroeconomic and geo-political environment, we have recently implemented risk improvements. Those improvements have strengthened and enhanced our risk management capabilities (including risk intelligent culture) throughout the organisation and enabled us to operate a stronger control environment, improve understanding and accountabilities of risks, reduce the complexity of how the business thinks about and manages risks and create greater collaboration across the first and second lines of defence to provide higher quality advice and challenge.

Aviva continues to actively monitor the threat environment and enhance its IT infrastructure and cyber controls to identify, detect and prevent attacks. Aviva's cyber defences are regularly tested using our own 'ethical hacking' team and we have engaged our suppliers to put in place all reasonable measures so that services to Aviva and our customers are protected.

On 31 March 2023 a third party outsourcer, Capita, had an IT incident and they were temporarily not able to service Aviva customers. Following the incident the FCA was notified. Capita systems were restored sufficiently quickly to not impact Aviva's important business services with full service restored a week later.

**(g) Asset management risk**

Aviva is directly exposed to the risks associated with operating an asset management business through its ownership of Aviva Investors. The underlying risk profile of our asset management risk is derived from investment performance, specialist investment professionals and leadership, product development capabilities, fund liquidity, margin, client retention, regulatory developments, fiduciary and contractual responsibilities. Funds invested in illiquid assets such as commercial property are particularly exposed to liquidity risk. The risk profile is regularly monitored.



A client relationship team is in place to manage client retention risk, while all new asset management products undergo a review and approval process at each stage of the product development process, including approvals from legal, compliance and risk functions. Investment performance against client objectives relative to agreed benchmarks is monitored as part of our investment performance and risk management process, and subject to further independent oversight and challenge by a specialist risk team, reporting directly to the Aviva Investors' Chief Risk Officer.

## B20 – Cash and cash equivalents

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

	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
Cash at bank and in hand	1,449	5,396	5,371
Cash equivalents	18,387	8,348	17,134
Cash and cash equivalents per the Statement of Financial Position	19,836	13,744	22,505
Bank overdrafts	(738)	(833)	(929)
	19,098	12,911	21,576

## B21 – Ordinary share capital

This note gives details of Aviva plc's ordinary share capital and shows the movements during the period.

### (a) Share buyback

On 9 March 2023, Aviva announced a share buyback programme for up to a maximum aggregate consideration of £300 million to commence on 10 March 2023 (the "Programme"). On 2 June 2023, Aviva announced that it had successfully completed the Programme. In total, 72,797,191 shares were purchased with a nominal value of £24 million and were subsequently cancelled, giving rise to an additional capital redemption reserve of an equivalent amount. The 72,797,191 shares were acquired at an average price of 412 pence per share.

On 31 March 2022, Aviva completed the share buyback programme originally announced on 12 August 2021, and extended to an aggregate purchase of up to £1 billion on 16 December 2021. In total, 245,225,489 shares were purchased with a nominal value of £61 million and were subsequently cancelled, giving rise to an additional capital redemption reserve of an equivalent amount.

The 245,225,489 shares were acquired at an average price of 408 pence per share. 79,587,629 shares were purchased during 2022, had a nominal value of £19 million, for total consideration of £336 million and were acquired at an average price of 423 pence per share. 165,237,860 ordinary shares were purchased and cancelled during 2021, had a nominal value of £42 million, for a total consideration of £663 million and were acquired at an average price of 401 pence per share.

### (b) Return of capital to ordinary shareholders via B share scheme

On 2 March 2022, Aviva announced a proposed return of capital, including a £3,750 million B Share Scheme for the holders of ordinary shares. 3,687,322,000 B shares were issued for nil consideration with a nominal value of 101.69 pence per share on 16 May 2022, resulting in a total of £3,750 million being credited to the B share capital account. At the same time, the merger reserve was reduced by £3,750 million. On 17 May 2022, the B shares were redeemed at 101.69 pence per share, which resulted in a £3,750 million reduction in the B share capital account and a corresponding increase in the capital redemption reserve. Retained earnings reduced by £3,750 million on payment of the return of capital to ordinary shareholders.

### (c) Details of the Company's ordinary share capital

	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
The allotted, called up and fully paid share capital of the Company at 30 June 2023 was: 2,738,270,828 (30 June 2022: 2,802,715,545 and 31 December 2022: 2,807,964,676) ordinary shares of 32 17/19 pence each	901	922	924

At the Annual General Meeting that took place on 4 May 2023, the Company was authorised to allot up to a further maximum nominal amount of:

- £614 million of which £307 million can be in connection with an offer by way of a rights issue
- £150 million of new ordinary shares in relation to any issue of Solvency II compliant capital instruments

### (d) Movement in issued share capital

	Number of shares			30 June 2023
	25p each	32 17/19p each	B shares	Share capital £m
<b>At 1 January</b>	—	2,807,964,676	—	924
Shares issued under the Group's Employee and Executive Share Option Schemes	—	3,103,343	—	1
Shares cancelled through buyback	—	(72,797,191)	—	(24)
Shares issued under the B share scheme	—	—	—	—
Shares cancelled following B share scheme redemption	—	—	—	—
Share consolidation	—	—	—	—
<b>At 30 June</b>	—	2,738,270,828	—	901



				30 June 2022
			Number of shares	Share capital
	25p each	32 17/19p each	B shares	£m
At 1 January	3,766,095,426	—	—	941
Shares issued under the Group's Employee and Executive Share Option Schemes	1,214,203	350,825	—	—
Shares cancelled through buyback	(79,987,629)	—	—	(19)
Shares issued under the B share scheme	—	—	3,687,322,000	3,750
Shares cancelled following B share scheme redemption	—	—	(3,687,322,000)	(3,750)
Share consolidation	(3,687,322,000)	2,802,364,720	—	—
<b>At 30 June</b>	—	<b>2,802,715,545</b>	—	<b>922</b>

  

				31 December 2022
			Number of shares	Share capital
	25p each	32 17/19p each	B shares	£m
At 1 January	3,766,095,426	—	—	941
Shares issued under the Group's Employee and Executive Share Option Schemes	1,214,203	5,599,956	—	2
Shares cancelled through buyback	(79,987,629)	—	—	(19)
Shares issued under the B share scheme	—	—	3,687,322,000	3,750
Shares cancelled following B share scheme redemption	—	—	(3,687,322,000)	(3,750)
Share consolidation	(3,687,322,000)	2,802,364,720	—	—
<b>At 31 December</b>	—	<b>2,807,964,676</b>	—	<b>924</b>

Ordinary shares in issue in the Company rank pari passu with any new ordinary shares issued in the Company. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

## B22 – Contingent liabilities and other risk factors

During the period, there have been no material changes in the main areas of uncertainty over the calculation of our liabilities from those described in note 54 of the Group's 2022 Annual Report and Accounts. However, the measurement of those included in insurance and participating investment contract liabilities may have changed as a result of adoption of IFRS 17, as set out in note B2(a). An update on material risks is provided in note B19.

## B23 – Subsequent events

For details of subsequent events relating to borrowings, see note B14(d).

## Directors' responsibility statement

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34 as contained in the UK-adopted IFRS, and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

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

By order of the Board

**Amanda Blanc**  
Group Chief Executive Officer

15 August 2023

**Charlotte Jones**  
Group Chief Financial Officer

15 August 2023

# Independent review report to Aviva plc

## Report on the condensed consolidated interim financial statements

### Our conclusion

We have reviewed Aviva plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half year report 2023 of Aviva plc for the 6 month period ended 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2023;
- the condensed consolidated income statement and condensed consolidated statement of comprehensive income for the period then ended;
- the condensed consolidated statement of cash flows for the period then ended;
- the condensed consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half year report 2023 of Aviva plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

### Basis for conclusion

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

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

We have read the other information contained in the Half year report 2023 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

### Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

## Responsibilities for the interim financial statements and the review

### Our responsibilities and those of the directors

The Half year report 2023, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half year report 2023 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half year report 2023, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half year report 2023 based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**PricewaterhouseCoopers LLP**  
Chartered Accountants  
London

15 August 2023

# Analysis of assets

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As an insurance business, the Group holds a variety of assets to match the characteristics and duration of its insurance liabilities. Appropriate and effective asset liability matching (on an economic basis) is the principal way in which Aviva manages its investments. To support this, we use a variety of hedging and other risk management strategies to mitigate any residual mismatch risk that is outside of our risk appetite.

## C1 – Summary of total assets by fund

### (a) Group assets by fund

30 June 2023	Policyholder assets £m	Participating fund assets £m	Shareholder assets £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	—	2,999	2,999
Interests in, and loans to, joint ventures and associates	293	678	799	1,770
Property and equipment	—	69	318	387
Investment property	3,767	1,922	316	6,005
Loans	1,087	2,186	26,879	30,152
Financial investments				
Fixed maturity securities	38,163	21,277	46,441	105,881
Equity securities	80,583	7,763	747	89,093
Other investments	30,315	2,029	4,151	36,495
Reinsurance contract assets	—	115	6,906	7,021
Reinsurance assets for non-participating investment contracts	4,614	—	—	4,614
Deferred tax assets	—	—	1,252	1,252
Current tax assets	—	—	228	228
Receivables	407	539	2,713	3,659
Deferred acquisition costs and other assets	5	10	1,886	1,901
Prepayments and accrued income	534	832	1,883	3,249
Cash and cash equivalents	8,758	3,293	7,785	19,836
<b>Total</b>	<b>168,526</b>	<b>40,713</b>	<b>105,303</b>	<b>314,542</b>
<b>Total %</b>	<b>53.6 %</b>	<b>12.9 %</b>	<b>33.5 %</b>	<b>100.0 %</b>
31 December 2022 Total <sup>1</sup>	160,684	41,099	107,751	309,534
31 December 2022 Total %	51.9 %	13.3 %	34.8 %	100.0 %

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and remeasurement of the acquisition balance sheet, as described in note B2.

### (b) Assets under management by fund

30 June 2023	Policyholder assets £m	Participating fund assets £m	Shareholder assets £m	External funds £m	Total £m
<b>Assets managed on behalf of the Group's subsidiaries</b>					
Investment property	3,767	1,922	316	—	6,005
Loans	1,087	2,186	26,879	—	30,152
Fixed maturity securities	38,163	21,277	46,441	—	105,881
Equity securities	80,583	7,763	747	—	89,093
Other investments	30,315	2,029	4,151	—	36,495
Cash and cash equivalents	8,758	3,293	7,785	—	19,836
Other	4,744	540	141	—	5,425
	<b>167,417</b>	<b>39,010</b>	<b>86,460</b>	<b>—</b>	<b>292,887</b>
<b>Assets managed on behalf of third parties<sup>1</sup></b>					
Aviva Investors	—	—	—	37,405	37,405
UK Platform <sup>2</sup>	—	—	—	47,301	47,301
Other	—	—	—	616	616
Less: third-party funds and UK Platform included in assets managed on behalf of Group's subsidiaries	—	—	—	(20,245)	(20,245)
	—	—	—	<b>65,077</b>	<b>65,077</b>
<b>Total</b>	<b>167,417</b>	<b>39,010</b>	<b>86,460</b>	<b>65,077</b>	<b>357,964</b>
<b>Total %</b>	<b>46.7 %</b>	<b>10.9 %</b>	<b>24.2 %</b>	<b>18.2 %</b>	<b>100.0 %</b>
31 December 2022 Total <sup>3</sup>	159,700	39,600	89,231	63,603	352,134
31 December 2022 Total %	45.4 %	11.2 %	25.3 %	18.1 %	100.0 %

1. AUM managed on behalf of third parties cannot be directly reconciled to the financial statements.

2. UK Platform relates to the assets under management in the UK Wealth business.

3. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a): policy loans in scope of IFRS 17 totalling £14 million have been reallocated from loans to insurance contract and participating investment contract liabilities.

## C2 – Summary of valuation bases for total shareholder assets

30 June 2023	Fair value £m	Amortised cost £m	Equity accounted/ insurance accounted/ tax assets <sup>1</sup> £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	2,999	—	2,999
Interests in, and loans to, joint ventures and associates	—	—	799	799
Property and equipment	8	310	—	318
Investment property	316	—	—	316
Loans	24,621	2,258	—	26,879
Financial investments				
Fixed maturity securities	46,441	—	—	46,441
Equity securities	747	—	—	747
Other investments	4,151	—	—	4,151
Reinsurance contract assets	—	—	6,906	6,906
Deferred tax assets	—	—	1,252	1,252
Current tax assets	—	—	228	228
Receivables	—	2,713	—	2,713
Deferred acquisition costs and other assets	—	1,886	—	1,886
Prepayments and accrued income	—	1,883	—	1,883
Cash and cash equivalents	—	7,785	—	7,785
<b>Total</b>	<b>76,284</b>	<b>19,834</b>	<b>9,185</b>	<b>105,303</b>
<b>Total %</b>	<b>72.4%</b>	<b>18.9%</b>	<b>8.7%</b>	<b>100.0%</b>
31 December 2022 Total <sup>2</sup>	76,453	22,277	9,021	107,751
31 December 2022 Total %	71.0%	20.7%	8.3%	100.0%

1. Within the Group's statement of financial position, assets are recognised for deferred tax and current tax, and for insurance and reinsurance contract assets that are within the scope of IFRS 17. The valuation basis of these assets does not directly fall within any of the categories outlined above. As such, these tax accounted and insurance accounted assets have been reported together with equity accounted items within the analysis of the Group's assets.
2. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17 and IFRS 9 and remeasurement of the acquisition balance sheet, as described in note B2.

## C3 – Analysis of financial investments by fund

The asset allocation as at 30 June 2023 across the Group, split according to the type of the liability the assets are backing, is shown in the table below.

30 June 2023	Shareholder business assets					Carrying value in the statement of financial position £m
	General insurance and health and other <sup>1</sup> £m	Annuity and non-profit £m	Total shareholder assets £m	Policyholder (unit-linked assets) £m	Participating fund assets (UK style with- profits) £m	
<b>Fixed maturity securities (note C4)</b>						
Government bonds	4,654	14,283	18,937	16,519	8,382	43,838
Corporate bonds	4,440	16,708	21,148	17,075	9,675	47,898
Other	3,013	3,343	6,356	4,569	3,220	14,145
	<b>12,107</b>	<b>34,334</b>	<b>46,441</b>	<b>38,163</b>	<b>21,277</b>	<b>105,881</b>
<b>Loans (note C5)</b>						
Mortgage loans	—	16,719	16,719	—	18	16,737
Other loans	1,385	8,775	10,160	1,087	2,168	13,415
	<b>1,385</b>	<b>25,494</b>	<b>26,879</b>	<b>1,087</b>	<b>2,186</b>	<b>30,152</b>
Equity securities (note C6)	527	220	747	80,583	7,763	89,093
Investment property (note C7)	265	51	316	3,767	1,922	6,005
Other investments (note C8)	2,597	1,554	4,151	30,315	2,029	36,495
<b>Total</b>	<b>16,881</b>	<b>61,653</b>	<b>78,534</b>	<b>153,915</b>	<b>35,177</b>	<b>267,626</b>
31 December 2022 Total <sup>2</sup>	16,673	61,687	78,360	145,985	35,273	259,618

1. Of the £16,881 million of assets 34% relates to other shareholder business assets.
2. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a): policy loans in scope of IFRS 17 totalling £14 million have been reallocated from loans to insurance contract and participating investment contract liabilities.

## C4 – Analysis of shareholder fixed maturity securities

### (a) Fair value hierarchy

To provide further information on the valuation techniques we use to measure assets carried at fair value, we have categorised the measurement basis for assets carried at fair value into a fair value hierarchy described as follows, based on the lowest level input that is significant to the valuation as a whole:

- Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets.
- Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. If the asset has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset.
- Inputs to Level 3 fair values are unobservable inputs for the asset. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset. Unobservable inputs reflect the assumptions the business unit considers that market participants would use in pricing the asset. Examples are investment property and commercial and equity release mortgage loans.

30 June 2023	Fair value hierarchy			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m	
UK government	8,507	1,231	97	9,835
Non-UK government	610	7,956	536	9,102
Europe	66	2,614	275	2,955
North America	544	3,254	80	3,878
Asia Pacific and Other	—	2,088	181	2,269
Corporate bonds - public utilities	—	2,095	770	2,865
Other corporate bonds	2	15,959	2,322	18,283
Other	3	6,247	106	6,356
<b>Total</b>	<b>9,122</b>	<b>33,488</b>	<b>3,831</b>	<b>46,441</b>
<b>Total %</b>	<b>19.7%</b>	<b>72.1%</b>	<b>8.2%</b>	<b>100.0%</b>
31 December 2022 Total	7,852	32,743	6,284	46,879
31 December 2022 Total %	16.8%	69.8%	13.4%	100.0%

### (b) External ratings

30 June 2023	External ratings						Total £m
	AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Non-rated £m	
<b>Government</b>							
UK government	—	9,658	70	—	—	107	9,835
Non-UK government	4,523	2,308	1,147	161	27	936	9,102
	4,523	11,966	1,217	161	27	1,043	18,937
<b>Corporate bonds</b>							
Public utilities	—	1	708	1,384	2	770	2,865
Other corporate	2,262	4,498	6,196	2,857	75	2,395	18,283
	2,262	4,499	6,904	4,241	77	3,165	21,148
<b>Certificates of deposit</b>	2	4,588	590	—	—	14	5,194
<b>Structured</b>							
Residential mortgage backed security - non-agency prime	—	—	—	1	—	—	1
	—	—	—	1	—	—	1
Commercial mortgage backed security	169	175	130	45	—	24	543
Asset backed security	122	1	174	63	1	7	368
	291	176	304	108	1	31	911
Wrapped credit	—	16	202	25	4	3	250
<b>Total</b>	<b>7,078</b>	<b>21,245</b>	<b>9,217</b>	<b>4,536</b>	<b>109</b>	<b>4,256</b>	<b>46,441</b>
<b>Total %</b>	<b>15.2%</b>	<b>45.8%</b>	<b>19.8%</b>	<b>9.8%</b>	<b>0.2%</b>	<b>9.2%</b>	<b>100.0%</b>
31 December 2022 Total	8,207	18,664	11,045	4,905	115	3,943	46,879
31 December 2022 Total %	17.5%	39.8%	23.6%	10.5%	0.2%	8.4%	100.0%



## C5 – Analysis of loans

### (a) Overview

The Group's loan portfolio of £30,152 million (2022 restated: £29,634 million) is principally made up of the following:

- Loans and advances to banks of £5,217 million (2022: £4,481 million), which primarily relate to loans of cash collateral received in stock lending transactions and are therefore fully collateralised by other securities;
- Mortgage loans collateralised by property assets of £16,737 million (2022: £17,514 million); and
- Healthcare, infrastructure and private financial initiative (PFI) loans of £7,377 million (2022: £6,837 million).

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

The majority of mortgage loans are measured at fair value since they're managed and evaluated on a fair value basis. These mortgage loans are not traded in active markets and are classified within Level 3 of the fair value hierarchy as the significant valuation assumptions and inputs are not deemed to be market observable. Of the Group's total loan portfolio, 55.5% (2022: 59.1%) is invested in mortgage loans. The shareholder risk relating to these loans is discussed further below.

Healthcare, infrastructure and PFI loans included within shareholder assets are £7,196 million (2022: £6,726 million). These loans are secured against the income from healthcare and education premises and as such are not considered further in this section.

An analysis of the shareholder loans is set out below.

	United Kingdom £m	Canada General Insurance £m	Europe £m	Total £m
<b>Loans - Shareholder assets 30 June 2023</b>				
Loans and advances to banks	2,654	—	—	2,654
Healthcare, Infrastructure and PFI other loans	7,051	—	145	7,196
Mortgage loans	16,719	—	—	16,719
Other loans	206	104	—	310
<b>Total</b>	<b>26,630</b>	<b>104</b>	<b>145</b>	<b>26,879</b>
<b>Total %</b>	<b>99.1 %</b>	<b>0.4 %</b>	<b>0.5 %</b>	<b>100.0 %</b>
31 December 2022 Total <sup>1</sup>	26,898	113	150	27,161
31 December 2022 Total %	99.0 %	0.4 %	0.6 %	100.0 %

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

### (b) Analysis of shareholder mortgage loans

Mortgage loans included within shareholder assets are £16,719 million (2022: £17,496 million) and are held in the UK. The narrative below focuses on explaining the risks arising as a result of these exposures.

	Total £m
<b>30 June 2023</b>	
Non-securitised mortgage loans	
– Residential (Equity release)	7,754
– Commercial	5,330
– Healthcare, Infrastructure and PFI mortgage loans	1,848
	14,932
Securitised mortgage loans	1,787
<b>Total</b>	<b>16,719</b>
31 December 2022 Total	17,496

### Non-securitised mortgage loans

#### Residential

The UK non-securitised residential mortgage portfolio has a total value as at 30 June 2023 of £7,754 million (2022: £7,784 million). The movement in the year is due to £260 million of new lending offset by a decrease in the fair value of £290 million. Additional accrued interest in the year is offset against the value of redemptions. These mortgages are all in the form of equity release, whereby homeowners mortgage their property to release cash equity. Due to the structure of equity release mortgages, whereby interest amounts due are not paid in cash but instead rolled into the amount outstanding, they predominantly have a current Loan to Value (LTV) of below 70%. The average LTV across the portfolio is 26.2% (2022: 24.6%).

#### Commercial

Gross exposure by loan to value and arrears of UK non-securitised commercial mortgages is shown in the table below.

	>120% £m	115–120% £m	110–115% £m	105–110% £m	100–105% £m	95–100% £m	90–95% £m	80–90% £m	70–80% £m	<70% £m	Total £m
<b>30 June 2023</b>											
Not in arrears	24	—	—	—	—	—	3	—	245	5,058	5,330
<b>Total</b>	<b>24</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>—</b>	<b>245</b>	<b>5,058</b>	<b>5,330</b>

All of the £5,330 million (2022: £5,954 million) of mortgage loans within shareholder assets are used to back annuity liabilities and are stated on a fair value basis. The UK loan exposures are calculated on a discounted cash flow basis, and include a risk adjustment through the use of a Credit Risk Adjusted Value (CRAV).

For commercial mortgages, loan service collection ratios, a key indicator of mortgage portfolio performance, decreased to 2.25x (2022: 2.29x). Loan interest cover (LIC), which is defined as the annual net rental income (including rental deposits less ground rent) divided by the annual loan interest service, remained at 2.62x (2022: 2.62x). Average mortgage LTV decreased from 49.4% in 2022 to 46.2%. As at 30 June 2023, there were no loans with balances in arrears (2022: £nil).

Commercial mortgages and Healthcare, Infrastructure and PFI loans are held at fair value on the asset side of the statement of financial position. The related insurance liabilities are valued using a discount rate derived from the gross yield on assets, with adjustments to allow for risk. £13,713 million of shareholder loan assets are backing annuity liabilities and comprise of commercial mortgage loans (£5,330 million), Healthcare, Infrastructure and PFI mortgage loans (£1,848 million) and Healthcare, Infrastructure and PFI other loans (£6,535 million).

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

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

### Healthcare, Infrastructure and PFI

Healthcare, Infrastructure and PFI mortgage loans included within shareholder assets of £1,848 million (2022: £2,000 million) are secured against healthcare premises, education, social housing and emergency services related premises. For all such loans, Government support is provided through either direct funding or reimbursement of rental payments to the tenants to meet income service and provide for the debt to be reduced substantially over the term of the loan. Although the loan principal is not Government guaranteed, the nature of these businesses provides considerable comfort of an ongoing business model and low risk of default.

On a market value basis, we estimate the average LTV of these mortgages to be 57.0% (2022: 58.9%), although this is not considered to be a key risk indicator due to the Government support noted above and the social need for these premises. The Group therefore consider these loans to be lower risk relative to other mortgage loans.

### Securitised mortgage loans

As at 30 June 2023, the Group has £1,787 million (2022: £1,759 million) of securitised mortgage loans within shareholder assets. Funding for the securitised residential mortgage assets was obtained by issuing loan note securities. Of these loan notes approximately £206 million (2022: £208 million) are held by Group companies. The remainder is held by third parties external to Aviva. As any cash shortfall arising once all mortgages have been redeemed is borne by the loan note holders, the majority of the credit risk of these mortgages is borne by third parties rather than by shareholders. The average LTV across the securitised mortgage loans is 45.9% (2022: 42.8%).

### Valuation allowance

The Group carries a valuation allowance within insurance liabilities against the risk of default for assets backing annuities. The total valuation allowance in respect of corporate bonds was £0.6 billion (2022: £0.7 billion) over the remaining term of the portfolio at 30 June 2023. The total valuation allowance in respect of mortgages, including healthcare mortgages but excluding equity release, was £0.4 billion at 30 June 2023 (2022: £0.3 billion). The total valuation allowance in respect of equity release mortgages was £0.6 billion at 30 June 2023 (2022 restated: £0.7 billion).

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets) and equity release equated to 34bps, 31bps, and 76bps respectively at 30 June 2023 (2022 restated: 35bps, 26bps and 83bps respectively).

The 2022 comparative results where indicated have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## C6 – Analysis of shareholder equity securities

	30 June 2023				31 December 2022			
	Fair value hierarchy			Total £m	Fair value hierarchy			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m		Level 1 £m	Level 2 £m	Level 3 £m	
Public utilities	10	—	—	10	20	—	—	20
Banks, trusts and insurance companies	194	—	177	371	55	—	171	226
Industrial, miscellaneous and all other	258	—	—	258	329	—	2	331
Non-redeemable preference shares	108	—	—	108	115	—	—	115
<b>Total</b>	<b>570</b>	<b>—</b>	<b>177</b>	<b>747</b>	<b>519</b>	<b>—</b>	<b>173</b>	<b>692</b>
<b>Total %</b>	<b>76.3%</b>	<b>—</b>	<b>23.7%</b>	<b>100.0%</b>	<b>75.0%</b>	<b>—</b>	<b>25.0%</b>	<b>100.0%</b>

## C7 – Analysis of shareholder investment property

	30 June 2023				31 December 2022			
	Fair value hierarchy			Total £m	Fair value hierarchy			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m		Level 1 £m	Level 2 £m	Level 3 £m	
Leased to third parties under operating leases	—	—	282	282	—	—	304	304
Vacant investment property/held for capital appreciation	—	—	34	34	—	—	—	—
<b>Total</b>	—	—	<b>316</b>	<b>316</b>	—	—	<b>304</b>	<b>304</b>
<b>Total %</b>	—	—	<b>100.0%</b>	<b>100.0%</b>	—	—	<b>100.0%</b>	<b>100.0%</b>

## C8 – Analysis of shareholder other financial investments

	30 June 2023				31 December 2022			
	Fair value hierarchy			Total £m	Fair value hierarchy			Total £m
	Level 1 £m	Level 2 £m	Level 3 £m		Level 1 £m	Level 2 £m	Level 3 £m	
Unit trusts and other investment vehicles	682	238	228	1,148	542	42	283	867
Derivative financial instruments	9	2,063	140	2,212	75	2,007	149	2,231
Deposits with credit institutions	557	—	—	557	—	—	—	—
Minority holdings in property management undertakings	—	—	124	124	—	—	126	126
Other	1	—	109	110	2	—	98	100
<b>Total</b>	<b>1,249</b>	<b>2,301</b>	<b>601</b>	<b>4,151</b>	<b>619</b>	<b>2,049</b>	<b>656</b>	<b>3,324</b>
<b>Total %</b>	<b>30.1%</b>	<b>55.4%</b>	<b>14.5%</b>	<b>100.0%</b>	<b>18.6%</b>	<b>61.6%</b>	<b>19.8%</b>	<b>100.0%</b>

## Other information

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## Alternative Performance Measures

In order to fully explain the performance of our business, we discuss and analyse our results in terms of financial measures which include a number of Alternative Performance Measures (APMs). APMs are non-GAAP measures which are used to supplement the disclosures prepared in accordance with other regulations, such as International Financial Reporting Standards (IFRS) and Solvency II. We believe these measures provide useful information to enhance the understanding of our financial performance. However, APMs should be viewed as complementary to, rather than as a substitute for, the amounts determined according to other regulations.

The APMs utilised by Aviva may not be the same as those used by other insurers and may change over time. The calculation of APMs is consistent with previous periods unless otherwise stated.

### Changes in APMs

The Group has applied IFRS 17 Insurance Contracts retrospectively from 1 January 2023. This standard has brought significant changes to the measurement and presentation for insurance, participating investment and reinsurance contracts. Consequently, we have introduced new APMs in 2023 that provide useful information under the standard:

- Operating value added;
- Stock of future profit;
- Gross written premiums (GWP);
- Adjusted IFRS Shareholders' equity; and
- Adjusted IFRS Shareholders' equity per share.

In addition, we have made certain changes to existing APMs to ensure that they remain relevant and useful for stakeholders. The Group adjusted operating profit and combined operating ratio, claims, commission, and expense ratios APM disclosures have all been updated to reflect the implementation of IFRS 17.

Value of new business on an adjusted Solvency II basis (VNB) has also been amended following a review of the basis of preparation. The revised APM is considered more useful as it avoids distortions in the value of new business due to timing differences in asset origination or temporary reinsurance gaps.

Solvency II return on equity is now presented both with and without an adjustment for excess capital, now that we have completed our capital return initiatives over the last two years.

Further details on these changes are provided in the relevant sections below.

Methodology has been updated in two areas that impact operating APMs, unrelated to the adoption of IFRS 17. The changes relate to: (i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in the Heritage business in non-operating investment variances and economic assumption changes; and

(ii) a change in the calculation of general insurance investment return from a long-term investment return (LTIR) to an expected return approach as used for life business, with variances between expected and actual return being reported in non-operating investment variances and economic assumption changes.

HY22 and FY22 comparatives have been restated to reflect these changes.

Both of the methodology changes impact the following APMs:

- Group adjusted operating profit
- Operating earnings per share
- IFRS return on equity

The second methodology change impacts the following APMs:

- Solvency II operating own funds generation
- Solvency II operating capital generation
- Solvency II return on equity
- Solvency II return on capital

In addition, following a review of the presentation of Solvency II operating own funds generation and Solvency II operating capital generation, management actions and other are now only separately disclosed for life business.

IFRS net asset value (NAV) and IFRS NAV per share has been renamed to IFRS Shareholders' equity and IFRS Shareholders' equity per share to better reflect the descriptions within the consolidated statement of financial position.

Further details on APMs derived from IFRS measures and APMs derived from Solvency II measures are provided in the following sections. A further section describes other APMs.

## APMs derived from IFRS measures

A number of APMs relating to IFRS are utilised to measure and monitor the Group's performance.

- Group adjusted operating profit
- Operating value added
- Stock of future profit
- Gross written premiums (GWP)
- Combined operating ratio (COR)
- Claims, commission, and expense ratios
- Operating earnings per share
- Controllable costs
- IFRS return on equity (RoE)
- IFRS Shareholders' equity per share
- Adjusted IFRS Shareholders' equity per share
- Assets under management (AUM) and Assets under administration (AUA)
- Net flows
- Aviva Investors revenue
- Cost income ratio (CIR)
- Annual premium equivalent (APE)

Definitions and additional information, including reconciliation to the relevant amounts in the IFRS financial statements and, where appropriate, commentary on the material reconciling items are included within this section.

### Group adjusted operating profit

Group operating profit is an APM that supports decision making and internal performance management of the Group's operating segments that incorporates an expected return on investments supporting the life and non-life insurance businesses. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items. The various items excluded from Group adjusted operating profit, but included in IFRS profit before tax, are:

#### Investment variances and economic assumption changes

Group adjusted operating profit is based on expected investment returns on financial investments backing shareholder and policyholder funds over the reporting period, with allowance for the corresponding expected movements in liabilities. The expected rate of return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return and asset classification.

For fixed interest securities classified as fair value through profit or loss, the expected investment returns are based on average prospective yields for the actual assets held less an adjustment for credit risk. The expected return on equities and properties is calculated by reference to the opening 10-year swap rate in the relevant currency plus an appropriate risk margin.

Group adjusted operating profit includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, and the effect of changes in non-economic assumptions such as changes in expected cashflows for non-life claims. Changes due to economic items such as market value movement and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside Group adjusted operating profit.

The exclusion of investment variances from this APM reflects the long-term nature of much of our business. The Group adjusted operating profit, which is used in managing the performance of our operating segments, excludes the impact of economic variances to provide a comparable measure year-on-year.

#### Impairment, amortisation and profit or loss on disposal

Group adjusted operating profit also excludes impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangible assets acquired in business combinations; amortisation and impairment of acquired value of in-force business on non-participating investment contracts; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to merger and acquisition activity which we view as strategic in nature, hence they are excluded from the Group adjusted operating profit APM as this is principally used to manage the performance of our operating segments when reporting to the Group chief operating decision maker.

## Other items

These items are, in the directors' view, required to be separately disclosed by virtue of their nature or incidence to enable a full understanding of the Group's financial performance. Other items for the period ended 30 June 2023 comprise:

- Items disclosed outside of Group adjusted operating profit as they relate to acquisition and disposal activity that we consider to be strategic in nature:
  - A charge of £13 million (HY22: £1 million) relating to provisions for indemnities entered into through acquisition and disposal activity;
  - A charge of £nil (HY22: £15 million) arising from third party reinsurance, accepted by Aviva from the former Aviva France general insurance entity, which was terminated on 31 December 2021.
- A charge of £2 million (HY22: £10 million) relating to fees and charges associated with the share buyback and return of capital to ordinary shareholders; and
- A charge of £4 million (HY22: £1 million) relating to the cost of the employee free share award, which recognises the contribution our employees have made to the return of capital to ordinary shareholders.

The Group adjusted operating profit APM should be viewed as complementary to IFRS measures. It is important to consider Group adjusted operating profit and profit for the period together to understand the performance of the business in the period.

The table below presents a reconciliation between our consolidated operating profit and profit before tax attributable to shareholders' profits.

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
UK & Ireland Insurance, Wealth and Retirement (IWR)	436	500
UK & Ireland General Insurance	230	163
Canada General Insurance	240	201
Aviva Investors	5	14
International investments (India, China and Singapore)	46	49
<b>Business unit operating profit</b>	<b>957</b>	<b>927</b>
Corporate centre costs and Other operations	(114)	(138)
Group debt costs and other interest	(128)	(128)
<b>Group adjusted operating profit before tax attributable to shareholders' profits</b>	<b>715</b>	<b>661</b>
Adjusted for the following:		
Investment variances and economic assumption changes	(165)	(863)
Impairment of goodwill, associates and joint ventures and other amounts expensed	—	(14)
Amortisation and impairment of intangibles acquired in business combinations	(31)	(25)
Amortisation and impairment of acquired value of in-force business	(29)	(34)
Other	(19)	(27)
<b>Adjusting items before tax</b>	<b>(244)</b>	<b>(963)</b>
<b>IFRS profit/(loss) before tax attributable to shareholders' profits</b>	<b>471</b>	<b>(302)</b>
Tax on Group adjusted operating profit	(126)	(132)
Tax on other activities	32	236
	(94)	104
<b>IFRS profit/(loss) for the period</b>	<b>377</b>	<b>(198)</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

## Operating value added

Operating value added represents the increase in "value" in the period on an IFRS 17 basis. This is defined as the operating profit in the period plus the operating change in the contractual service margin (gross of tax). Operating changes in the CSM include new business, interest accretion, expected return, experience variances, assumption changes and release of CSM and exclude economic variances and economic assumption changes.

Non-operating changes in the CSM consist of investment variances and economic assumption changes. For business measured using the GMM the CSM is calculated using locked-in rates, so non-operating movements will be limited to rises in expenses due to inflation. For contracts measured under the VFA, variance between the expected return on the shareholder share of underlying assets and the actual return are reported as non-operating changes in CSM.

This APM is relevant for the life insurance business and is a more complete and useful measure of the value generated in the period, reflecting the benefit of writing new business and assumption changes in the period. No adjustment is made for the future value of the businesses for which no CSM liability has been established and operating value added is equated to operating profit.

	Note	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
Group adjusted operating profit (restated) <sup>1</sup>	A1	715	661	1,350
Operating changes in CSM		205	(15)	426
<b>Operating value added</b>		<b>920</b>	<b>646</b>	<b>1,776</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a). The restated 2022 comparatives also include two changes unrelated to the adoption of IFRS 17 resulting in a £102 million reduction in group adjusted operating profit from previously reported. The changes relate to (i) an update to the methodology to report the volatility from the impact of market movements on policyholder tax in non-operating investment variances and economic assumption changes for the Heritage business and (ii) a change in the calculations of General Insurance investment return from a long-term investment return (LTIR) approach to an expected return approach as used for life business.



	Note	6 months 2023 £m	6 months 2022 £m	Full year 2022 £m
<b>Opening CSM</b>	B11(b)	<b>6,463</b>	6,146	6,146
New business		183	184	414
Interest accretion and expected return		111	107	215
Experience variance and other		133	40	178
Assumption changes		110	—	306
Release of CSM		(332)	(346)	(687)
<b>Operating changes in CSM</b>		<b>205</b>	(15)	426
Non-operating changes <sup>1</sup>		(31)	(175)	(109)
<b>Closing CSM<sup>2</sup></b>	B11(b)	<b>6,637</b>	5,956	6,463

1. Non-operating changes in CSM consists of investment variances and economic assumption changes.

2. The CSM is included within Insurance contract and participating investment contract liabilities on the Consolidated statement of financial position. See note B11 for more detailed information on these balances.

### Stock of future profit

Stock of future profit is an addition of the CSM and the risk adjustment that represents the future profit recognised in the statement of financial position to unwind into profit over time. It is presented at the Group total. The releases from the stock of future profit are a key driver of profit for our life insurance business and these releases are provided for our Protection and Health, Annuities and Heritage business.

### Gross written premiums (GWP)

GWP is a measure of volumes written in the period for the General Insurance business. It was previously reported under the IFRS 4 Income statement and therefore was a GAAP measure. Following adoption of IFRS 17, GWP is classified as an APM. GWP is useful for understanding the growth of the business. Reconciliations of GWP to insurance revenue is set out below. Reconciling items arise from presentational differences between IFRS 4 and IFRS 17, and timing differences between writing premiums and recognising insurance revenue.

	Note	6 months 2023 £m	6 months 2022 £m
Gross written premiums		5,274	4,694
Movement in unearned premiums on contracts measured under the premium allocation approach (PAA)		(353)	(177)
Instalment income		34	34
Reclassification resulting from the adoption of IFRS 17		—	14
Insurance revenue from general insurance business	B4	4,955	4,565
Insurance revenue from other segments	B4	3,940	3,697
<b>Insurance revenue</b>		<b>8,895</b>	8,262

### Combined operating ratio (COR)

COR is a useful financial measure of general insurance (GI) underwriting profitability calculated as total underwriting costs in our insurance entities expressed as a percentage of net insurance revenue. It is used to monitor the profitability of lines of business. A COR below 100% indicates profitable underwriting.

The COR presentation has been updated for IFRS 17. The main differences in the calculation relate to using a risk adjustment rather than reserve margins, specific allowances for onerous business and reallocations between the numerator and denominator of the calculation. COR continues to be presented on a net of reinsurance basis, but now includes the impact of discounting as aligned to IFRS 17 requirements (discounted COR). The Group considers COR with claims measured on an undiscounted basis (undiscounted COR) to align more closely to the way in which the business is managed, and undiscounted COR is disclosed alongside discounted COR.

The Group discounted and undiscounted COR are shown below.

	6 months 2023 £m	Restated <sup>1</sup> 6 months 2022 £m
Total claims and benefits – GI and Health (note B7)	(2,971)	(2,815)
Adjusted for the following:		
Claims and benefits – Health	210	180
Claims recoverable from reinsurers	163	210
Losses on onerous contracts (including recoveries) and other	(1)	—
<b>Total incurred claims (included in COR)</b>	<b>(2,599)</b>	<b>(2,425)</b>
Insurance service expense – GI and Health (note B4(b))	(4,525)	(4,261)
Adjusted for the following:		
Insurance service expenses- Health	247	212
Insurance service expenses recoverable from reinsurers	188	210
Remove incurred claims	2,599	2,425
Include non attributable expenses and other	(18)	(2)
<b>Total commission and expenses (included in COR)<sup>2</sup></b>	<b>(1,509)</b>	<b>(1,416)</b>
<b>Total underwriting costs</b>	<b>(4,108)</b>	<b>(3,841)</b>
Insurance Revenue – GI and Health (note B4(b))	5,257	4,824
Adjusted for:		
Insurance Revenue – Health (note B4(b))	(302)	(259)
Allocation of reinsurance premiums	(457)	(425)
<b>Net insurance revenue (included in COR)</b>	<b>4,498</b>	<b>4,140</b>
<b>Combined operating ratio (COR) - discounted</b>	<b>91.3%</b>	<b>92.8 %</b>
Remove discounting benefit	(157)	(44)
<b>Underwriting costs- undiscounted</b>	<b>(4,265)</b>	<b>(3,885)</b>
<b>Combined operating ratio (COR) - undiscounted</b>	<b>94.8%</b>	<b>93.8 %</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).

2. Commission and expenses (included in COR) is comprised of £(944) million incurred commission (HY22: £(879) million) and £(565) million incurred expenses (HY22: £(537) million).

### Claims, commission, and expense ratios

Financial measures of the performance of our general insurance business which are calculated as incurred claims, earned commission or earned expenses expressed as a percentage of net insurance revenue, which can be derived from the COR table above. The ratios are meaningful to stakeholders because they enhance understanding of the profitability of the business sold.

### Operating earnings per share (Operating EPS)

Operating EPS is calculated based on the Group adjusted operating profit attributable to ordinary shareholders net of tax, deducting non-controlling interests, preference dividends and direct capital instrument coupons divided by the weighted average number of ordinary shares in issue, after deducting treasury shares. Operating EPS is considered meaningful to stakeholders because it enhances the understanding of the Group's operating performance over time by adjusting for the effects of non-operating items. A reconciliation between operating EPS and basic EPS can be found in note B9.

### Controllable costs

Controllable costs is a useful measure of the controllable operational overheads associated with maintaining our businesses. These predominantly consist of staff costs, central costs, property and IT related costs and other expenses. Controllable costs also include indirect acquisition costs, such as underwriting overheads, and claims handling costs. These are considered to be controllable by the operating segments.

Controllable costs excludes:

- Impairment of goodwill, associates and joint ventures; amortisation and impairment of other intangible assets acquired in business combinations; and amortisation and impairment of acquired value of in-force business. These items relate to merger, acquisition and disposal activity which we view as strategic in nature, hence they are excluded from controllable costs which is principally used to manage the performance of our operating segments;
- Costs in relation to product governance and mis-selling. These costs represent compensation and redress payments made to policyholders and are excluded from controllable costs because they have characteristics of claims payments;
- Premium based taxes, fees and levies that vary directly with premiums. These costs are by their nature a direct cost incurred as a result of generating premium income, and therefore not a controllable operational overhead; and
- Other amounts that, in management's view, are not representative of underlying day-to-day expenses involved in running the business, and that would distort the year-on-year controllable costs trend. In 2023 these include costs associated with one-off employee share awards and costs relating to the recent disposal of businesses in Europe. In 2022, these include stamp duty costs on the Group's share buyback programme, costs relating to recent disposals and costs occurring within investment funds which the Group consolidates.

A reconciliation of other expenses in the IFRS condensed consolidated income statement to controllable costs is set out below:

	6 months 2023	6 months 2022
	£m	£m
Other expenses (note B7) <sup>1</sup>	1,114	1,144
Add: other acquisition costs <sup>1</sup>	462	432
Add: claims handling costs <sup>1</sup>	139	160
Less: amortisation and impairment of intangibles acquired in business combinations	(31)	(25)
Less: amortisation and impairment of acquired value of in-force business on investment contracts <sup>1</sup>	(29)	(34)
Add/(less): foreign exchange gains/(losses) <sup>1</sup>	101	(68)
(Less)/add: product governance and mis-selling costs	(25)	28
Less: premium based income taxes, fees and levies	(120)	(111)
Less: other costs <sup>1</sup>	(21)	(47)
<b>Controllable costs</b>	<b>1,590</b>	<b>1,479</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a). Note: total controllable costs are unchanged as a result of IFRS 17.

Baseline controllable costs are controllable costs included in the scope of the 2018 cost saving target baseline. Baseline controllable costs excludes:

- Cost reduction implementation and IFRS 17 costs. These costs are expected to cease by the end of 2023 and are excluded from baseline controllable costs in line with the defined cost reduction target.
- Strategic investment on significant programmes supporting growth, customer experience, efficiency or agility to transform Group performance. These costs are expected to cease by the end of 2025.
- Other costs relating to recently acquired entities, non-insurance operations relating to Europe and Asia and the impact of foreign exchange movements which were not included in the 2018 cost savings target baseline.

	6 months 2023	6 months 2022
	£m	£m
Controllable costs	1,590	1,479
Less: Cost reduction implementation, IFRS 17 costs and other	(197)	(103)
Less: Strategic investment	(53)	(34)
<b>Baseline controllable costs</b>	<b>1,340</b>	<b>1,342</b>

### IFRS return on equity (RoE)

The IFRS RoE calculation is based on Group adjusted operating profit after tax attributable to ordinary shareholders expressed as a percentage of weighted average ordinary shareholders' equity (excluding non-controlling interests and preference share capital). IFRS RoE is a useful measure of growth and performance of the business on an IFRS basis. A reconciliation of IFRS RoE can be found in note A10.

### IFRS Shareholders' equity per share

IFRS Shareholders' equity per share is calculated as the equity attributable to shareholders of Aviva plc, less preference share capital (both within the consolidated statement of financial position), divided by the actual number of shares in issue at the balance sheet date. IFRS Shareholders' equity per share is meaningful as a measure of the value generated by the Group in terms of the equity shareholders' face value per share investment. This APM has been renamed from IFRS NAV per share to better reflect the descriptions within the consolidated statement of financial position.

	30 June 2023	30 June 2022	31 December 2022
IFRS Shareholders' equity <sup>2</sup> at 30 June/31 December (£m) <sup>1</sup>	8,715	11,357	9,449
Number of shares in issue at 30 June/31 December (in millions)	2,738	2,803	2,808
<b>IFRS Shareholders' equity per share<sup>1</sup></b>	<b>318p</b>	<b>405p</b>	<b>337p</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).  
 2. Excluding preference shares of £200 million (30 June 2022: £200 million, 2022: £200 million).

### Adjusted IFRS Shareholders' equity per share

Adjusted IFRS Shareholders' equity per share is calculated as the equity attributable to shareholders of Aviva plc, less preference share capital (both within the consolidated statement of financial position), plus CSM (see note B11(b)) net of tax, divided by the actual number of shares in issue at the balance sheet date. Adjusted IFRS Shareholders' equity per share is meaningful as a measure of the value generated by the Group, including the value held in CSM, in terms of the equity shareholders' face value per share investment.

	30 June 2023	30 June 2022	31 December 2022
	£m	£m	£m
IFRS Shareholders equity (restated) <sup>1,2</sup>	8,715	11,357	9,449
Add: CSM (note B11(b))	6,637	5,956	6,463
Less: Tax on CSM	(1,624)	(1,458)	(1,581)
<b>Adjusted IFRS Shareholders' equity<sup>2</sup></b>	<b>13,728</b>	<b>15,855</b>	<b>14,331</b>
Number of shares in issue (in millions)	2,738	2,803	2,808
<b>Adjusted IFRS Shareholders' equity per share</b>	<b>501p</b>	<b>566p</b>	<b>510p</b>

1. The 2022 comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a).  
 2. Excluding preference shares of £200 million (30 June 2022: £200 million, 2022: £200 million).

### Assets Under Management (AUM) and Assets Under Administration (AUA)

AUM represent all assets managed or administered by or on behalf of the Group's subsidiaries, including those assets managed by Aviva Investors and by third parties. AUM include managed assets that are reported within the Group's statement of financial position and those assets belonging to external clients outside the Aviva Group which are therefore not included in the Group's statement of financial position.

Consistent with previous years, Aviva Investors AUA comprises AUM plus £38,583 million (30 June 2022: £38,964 million, 31 December 2022: £37,501 million) of assets managed by third parties on platforms administered by Aviva Investors. Both AUM and AUA are monitored as they reflect the potential earnings arising from investment returns and fee and commission income and measure the size and scale of the Group's fund management business.

A reconciliation of amounts appearing in the Group's statement of financial position to AUM is shown below:

	30 June 2023 £m	Restated <sup>1</sup> 30 June 2022 £m	Restated <sup>1</sup> 31 December 2022 £m
<b>Assets managed on behalf of the Group's subsidiaries</b>			
Assets included in statement of financial position			
Financial investments	231,469	229,551	224,086
Investment property	6,005	7,373	5,899
Loans <sup>1</sup>	30,152	33,950	29,633
Cash and cash equivalents	19,836	13,744	22,505
Other	5,425	6,274	6,408
	<b>292,887</b>	<b>290,892</b>	<b>288,531</b>
Less: third-party funds and UK Platform included above	<b>(20,245)</b>	<b>(18,393)</b>	<b>(19,511)</b>
	<b>272,642</b>	<b>272,499</b>	<b>269,020</b>
<b>Assets managed on behalf of third parties<sup>2</sup></b>			
Aviva Investors	37,405	40,464	37,834
UK Platform <sup>3</sup>	47,301	40,280	44,603
Other	616	37	677
	<b>85,322</b>	<b>80,781</b>	<b>83,114</b>
<b>Total AUM<sup>4</sup></b>	<b>357,964</b>	<b>353,280</b>	<b>352,134</b>

1. As a result of the adoption of IFRS 17 as described in note B2(a), loans in scope of IFRS 17 (30 June 2022: £13 million, 31 December 2022: £14 million) have been reallocated from loans to insurance contract and participating investment contract liabilities.

2. AUM managed on behalf of third parties cannot be directly reconciled to the financial statements

3. UK Platform relates to the assets under management in the Wealth business including Succession Wealth

4. Includes AUM of £221,334 million (30 June 2022: £231,742 million, 31 December 2022: £222,671 million) managed by Aviva Investors

### Net flows

Net flows is used by management as a key measure of growth in AUM, from which income is generated through asset management charges (AMCs). This measure is predominantly used in Aviva Investors and the Wealth business within UK & Ireland Insurance, Wealth and Retirement (IWR).

It is the net position of inflows and outflows. Inflows include net premiums received for insurance and participating investment contracts, deposits made under non-participating investment contracts, and other funds received from customers included in AUM. Outflows include net claims paid for insurance and participating investment contracts, redemptions and surrenders under non-participating investment contracts, and other funds withdrawn by customers from AUM. IWR net flows also includes net flows from Succession Wealth.

Aviva Investors net flows includes flows on internal assets which are managed on behalf of Group companies, and external flows on assets belonging to clients outside the Group which are not included in the Group's statement of financial position.

Net flows excludes market and other movements. Net flows when positive in the period can be referred to as net inflows and when negative as net outflows.

### Aviva Investors revenue

Aviva Investors revenue includes AMCs received, plus transaction fees and other related income, and is stated net of fees and commissions paid. It is a useful measure of revenue earned from fund management activities. Aviva Investors recognises fee income in the segmental income statement within both fee and commission income and inter-segment revenue. Fees and commissions paid are classified in other operating expenses.

### Cost income ratio (CIR)

Cost income ratio is used to monitor profitable growth in Aviva Investors and is useful as it gives a simple view of how efficiently the business is being run, allowing management to clearly see how costs are moving in relation to income.

Cost income ratio is calculated as Aviva Investors' baseline controllable costs divided by Aviva Investors revenue.

	6 months 2023 £m	6 months 2022 £m
Aviva Investors revenue	167	190
Baseline controllable costs	(153)	(165)
<b>Cost income ratio</b>	<b>92 %</b>	<b>87 %</b>

## Annual premium equivalent (APE)

APE is calculated as the sum of new regular premiums plus 10% of new single premiums written in the period (where relevant). APE is used as a new business measure, in particular for our Protection and Health business. This provides useful information on sales and new business when considered alongside VNB.

Protection and Health	6 months 2023	6 months 2022
	£m	£m
<b>Present value of new business premiums (PVNBP)</b>	<b>1,490</b>	<b>1,327</b>
Remove capitalised value of future regular premiums	(1,267)	(1,146)
<b>Annual premium equivalent (APE)</b>	<b>223</b>	<b>181</b>

## APMs derived from Solvency II measures

The Group is a regulated entity under the Solvency II regulatory framework and therefore uses a number of APMs that are derived from Solvency II measures in addition to those that are derived from IFRS based measures.

A number of key performance measures relating to Solvency II are utilised to measure and monitor the Group's performance and financial strength

- Solvency II shareholder cover ratio
- Value of new business on an adjusted Solvency II basis (VNB)
- Solvency II operating own funds generation (Solvency II OFG)
- Solvency II operating capital generation (Solvency II OCG)
- Solvency II future surplus emergence
- Solvency II return on capital (Solvency II RoC)
- Solvency II return on equity (Solvency II RoE)
- Solvency II net asset value per share (Solvency II NAV per share)
- Solvency II debt leverage ratio

The Solvency II regulatory framework requires insurers to hold own funds in excess of the Solvency Capital Requirement (SCR). Own funds are available capital resources determined under Solvency II. This includes the excess of assets over liabilities in the Solvency II balance sheet, calculated on best estimate, market consistent assumptions and includes transitional measures on technical provisions (TMTP), subordinated liabilities that qualify as capital under Solvency II, and off-balance sheet own funds.

The SCR is calculated at Group level using a risk-based capital model which is calibrated to reflect the cost of mitigating the risk of insolvency to a 99.5% confidence level over a one-year time horizon – equivalent to a 1 in 200 year event – against financial and non-financial shocks. As a number of subsidiaries utilise the standard formula rather than a risk-based capital model to assess capital requirements, the overall Group SCR is calculated using a partial internal model, and it is shown after the impact of diversification benefit.

The 'shareholder view' of Solvency II is considered by management to be more representative of the shareholders' risk-exposure and the Group's ability to cover the SCR with eligible own funds and aligns with management's approach to dynamically manage its capital position. In arriving at the shareholder view, the following adjustments are typically made to the regulatory Solvency II position:

- The contribution to the Group's SCR and own funds of the most material fully ring-fenced with-profits funds and staff pension schemes in surplus are excluded. These exclusions have no impact on Solvency II surplus as these funds are self-supporting on a Solvency II capital basis with any surplus capital above SCR not recognised.
- A notional reset of the TMTP, calculated using the same method as used for formal TMTP resets. This presentation avoids step changes to the Solvency II position that arise only when the formal TMTP reset points are triggered. The 30 June 2023 position includes a notional reset. During the first half of 2023 a formal reset of TMTP was approved as at 31 December and is reflected in the 30 June 2023 regulatory solvency position.
- Adjustments are made if the Solvency II shareholder cover ratio does not fully reflect the effect of future regulatory changes that are known as at each reporting date. These adjustments are made in order to show a more representative view of the Group's solvency position. No adjustments for future regulatory changes were made at 30 June 2023 or 31 December 2022. Note that the impact of Solvency II reforms are not yet included in our solvency position and consistent with our reporting policy will be reflected once the final statutory instruments are substantively enacted.

The reconciliation presented below shows the key differences between Group equity on an IFRS basis and Solvency II own funds on a shareholder view. Additional items bridging from Solvency II shareholder own funds to Solvency II regulatory own funds are presented subsequently.

	30 June 2023	Restated <sup>1</sup> 31 December 2022
	£m	£m
<b>Total Group equity on an IFRS basis</b>	<b>9,725</b>	<b>10,455</b>
Exclude preference shares and tier 1 notes	(696)	(696)
Exclude non-controlling interests	(314)	(310)
Add back CSM	6,637	6,463
Tax on CSM	(1,624)	(1,581)
<b>IFRS adjusted shareholders' equity</b>	<b>13,728</b>	<b>14,331</b>
Elimination of goodwill and other intangible assets		
Goodwill	(2,031)	(2,035)
Acquired value of in-force business	(491)	(521)
Deferred acquisition costs (net of deferred income)	(732)	(783)
Other intangibles	(477)	(508)
Removal of IFRS risk adjustment	1,260	1,326
Inclusion of Solvency II risk margin	(2,790)	(2,922)
TMTP (on a notional reset basis)	2,213	2,319
Revaluation of subordinated liabilities	353	265
Asset, liability and other accounting valuation differences <sup>2</sup>	901	1,095
Tax differences	(796)	(609)
Exclude staff pension schemes in surplus (net of tax)	(872)	(996)
<b>Solvency II unrestricted shareholder tier 1 own funds</b>	<b>10,266</b>	<b>10,962</b>
Restricted tier 1	946	946
Tier 2	3,870	4,264
Tier 3	309	296
<b>Estimated Solvency II shareholder own funds</b>	<b>15,391</b>	<b>16,468</b>
<i>Adjustments for:</i>		
Fully ring-fenced with-profit funds	1,331	1,369
Staff pension schemes in surplus	437	394
Regulatory vs. notional TMTP valuation differences	(17)	437
<b>Estimated Solvency II regulatory own funds</b>	<b>17,142</b>	<b>18,668</b>

1. The 2022 IFRS comparative results have been restated from those previously published following the adoption of IFRS 17, as described in note B2(a). There is no change to the Solvency II comparative results.
2. Asset, liability and other accounting differences primarily arise from recognising future profits on unit-linked business under Solvency II but not IFRS, partially offset by IFRS having higher discount rates on insurance contracts.

Estimated Solvency II regulatory own funds of £17,142 million (2022: £18,668 million) is £1,667 million (2022: £1,838 million) greater than estimated Solvency II regulatory net assets of £15,475 million (2022: £16,830 million), primarily due to recognition of eligible subordinated debt capital less adjustments for ring-fenced funds restrictions.

### Solvency II shareholder cover ratio

The estimated Solvency II shareholder cover ratio, which is derived from own funds divided by the SCR using the 'shareholder view', is one of the indicators of the Group's balance sheet strength.

A reconciliation of the Solvency II regulatory surplus to the Solvency II shareholder surplus is provided below:

	30 June 2023			31 December 2022		
	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
<b>Estimated Solvency II regulatory surplus</b>	<b>17,142</b>	<b>(9,379)</b>	<b>7,763</b>	<b>18,668</b>	<b>(9,441)</b>	<b>9,227</b>
<i>Adjustments for:</i>						
Fully ring-fenced with-profit funds	(1,331)	1,331	—	(1,369)	1,369	—
Staff pension schemes in surplus	(437)	437	—	(394)	394	—
Notional reset of TMTP	17	3	20	(437)	(96)	(533)
<b>Estimated Solvency II shareholder surplus</b>	<b>15,391</b>	<b>(7,608)</b>	<b>7,783</b>	<b>16,468</b>	<b>(7,774)</b>	<b>8,694</b>

A summary of the shareholder view of the Group's Solvency II position is shown in the table below:

	30 June 2023	31 December 2022
	£m	£m
Own Funds	15,391	16,468
Solvency Capital Requirement	(7,608)	(7,774)
<b>Estimated Solvency II Surplus</b>	<b>7,783</b>	<b>8,694</b>
<b>Estimated Shareholder Cover Ratio</b>	<b>202 %</b>	<b>212 %</b>

### Value of new business on an adjusted Solvency II basis (VNB)

VNB measures the additional value to shareholders created through the writing of new life business in the period. It reflects Solvency II assumptions and allowance for risk, and is defined as the increase in Solvency II own funds resulting from life business written in the period, including the impact of interactions between in-force and new business, adjusted to:

- Remove the impact of the contract boundary restrictions under Solvency II;
- Include businesses which are not within the scope of Solvency II own funds (e.g. UK non-life Retail business and UK Equity Release); and
- Reflect a gross of tax and non-controlling interests basis, and other differences as set out in the footnote to the table below.
- For annuities the VNB methodology has changed in 2023 to use pricing target asset mix and target reinsurance (where actual reinsurance is not in place rather than the actual asset mix and reinsurance). The revised APM is considered more useful as it avoids distortions in the value of new business due to timing differences in asset origination or temporary reinsurance gaps. Comparatives for prior periods have been restated.

A reconciliation between VNB and the Solvency II own funds impact of new business is provided below:

	6 months 2023			Restated 6 months 2022			Restated Full year 2022		
	UK & Ireland Insurance, Wealth and Retirement (IWR)	International investments (India, China and Singapore)	Total	UK & Ireland Insurance, Wealth and Retirement (IWR)	International investments (India, China and Singapore)	Total	UK & Ireland Insurance, Wealth and Retirement (IWR)	International investments (India, China and Singapore)	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
VNB (gross of tax and non-controlling interests)	319	46	365	297	46	343	750	84	834
Solvency II contract boundary restrictions – new business	(48)	—	(48)	(53)	—	(53)	(94)	—	(94)
Solvency II contract boundary restrictions – increments / renewals on in-force business	59	—	59	77	—	77	128	—	128
Businesses which are not in the scope of Solvency II own funds	(112)	—	(112)	(116)	—	(116)	(252)	—	(252)
Actual vs target asset mix/expected reinsurance	(32)	—	(32)	3	—	3	17	—	17
Tax and other <sup>2</sup>	(101)	(11)	(112)	(49)	(10)	(59)	(159)	(17)	(176)
<b>Solvency II own funds impact of new business (net of tax and non-controlling interests)</b>	<b>85</b>	<b>35</b>	<b>120</b>	<b>159</b>	<b>36</b>	<b>195</b>	<b>390</b>	<b>67</b>	<b>457</b>

1. Other includes the impact of 'look through profits' in service companies (where not included in Solvency II) of £(8) million (HY22: £(13) million, FY22: £(20) million) and the surplus from members options including transfers, early/late retirement and take up of tax-free lump sum payments at retirement (not included in Solvency II Own Funds) on BPs of £(51) million (HY22 restated: £nil, FY22 restated: £(49) million).

VNB is calculated using economic assumptions as at the point of sale, taken as those appropriate to the start of each quarter. For contracts that are repriced more frequently, weekly or monthly economic assumptions have been used. The economic assumptions follow Solvency II rules for risk-free rates, volatility adjustment and matching adjustment.

The operating assumptions are consistent with the Solvency II balance sheet. When these assumptions are updated, the year-to-date VNB will capture the impact of the assumption change on all business sold that year.

The Matching Adjustment (MA) is an addition to the rate used to discount Solvency II best-estimate liabilities, to reflect the return on the matching assets used. In the calculation of VNB an MA is applied to certain obligations based on the target allocation of assets backing new business. This allocation will be different to the MA applied at the portfolio level. Aviva applies an MA to certain obligations in UK Life, using methodology which is set out in the Solvency and Financial Condition Report (SFCR). The MA used for 2023 UK new business (where applicable) was 146 bps (HY22 restated: 91 bps).

### New business margin

New business margin is calculated as value of new business on an adjusted Solvency II basis (VNB) divided by the present value of new business premiums (PVNBP) and expressed as a percentage.

### Present value of new business premiums (PVNBP)

PVNBP measures sales in the Group's life insurance business. PVNBP is derived from the present value of new regular premiums expected to be received over the term of the new contracts plus 100% of single premiums from new business written in the financial period and is expressed at the point of sale. The discounted value of regular premiums is calculated using the same methodology as for VNB. PVNBP also includes any changes to existing contracts which were not anticipated at the outset of the contract that generate additional shareholder risk and associated premium income of the nature of a new policy.

The table below presents a reconciliation of IFRS expected premiums from new insurance contracts to PVNBP:

	6 months 2023	6 months 2022
	£m	£m
Expected premiums (including investment components) from new insurance contracts (Note B11(c))	3,654	2,939
Contract boundary and other measurement differences between IFRS 17 and PVNBP	221	176
Additions:		
Expected premiums from new non-participating investment contracts, other retail business, equity release loans and increments on existing policies	12,922	13,101
Expected premiums from insurance contracts not in scope of note B11(c) <sup>1</sup>	807	627
Premiums from share of joint ventures, associates and other	1,051	569
<b>Present value of new business premiums (PVNBP)</b>	<b>18,655</b>	<b>17,412</b>

1. Includes premiums from Health business measured under PAA and the cash flows arising from guaranteed annuity options which are within the contract boundary of existing contracts under IFRS, whilst the non-GAAP measure of PVNBP recognises a contract boundary at the date of vesting and therefore includes the premium paid by with profit funds to shareholder owned funds to establish the annuities at vesting



### Solvency II operating own funds generation (Solvency II OFG)

Solvency II operating own funds generation measures the amount of Solvency II own funds generated from operating activities and incorporates an expected return on investments supporting the life and non-life insurance businesses. Solvency II operating own funds generation is used to assess sustainable growth. The Group considers this measure meaningful to stakeholders as it enhances the understanding of the Group's operating performance over time by separately identifying non-operating items.

The expected investment returns assumed within Solvency II OFG are consistent with the returns used for Group adjusted operating profit. Solvency II OFG includes the effect of variances in experience for non-economic items, such as mortality, persistency and expenses, the effect of changes in non-economic assumptions (for example, longevity) and model changes that are non-economic in nature.

Consistent with the Group adjusted operating profit APM, Solvency II OFG and Solvency II OCG exclude investment variances and economic assumption changes.

Solvency II operating own funds generation is the own funds component of Solvency II OCG (see below).

### Solvency II operating capital generation (Solvency II OCG)

Solvency II operating capital generation (Solvency II OCG) measures the amount of Solvency II capital the Group generates from operating activities. Capital generated enhances Solvency II surplus which can be used to support sustainable cash remittances from our businesses, which in turn, supports the Group's dividend as well as funding further investment to provide sustainable growth.

Solvency II OCG reflects Solvency II OFG and operating movements in the SCR including the impact of capital actions, for example, strategic changes in asset mix including changes in hedging exposure.

An analysis of the components of Solvency II OCG is presented below:

	6 months 2023	Restated <sup>1</sup> 6 months 2022	Restated <sup>1</sup> Full year 2022
	£m	£m	£m
Solvency II own funds impact of new business (net of tax and non-controlling interests)	120	195	457
Operating own funds generation from life existing business	325	188	475
Management actions and other operating own funds generation <sup>2</sup>	43	20	542
Operating own funds generation from non-life	369	357	559
Group centre and others	(118)	(135)	(279)
Group debt costs	(91)	(111)	(214)
<b>Solvency II operating own funds generation</b>	<b>648</b>	<b>514</b>	<b>1,540</b>
Solvency II operating SCR impact	(68)	18	(188)
<b>Solvency II OCG</b>	<b>580</b>	<b>532</b>	<b>1,352</b>

1. The 2022 comparative results have been restated from those previously published for methodology changes described at the start of the 'Other information' section

2. Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items

Solvency II OCG is a key component of the movement in Solvency II shareholder surplus. The tables below provide an analysis of the change in Solvency II shareholder surplus.

Shareholder view movement	6 months 2023			Restated <sup>1</sup> 6 months 2022			Restated <sup>1</sup> Full year 2022		
	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
Group Solvency II surplus at 1 January	16,468	(7,774)	8,694	22,150	(9,076)	13,074	22,150	(9,076)	13,074
Operating capital generation	648	(68)	580	514	18	532	1,540	(188)	1,352
Non-operating capital generation	(583)	234	(349)	(345)	1,349	1,004	(1,744)	1,501	(243)
Dividends <sup>2</sup>	(595)	—	(595)	(560)	—	(560)	(866)	—	(866)
Debt repayment <sup>3</sup>	(259)	—	(259)	—	—	—	(502)	—	(502)
Share buyback / Capital return	(300)	—	(300)	(3,750)	—	(3,750)	(3,750)	—	(3,750)
Acquisitions / Disposals	12	—	12	—	—	—	(360)	(11)	(371)
<b>Estimated Solvency II surplus at 30 June/31 December</b>	<b>15,391</b>	<b>(7,608)</b>	<b>7,783</b>	<b>18,009</b>	<b>(7,709)</b>	<b>10,300</b>	<b>16,468</b>	<b>(7,774)</b>	<b>8,694</b>

1. The 2022 comparative results have been restated from those previously published for methodology changes described at the start of the 'Other information' section

2. Dividends includes £9 million (HY22: £9 million, 2022: £17 million) of Aviva plc preference dividends and £10 million (HY22: £10 million, 2022: £21 million) of General Accident plc preference dividends

3. €301 million subordinated debt was redeemed on 5 July 2023 but no longer eligible capital at 30 June 2023

### Solvency II return on equity (Solvency II RoE)

Solvency II RoE is used as an economic value measure by the Group to assess growth and performance.

Solvency II RoE is calculated as:

- Operating own funds generation less preference dividends, equity RT1 notes coupons, adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate, multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening Unrestricted tier 1 shareholder Solvency II own funds.

To remove distortions in the evaluation of growth and performance whilst we temporarily held excess capital an adjustment was made to exclude excess capital from the denominator (and the return on excess capital from Solvency II operating own funds generation). Excess capital is derived as Solvency II shareholder own funds in excess of our target shareholder cover ratio (currently 180%). Now that we have completed our capital return initiatives over the last two years, we have also reported Solvency II RoE without the adjustment for excess capital.

Solvency II RoE is calculated on an annualised basis and is shown below:

	6 months 2023	Restated <sup>1</sup> 6 months 2022	Restated <sup>1</sup> Full year 2022
	£m	£m	£m
<b>Numerator</b>			
Solvency II operating own funds generation	648	514	1,540
Adjustment to replace TMTP run-off with economic cost of TMTP	(21)	28	64
Less preference share dividends	(19)	(19)	(38)
Less RT1 notes coupons	(17)	—	(17)
	<b>591</b>	<b>523</b>	<b>1,549</b>
Adjustment to remove return on excess capital	(29)	(8)	(11)
	<b>562</b>	<b>515</b>	<b>1,538</b>
<b>Denominator</b>			
Opening Unrestricted tier 1 shareholder Solvency II own funds	10,962	15,697	15,697
Adjustment to remove excess capital above target Solvency II shareholder cover ratio <sup>2</sup>	(2,474)	(5,813)	(5,813)
Adjusted opening unrestricted tier 1 shareholder Solvency II own funds	<b>8,488</b>	<b>9,884</b>	<b>9,884</b>
<b>Solvency II return on equity</b>	<b>10.8 %</b>	<b>6.7 %</b>	<b>9.9 %</b>
<b>Solvency II return on equity (adjusted for excess capital)</b>	<b>13.2 %</b>	<b>10.4 %</b>	<b>15.6 %</b>

- The 2022 comparative results have been restated from those previously published for methodology changes described at the start of the 'Other information' section
- Our excess capital as at 1 January 2022 was £5,813 million and this included capital set aside for the £3.75 billion capital return, £1 billion further debt reduction over time, pension scheme payment, Succession Wealth acquisition and final 2021 dividend. The excess capital at 31 December 2022 was £2,474 million and this included capital set aside for further debt reduction, pension scheme payment, final 2022 dividend and share buyback.

### Solvency II return on capital (Solvency II RoC)

Solvency II return on capital is an unlevered economic value measure as it is used to assess growth and performance in our businesses before taking debt into account. It is calculated on an annualised basis.

Solvency II RoC is calculated as:

- Operating own funds generation adjusted to replace the run-off of TMTP with the economic cost of holding TMTP (calculated as Group Weighted Average Cost of Capital plus 1-yr swap rate) multiplied by the opening TMTP on a shareholder basis), divided by:
- Opening shareholder Solvency II own funds.

For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds. This removes any distortions arising from our general insurance legal entity structure and therefore ensures consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure.

A reconciliation of Solvency II return on capital by market to Group return on equity is provided below.

6 months 2023	Solvency II OFG (post TMTP adjustment)	Opening shareholder own funds	Solvency II return on capital/equity
	£m	£m	%
<b>Business Solvency II return on capital</b>			
UK & Ireland Insurance, Wealth and Retirement (IWR)	391	12,564	6.2 %
UK & Ireland General Insurance <sup>1</sup>	186	2,491	14.9 %
Canada General Insurance	179	1,800	19.9 %
Aviva Investors	4	387	2.1 %
International investments (India, China and Singapore)	76	1,187	12.8 %
<b>Business unit Solvency II return on capital</b>	<b>836</b>	<b>18,429</b>	<b>9.1 %</b>
<b>Reconciliation to Group Solvency II return on equity</b>			
Corporate centre costs and Other <sup>1</sup>	(118)	(1,961)	N/A
Less: Senior and subordinated debt	(91)	(4,264)	N/A
Less: RT1 coupon and Preference shares <sup>2</sup>	(36)	(946)	N/A
Less: Net deferred tax assets	—	(296)	N/A
<b>Solvency II return on equity at 30 June</b>	<b>591</b>	<b>10,962</b>	<b>10.8 %</b>
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	(29)	(2,474)	N/A
<b>Solvency II return on equity at 30 June (adjusted for excess capital)</b>	<b>562</b>	<b>8,488</b>	<b>13.2 %</b>

- For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across markets. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
- Preference shares includes £10 million of dividends and £250 million of capital in respect of General Accident plc.

	Solvency II OFG (post TMT adjustment)	Opening shareholder own funds	Solvency II return on capital/equity
	£m	£m	%
<b>Restated<sup>1</sup> 6 months 2022</b>			
Business Solvency II return on capital			
UK & Ireland Insurance, Wealth and Retirement (IWR)	356	13,830	5.1 %
UK & Ireland General Insurance <sup>2</sup>	184	2,339	15.7 %
Canada General Insurance	159	1,746	18.2 %
Aviva Investors	14	400	7.0 %
International investments (India, China and Singapore)	75	982	15.3 %
<b>Business unit Solvency II return on capital</b>	<b>788</b>	<b>19,297</b>	<b>8.2 %</b>
Reconciliation to Group Solvency II return on equity			
Corporate centre costs and Other <sup>2</sup>	(135)	2,853	N/A
Less: Senior and subordinated debt	(111)	(5,880)	N/A
Less: RT1 coupon and Preference shares <sup>3</sup>	(19)	(450)	N/A
Less: Net deferred tax assets	—	(123)	N/A
<b>Solvency II return on equity at 30 June</b>	<b>523</b>	<b>15,697</b>	<b>6.7 %</b>
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	(8)	(5,813)	N/A
<b>Solvency II return on equity at 30 June (adjusted for excess capital)</b>	<b>515</b>	<b>9,884</b>	<b>10.4 %</b>

1. The 2022 comparative results have been restated from those previously published for methodology changes described at the start of the 'Other information' section
2. For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across businesses. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return on equity measure, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
3. Preference shares includes £10 million of dividends and £250 million of capital in respect of General Accident plc.

	Solvency II OFG (post TMT adjustment)	Opening shareholder own funds	Solvency II return on capital/equity
	£m	£m	%
<b>Restated<sup>1</sup> Full year 2022</b>			
Business Solvency II return on capital			
UK & Ireland Insurance, Wealth and Retirement (IWR)	1,432	13,830	10.4 %
UK & Ireland General Insurance <sup>2</sup>	261	2,339	11.2 %
Canada General Insurance	274	1,746	15.7 %
Aviva Investors	24	400	6.0 %
International investments (India, China and Singapore)	106	982	10.8 %
<b>Business unit Solvency II return on capital</b>	<b>2,097</b>	<b>19,297</b>	<b>10.9 %</b>
Reconciliation to Group Solvency II return on equity			
Corporate centre costs and Other <sup>2</sup>	(279)	2,853	N/A
Less: Senior and subordinated debt	(214)	(5,880)	N/A
Less: RT1 coupon and Preference shares <sup>3</sup>	(55)	(450)	N/A
Less: Net deferred tax assets	—	(123)	N/A
<b>Solvency II return on equity at 31 December</b>	<b>1,549</b>	<b>15,697</b>	<b>9.9 %</b>
Less: Adjustment to remove excess capital above target Solvency II shareholder cover ratio	(11)	(5,813)	N/A
<b>Solvency II return on equity at 31 December (adjusted for excess capital)</b>	<b>1,538</b>	<b>9,884</b>	<b>15.6 %</b>

1. The 2022 comparative results have been restated from those previously published for methodology changes described at the start of the 'Other information' section
2. For UK general insurance only, capital held for internal risk appetite purposes is used instead of opening shareholder Solvency II own funds to ensure consistency in measuring performance across businesses. This is only applicable to UK general insurance Solvency II return on capital and not to the aggregated Group Solvency II return in capital and Solvency II return on equity measures, with the reversal of the impact included in Corporate centre costs and Other opening own funds.
3. Preference shares includes £21 million of dividends and £250 million of capital in respect of General Accident plc

### Solvency II net asset value per share (Solvency II NAV per share)

Solvency II NAV per share is used to monitor the value generated by the Group in terms of the equity shareholders' face value per share investment. This is calculated as the closing unrestricted tier 1 Solvency II shareholder own funds, divided by the actual number of shares in issue as at the balance sheet date. Consistent with Solvency II RoE, it is an economic value measure used by the Group to assess growth.

The Solvency II NAV per share is shown below:

	30 June 2023	30 June 2022	31 December 2022
Unrestricted tier 1 shareholder Solvency II own funds (£m)	<b>10,266</b>	11,766	10,962
Number of shares in issue (in millions)	<b>2,738</b>	2,803	2,808
<b>Solvency II NAV per share</b>	<b>375p</b>	420p	390p

## Solvency II debt leverage ratio

Solvency II debt leverage ratio is calculated as total debt expressed as a percentage of Solvency II regulatory own funds plus senior debt and commercial paper. Solvency II regulatory debt includes subordinated debt and preference share capital. The Solvency II debt leverage ratio provides a measure of the Group's financial strength.

	30 June 2023	31 December 2022
	£m	£m
Solvency II regulatory debt	4,816	5,210
Senior notes <sup>1</sup>	930	687
Commercial paper	133	252
Total debt	5,879	6,149
Estimated Solvency II regulatory own funds, senior debt and commercial paper	18,205	19,607
<b>Solvency II debt leverage ratio</b>	<b>32 %</b>	<b>31 %</b>

1. Includes the Group's 6.125% €301 million Dated Tier 2 Reset Notes which were redeemed in full at their optional first call date on 5 July 2023.

A reconciliation from IFRS subordinated debt to Solvency II regulatory debt is provided below:

	30 June 2023	31 December 2022
	£m	£m
IFRS borrowings	6,561	6,755
Less: Borrowings not classified as Solvency II regulatory debt		
Senior notes	(670)	(687)
Commercial paper	(133)	(252)
Operational borrowings	(1,276)	(1,286)
IFRS subordinated debt	4,482	4,530
Revaluation of subordinated liabilities	(353)	(265)
Other movements <sup>1</sup>	(259)	(1)
Solvency II subordinated debt	3,870	4,264
Preference share capital and tier 1 notes	946	946
<b>Solvency II regulatory debt</b>	<b>4,816</b>	<b>5,210</b>

1. Includes the Group's 6.125% €301 million Dated Tier 2 Reset Notes which were redeemed in full at their optional first call date on 5 July 2023. This was the remaining part of the Group's 6.125% €650 million notes that were partially redeemed on 12 March 2021. Under the Solvency II rules the notes ceased to qualify as Solvency II regulatory debt from 16 May 2023, the date at which notice was served to bondholders that the Group intended to redeem the notes at their first call date.

## Other APMs

### Cash remittances

Cash paid by our operating businesses to the Group, for the period between March and the end of the month preceding the results announcement comprised of dividends and interest on internal loans. Dividend payments by operating businesses may be subject to insurance regulations that restrict the amount that can be paid. The business monitors total cash remittances at a Group level and in each of its businesses. Cash remittances are considered a useful measure as they support the payments of external dividends. Cash remittances eliminate on consolidation and hence are not directly reconcilable to the Group's IFRS consolidated statement of cash flows.

### Excess centre cash flow

This represents the cash remitted by business units to the Group centre less central operating expenses and debt financing costs. Excess centre cash flow is a measure of the cash available to pay dividends, reduce debt or invest back into our business. Excess centre cash flow does not include cash movements such as disposal proceeds or capital injections. Excess centre cash flow when positive in the period can be referred to as excess centre cash inflows and when negative as excess centre cash outflows.

### Centre liquidity

Centre liquidity comprises cash and liquid assets and represents amounts as at the end of the month preceding results announcements. It provides meaningful information because it shows the liquidity at the Group centre available to meet debt interest and central costs and to pay dividends to shareholders.

## Shareholder services

### 2023 Financial Calendar

Ordinary dividend timetable:	Final
Ordinary ex-dividend date	24 August 2023
Dividend record date	25 August 2023
Last day for Dividend Reinvestment Plan and currency election	14 September 2023
Dividend payment date <sup>1</sup>	5 October 2023
Other key dates:	
Quarter three market update <sup>2</sup>	15 November 2023

1. Please note that the ADR local payment date will be approximately four business days after the proposed dividend date for ordinary shares.

2. This date is provisional and subject to change.

### Dividend payment options

Shareholders can receive their dividends in the following ways:

- Directly into a nominated UK bank account;
- Directly into a nominated Eurozone bank account;
- Shareholders living outside of the UK and the Single Euro Payments Area can elect to receive their dividends or interest payments in a choice of over 125 international currencies via our Registrar, Computershare Investor Services PLC (Computershare); or
- The Dividend Reinvestment Plan enables eligible shareholders to reinvest their cash dividend in additional Aviva ordinary shares.

You can find further details regarding these payment options at [www.aviva.com/dividends](http://www.aviva.com/dividends) and register your choice by contacting Computershare using the contact details below, online at [www.computershare.com/AvivaInvestorCentre](http://www.computershare.com/AvivaInvestorCentre) or by returning a dividend mandate form. You must register for one of these payment options to receive any dividend payments from Aviva.

### Manage your shareholding online

[www.aviva.com/shareholders](http://www.aviva.com/shareholders)

General information for shareholders.

[www.computershare.com/AvivaInvestorCentre](http://www.computershare.com/AvivaInvestorCentre)

- Change your address
- Change payment options
- Switch to electronic communications
- View your shareholding
- View any outstanding payments

### Shareholder contacts

#### Ordinary and preference shares – Contact

For any queries regarding your shareholding, please contact Computershare

- By telephone: 0371 495 0105

We are open Monday to Friday, 8.30am to 5.30pm UK time, excluding public holidays. Please call +44 117 378 8361 if calling from outside of the UK.

- By email: [AvivaSHARES@computershare.co.uk](mailto:AvivaSHARES@computershare.co.uk)
- In writing: Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ

#### American Depository Receipts (ADRs) – Contact

For any queries regarding Aviva ADRs, please contact Citibank Shareholder Services (Citibank)

- By telephone: 1 877 248 4237 (1 877-CITI-ADR)

We are open Monday to Friday, 8.30am to 5.30pm US Eastern Standard Time, excluding public holidays. Please call +1 781 575 4555 if calling from outside of the US.

- By email: [Citibank@shareholders-online.com](mailto:Citibank@shareholders-online.com)
- In writing: Citibank Shareholder Services, PO Box 43077, Providence, Rhode Island, 02940-3077 USA

#### Group Company Secretary

Shareholders may contact the Group Company Secretary

- By telephone: +44 (0)20 7283 2000
- By email: [Aviva.shareholders@aviva.com](mailto:Aviva.shareholders@aviva.com)
- In writing: Kirstine Cooper, Group Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ

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