News Release

12 August 2021

Aviva plc 2021 Interim Results Announcement*

SIGNIFICANT STRATEGIC DELIVERY AND STRONG GROWTH IN KEY AREAS

Intended capital return of at least £4bn[1] including up to £750m share buyback starting immediately[2]

Best half year sales[3] in General Insurance in a decade and record flows into Savings & Retirement

Cash remittances[4,‡]	Interim dividend	Adjusted operating profit[4,‡]	General Insurance GWP[4]	Life new business PVNBP[4,‡]
£1.1bn	7.35p	£725m	£4.4bn	£16.9bn
+884%	+5%	+17%	+6%	+13%
HY20: £108m	2020: 7.00p	HY20: £621m	HY20: £4.1bn	HY20: £14.9bn

Amanda Blanc, Group Chief Executive Officer, said:

"We have made good progress on all fronts in the 12 months since we launched our strategy.

We are delivering on our commitment to make a substantial capital return to our shareholders. We intend to return at least £4 billion to investors by the end of the first half of 2022[1], starting with a share buyback of up to £750 million.

We delivered strong cash remittances[4,‡] of £1.1 billion in the first half and we are on track to achieve our objective of over £5 billion in cash remittances[‡] between 2021 and 2023. In light of our confidence in the strength of the business and underlying cash flows, the Board has declared a 5% increase in the interim dividend to 7.35 pence per share.

The breadth of Aviva, across life insurance and general insurance, is a key strategic advantage and has driven a 17% increase in operating profit[4,5,‡] to £725 million. We also delivered some of our best ever sales figures in the first six months. In UK general insurance we delivered our highest sales[3] in a decade. In Savings & Retirement, net flows[‡] increased by 24% to a record £5.2 billion, and we've added 100,000 new workplace customers, reinforcing our number one position.

Alongside delivering growth, we continue to focus on reducing controllable costs[4,6,‡] which are down 2%. We are on track to deliver our £300 million savings target in 2022 and are focused on achieving top quartile efficiency in all our businesses.

While we've got more to do, our half year results show we have what it takes to drive growth in our businesses. We remain completely focused on transforming performance, capitalising on the breadth of Aviva, making insurance simple and easy for our customers, and creating value for our shareholders."

Return of capital to shareholders of at least £4bn by HY 2022 with full details with FY results in March 2022[1]

- Intended shareholder return of at least £4bn (subject to regulatory and shareholder approvals, remaining completions and market conditions) including up to £750m via share buyback to commence immediately[2]
- Expect additional reduction in debt of c.£1bn and repayment of £0.7bn of internal loan
- Combined with £2bn repayment of debt in H1 2021, expected to utilise all of the cash proceeds from divestments of £7.5bn
- Divestment programme expected to complete by end of 2021

Strong growth in cash remittances and operating profit

- Cash remittances[‡] of £1,296m (HY20: £150m) of which £1,063m from continuing operations (HY20: £108m)
- Group operating profit[5,‡] of £1,132m (HY20: £1,225m) and Group IFRS loss for the period of £198m (HY20: profit of £874m) reflecting non-operating items including anticipated loss on disposal of France and investment variances driven by higher interest rates
- Operating profit[5,‡] from continuing operations up 17% to £725m (HY20: £621m) and Solvency II operating own funds generation[‡] up 12% to £710m (HY20: £632m)

‡ Denotes Alternative Performance Measures (APMs) and further information can be found in the 'Other information' section.
1 Subject to regulatory and shareholder approvals, completion of disposals and market conditions
2 Commencing on 13 August 2021
3 References to sales represent present value of new business premiums (PVNBP) for our life business and gross written premiums (GWP) for our general insurance business, PVNBP is an APM and further information can be found in the 'Other information' section.
4 From continuing operations
5 Operating profit represents Group adjusted operating profit which is a non-GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.
6 Represents controllable costs excluding cost reduction implementation and IFRS 17 costs

*This announcement contains inside information. The person responsible for making this announcement on behalf of the Group is Kirstine Cooper (Group Company Secretary)

Significant financial strength

- Solvency II shareholder cover ratio‡ of 203% (FY20: 202%) and centre liquidity‡ (Jul 21) of £2.8bn (Feb 21: £4.1bn)
- Solvency II debt leverage ratio‡ of 26% (FY20: 31%) following £1.9bn debt reduction in H1
- Interim dividend up 5% to 7.35p (2020: 7.0p per share)

Continued focus on improving the performance of the business

- Life present value of new business premiums (PVNBP)‡ up 13% to £16.9bn[1] (HY20: £14.9bn) with strong growth in Savings & Retirement and lower volumes of annuities in a subdued bulk purchase annuity market – good start to H2 with £2.1bn of BPAs secured in July (£3.7bn July YTD)
- Best start to the year in a decade for General Insurance gross written premiums (GWP) up 6% to £4.4bn[1] (HY20: £4.1bn) and combined operating ratio (COR)‡ of 91.6%[1] (HY20: 101.4%)
- Controllable costs[1,‡] down 2% (excluding cost reduction implementation and IFRS 17 costs) to £1,378m (HY20: £1,408m) and on target to deliver £300m cost savings relative to our 2018 baseline in 2022

Group financial performance highlights

Group financial strength

Group adjusted operating profit‡	IFRS loss for the period	Solvency II shareholder cover ratio‡	Solvency II debt leverage ratio‡	Centre liquidity‡
£1,132m	**£198m**	**203%**	**26%**	**£2.8bn**
(8)%	-	+1pp	(5)pp	£(1.3)bn
HY20: £1,225m	HY20: Profit of £874m	FY20: 202%	FY20: 31%	Feb 21: £4.1bn

Outlook

We are confident that the steps we are taking to transform our business set us up well to capitalise on the growth opportunities in our core markets of UK, Ireland and Canada despite the continued economic and COVID-19 uncertainties.

In the UK we expect to see continued growth in Savings & Retirement, and the bulk purchase annuity business has seen a strong start to the second half and has a good pipeline of transactions. In general insurance, we continue to see excellent opportunities for growth in commercial lines as we capitalise on our leading positions with brokers and the favourable rate environment. In personal lines, lower pricing and claims have somewhat offset each other but the softer rate environment in motor in the UK, Ireland and Canada will increasingly impact earnings. Weather conditions have been benign in the first half of the year, and whilst we have experienced adverse weather conditions in July, including floods in the UK and hail storms in Canada, we expect the Group COR to be below 94% for the full year.

Our focus on transforming performance means that we are on track to deliver on our £300 million controllable cost reduction target in 2022 including over £225 million of cumulative savings by the end of 2021. We are also on track to achieve our target of over £5 billion in cash remittances from the business units (continuing operations) between 2021 and 2023; with cash remittances for the year expected to be up strongly on £1.4 billion achieved last year, and continue to increase in 2022, as we grow toward £1.8 billion of cash remittances in 2023.

We are continuing to deliver for shareholders with today's announcement of a proposed capital return to shareholders of at least £4 billion by HY 2022[2]. This includes a share buyback of up to £750 million which will commence immediately[3]. We intend to provide further details, including the mechanism of the remaining capital return (with preference for methods that would result in a reduction in share count) at Aviva's full year results in March 2022.

‡ Denotes APMs and further information can be found in the 'Other information' section.
1 From continuing operations
2 Subject to regulatory and shareholder approvals, completion of disposals and market conditions
3 Commencing on 13 August 2021

Chief Executive's Overview

12 months ago we announced our strategy to unlock value at Aviva with three clear priorities: focus the portfolio, financial strength and transform performance.

Focus the portfolio

We made decisive progress on this priority with eight businesses sold for £7.5 billion. We completed the disposals of Aviva Vita in Italy and AvivaSA in Turkey in Q2 2021 and expect the remaining transactions (France, remainder of Italy, Poland and Vietnam) to complete later in 2021.

Our focus is on our strongest and most strategically advantaged businesses in the UK, Ireland and Canada including Aviva Investors, where we have market-leading positions, can generate attractive returns, we have a strong powerful brand, we deliver excellent customer service and we have a clear opportunity to deliver sustainable growth. We will continue to invest for growth across these markets.

We have retained strategic investments in India, China and Singapore. These provide us with valuable opportunities in attractive and fast-growing markets.

Financial strength

At our full year results in March we committed to returning a substantial amount of capital to shareholders. Today we are announcing our intention to return at least £4 billion of capital to shareholders subject to regulatory and shareholder approvals, completion of disposals and market conditions. This return includes a share buyback of up to £750 million commencing immediately[1]. We expect to reduce external debt by a further c.£1 billion over time and repay £0.7 billion of the internal loan following the completion of the disposals of France and Poland, utilising all of the proceeds from our divestments.

We reduced debt by £1.9 billion in the first half of the year, through a combination of the £1.0 billion tender and £0.9 billion of redemptions arising from maturities and optional first call dates. These actions have brought our Solvency II debt leverage ratio down below our 30% target, to 26% (FY20: 31%), in advance of the planned capital return.

Centre liquidity of £2.8 billion, as at the end July 2021 (February 2021: £4.1 billion), reflects the payment of the final 2020 dividend of £0.6 billion and debt repayment of £2 billion (including £0.1 billion premium on tender). This was partly offset by strong cash remittances to Group from continuing operations of £1.1 billion, cash remittances from discontinued operations of £233 million, and disposal proceeds from the sales of Aviva Vita in Italy and AvivaSA in Turkey of £0.5 billion.

Solvency II shareholder cover ratio of 203% (FY20: 202%) has remained strong bolstered by favourable capital market movements driven mainly by the increase in interest rates over the period, Solvency II operating capital generation and the impact of disposals of Aviva Vita in Italy and AvivaSA in Turkey. These were partly offset by dividend payments and derecognition of £1.5 billion of subordinated debt as well as the unwind of equity hedges.

The Board of Directors has declared an interim dividend of 7.35 pence per share, an increase of 5%, in line with our policy to grow the dividend per share by low to mid-single percentage digits over time.

Transform performance

Our third strategic priority of transforming performance is vital to the long-term success of Aviva. We are already delivering strong growth in a number of our targeted areas with the highest half-year GWP in our General Insurance business in a decade supported by 16% growth in UK commercial lines, increased market share in our retail personal lines business (direct and price comparison websites) and highest ever GWP in Canada. Our Savings & Retirement business built on the record quarter in Q1 to deliver over 20% growth in both net flows and AUM over the first half of the year. We also delivered growth in operating profit[2] in our Protection & Health business as we focused on a more profitable mix of business including consumer health and direct individual protection.

We have strong foundations for growth, and we will look to accelerate this through further investment in the business. We will be disciplined with targeted investments to maximise our market growth opportunities, including the potential for strategic bolt-ons in areas which can enhance our capabilities.

We are focused on efficiency; achieving a further 2% reduction in controllable costs[3] (excluding cost reduction implementation and IFRS 17 costs) in the first half of the year despite growth in the business and inflationary pressures. UK & Ireland General Insurance has progressed its automation, digitisation and product simplification and reduced controllable costs[4] by 6%, while Aviva Investors has started to make good progress on improving its cost income ratio. We expect to achieve a cumulative reduction in controllable costs (excluding cost reduction implementation and IFRS 17 costs) against our 2018 baseline of over £225 million by the end of 2021, and remain on track to achieve our cost reduction target of £300 million in 2022. This is in addition to absorbing estimated cost inflation of c.£200 million between 2018 and 2022.

Delivering great customer outcomes is central to Aviva's strategy. We continue to improve our service quality with strong net promoter scores and a reduced number of complaints in our General Insurance business. It has also been a priority to look after our customers throughout the ongoing pandemic. Our support has included free breakdown cover and enhanced home insurance for NHS staff serving at the front line, deferred monthly payments for people experiencing financial difficulties and providing advice and flexible insurance for businesses, so they were still covered even as they adapted to new ways of working.

Aviva is committed to delivering for our communities as well as our customers as we build a sustainable business. We launched our new sustainability ambition earlier this year to lead the UK financial services market in this field. We want Aviva to be recognised as a business that leads by example with products and services that are good for society as a whole and by influencing others to act. We have also set ourselves clear goals to help in the fight against climate change including becoming the first major insurer globally to target net zero greenhouse emission status by 2040.

1 Commencing 13 August 2021
2 Operating profit represents Group adjusted operating profit which is a non-GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.
3 From continuing operations
4 Controllable costs excluding cost reduction implementation and IFRS 17 costs

We also announced a new climate-focused partnership with the world's leading conservation charity, WWF. Our ambition also reflects our commitment to our home market where we aim to invest more in our local communities, and £10 billion in infrastructure and real estate over the next three years to build a stronger Britain. This year we have continued to improve our ESG capabilities with the launches of the Climate Transition Global Credit Fund and the Climate Transition Real Assets Fund with more Climate Transition offerings in the launch pipeline.

Other operating highlights

UK & Ireland Life	• Savings & Retirement – record net flows‡ up 24% to £5.2 billion (HY20: £4.2 billion) • Workplace pensions – UK's largest provider by AUM‡ with £89 billion (HY20: £71 billion), added 100k scheme members • Adviser platform – top 3[1] by net flows‡ in the adviser platform market with net flows up 49% to £2.7 billion and AUM‡ up 29% to £37 billion • Annuities - lower sales in a subdued bulk purchase annuity market in H1 with a good start to H2 with BPA sales of £2.1 billion in July (£3.7 billion year-to-date) • Equity release – PVNBP‡ up 43% reflecting easing of lockdown restrictions and introduction of virtual valuations • Protection & Health – New business margins‡ up to 7.6% (HY20: 6.6%) due to more profitable mix of business • Ireland Life – VNB‡ more than doubled to £10 million helped by rationalised product offering
General Insurance	• UK commercial lines GWP up 16% to £1,280 million (HY20: £1,104 million) • UK retail GWP up 5% with customers up from 3.2 million to 3.5 million year-to-date • UK GI controllable costs‡,2 down 6% to £322 million benefitting from automation, digitisation and product simplification • Canada commercial lines GWP up 11% to £614 million (HY20: £551 million) with Global Corporate and Speciality reaching CAD$0.5 billion • Canada speciality personal lines GWP up 4% to £371 million (HY20: £358 million) with high net worth policy count up 20%
Aviva Investors	• Net flows‡ improved to £0.8 billion (HY20: £(0.6) billion) of which positive external net flows‡ of £1.1 billion (HY20: £1.3 billion) with a continuing flow momentum and a good and diverse pipeline • Aviva Investors revenue‡ grew 7% reflecting increased origination of real assets and higher AUM‡ • Significant improvement in AUM‡ ahead of benchmark over one year, up to 74% (HY20: 47%) • Launched Climate Transition funds across Global Credit, Equities and Real Assets

‡ Denotes APMs and further information can be found in the Other information' section.
1. Based on latest publicly available market data as at Q1 2021
2. Excluding cost reduction implementation and IFRS 17 costs

Cash remittances[‡R] and Centre liquidity[‡]

	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
UK, Ireland, Canada and Aviva Investors	**1,052**	108	874 %	1,359
Strategic investments[1]	**11**	—	100 %	6
Cash remittances from continuing operations	**1,063**	108	884 %	1,365
Discontinued operations[2] and Other	**233**	42	455 %	135
Group cash remittances[‡]	**1,296**	150	764 %	1,500
Centre liquidity[‡] as at end of July/February	**2,817**	2,592	9 %	4,085

Profit

	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
UK, Ireland, Canada and Aviva Investors	**984**	910	8 %	2,432
Strategic investments[1]	**55**	17	224 %	26
Corporate centre costs and Other operations	**(134)**	(127)	(6)%	(282)
Group debt costs and other interest	**(180)**	(179)	(1)%	(370)
Adjusted operating profit from continuing operations	**725**	621	17 %	1,806
Discontinued operations[2]	**407**	604	(33)%	1,355
Group adjusted operating profit before tax[3,‡R]	**1,132**	1,225	(8)%	3,161
IFRS (loss)/profit for the period[4]	**(198)**	874	(123)%	2,910
Operating earnings per share[5,‡R]	**21.0p**	23.4p	(10)%	60.8p
Basic earnings per share	**(6.2)p**	20.0p	(131)%	70.2p

Controllable costs[‡]

	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Excluding cost reduction implementation and IFRS 17 costs				
UK, Ireland, Canada and Aviva Investors	**1,259**	1,286	(2)%	2,664
Corporate centre costs and Other operations	**119**	122	(2)%	260
Cost reduction implementation and IFRS 17 costs[6]	**69**	35	97 %	107
Controllable costs from continuing operations	**1,447**	1,443	— %	3,031
Discontinued operations[2]	**375**	469	(20)%	904
Group controllable costs[‡]	**1,822**	1,912	(5)%	3,935

Solvency II operating own funds generation[‡R] and Solvency II return on capital/equity[‡R]

	Solvency II operating own funds generation				Solvency II return on capital/equity			
	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 %	6 months 2020 %	Sterling % change	Full year 2020 %
UK, Ireland, Canada and Aviva Investors	**550**	460	20 %	1,699	**5.7 %**	4.9 %	0.8 pp	9.1 %
Strategic investments[1]	**84**	35	140 %	63	**18.5 %**	10.9 %	7.6 pp	9.8 %
Corporate centre costs, Group external debt costs and Other[7]	**(241)**	(232)	(4)%	(546)	**N/A**	N/A	N/A	N/A
Continuing operations	**393**	263	49 %	1,216	**N/A**	N/A	N/A	N/A
Discontinued operations[2]	**317**	369	(14)%	475	**10.1 %**	9.9 %	0.2 pp	6.4 %
Group Solvency II operating own funds generation[‡] and Solvency II return on equity[8,‡]	**710**	632	12 %	1,691	**8.0 %**	7.1 %	0.9 pp	9.8 %

Solvency II operating capital generation (OCG)[‡]

	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
UK, Ireland, Canada and Aviva Investors	**841**	640	31 %	1,907
Strategic investments[1]	**37**	1	N/A	4
Discontinued operations[2]	**339**	610	(44)%	209
Market Solvency II operating capital generation	**1,217**	1,251	(3)%	2,120
Corporate centre costs and Other	**(494)**	(217)	(128)%	108
Group external debt costs	**(145)**	(144)	(1)%	(296)
Group Solvency II operating capital generation[‡]	**578**	890	(35)%	1,932

Capital position

	30 June 2021	31 December 2020	Change	30 June 2020
Estimated Solvency II shareholder cover ratio[9,‡R]	**203 %**	202 %	1 pp	194 %
Estimated Solvency II surplus[9]	**£12.0bn**	£13.0bn	(8)%	£12.0bn
Solvency II net asset value per share[9,‡]	**433p**	442p	(9)p	416p
Solvency II debt leverage ratio[‡]	**26 %**	31 %	(5)pp	33 %

Dividend

	6 months 2021 £m	Full year 2020 £m	Sterling % change
Interim dividend per share	**7.35p**	7.00p	5 %

R Symbol denotes key performance indicators used as a base to determine or modify remuneration.
‡ Denotes APMs and further information can be found in the 'Other information' section.
1 Strategic investments include Aviva's interest in joint ventures/associates in Singapore, India and China.
2 Discontinued operations includes France, Italy, Poland, Singapore, Turkey, Vietnam, Hong Kong, Friends Provident International, Indonesia, Aviva Investors France and Aviva Investors Poland.
3 Group adjusted operating profit 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.
4 IFRS (loss)/profit for the period represents IFRS (loss)/profit after tax.
5 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.
6 Includes costs related to initiatives taken to further reduce our cost base and IFRS 17 implementation costs.
7 Corporate centre costs, Group external debt costs and Other operating own funds generation includes a Group level adjustment for minority interests in joint ventures within Discontinued operations
8 Includes debt costs not included in Solvency II return on capital.
9 The estimated Solvency II position represents the shareholder view only. See note 5.i for more details.

Group financial headlines

Operating results

Cash remittances

Cash remittances during the first half of 2021 were £1,296 million (HY20: £150 million) with the vast majority of these, £1,063 million (HY20: £108 million) delivered from our continuing operations. Remittances were depressed in 2020 owing to volatility arising from COVID-19. Strong remittances in 2021 represent stronger performance and the improved capital positions of the major subsidiaries.

Profit

Operating profit[1] of £1,132 million (HY20: £1,225 million) and operating earnings per share of 21.0 pence (HY20: 23.4 pence) decreased owing to reduced operating profit from discontinued operations. In the first half of 2020 profits included Friends Provident International Limited and Aviva Singapore, the disposals of which completed in the second half of 2020.

IFRS loss for the period was £198 million (HY20: profit £874 million) while basic earnings per share decreased to (6.2) pence (HY20: 20.0 pence) as a result of non-operating items including a charge of £538 million on the expected loss on disposal of France and investment variances on our continuing operations. We expect to recognise a profit on disposals of Poland and the remaining Italian operations on completion in the second half of the year.

Operating profit[1] from continuing operations increased by 17% to £725 million (HY20: £621 million). In UK & Ireland Life operating profit[1] decreased due to lower bulk purchase annuity volumes and margins and a reduction in the value of non-recurring items compared to the first half of 2020, however this was offset by strong results in Protection & Health and our General Insurance business. This benefitted from a continuation of lower claims frequency, improvements in underwriting performance and reduced COVID-19 related GI claims. Our strategic investments also performed well with strong results from Singapore helped by the success of a new long-term care product.

Cost reduction

We have maintained our focus on efficiency, achieving a further reduction in costs despite headwinds from inflation and targeted investments in growth, including the relaunch of our brand. Controllable costs from continuing operations, excluding cost reduction implementation and IFRS 17 costs, fell by 2% to £1,378 million (HY20: £1,408 million). We remain on track to deliver a £300 million net cost reduction, against our 2018 baseline, from our continuing operations in 2022.

Beyond this initial target we will maintain our focus on efficiency over the long term by ensuring all of our business lines deliver top-quartile performance – a dynamic ambition that will underpin ongoing improvements over time.

Solvency II operating own funds generation (OFG) and Solvency II operating capital generation (OCG)

Total Solvency II OFG increased 12% to £710 million (HY20: £632 million) as the higher contributions from GI markets, due to lower motor and travel claims as well as benign weather experience and a reduction in COVID-19 related claims compared to the prior year, were partially offset by lower bulk purchase annuity volumes and margins in UK Life and the sale of Aviva Singapore in 2020.

Total Solvency II OCG decreased to £578 million (HY20: £890 million) while Solvency II OCG excluding the impact of capital actions, non-economic assumption changes and other non-recurring items, increased to £629 million (HY20: £534 million). The increase in Solvency II own funds generation was offset by the impact of lower capital management actions in both UK Life (H120 included de-risking activity and a change to the internal reinsurance vehicle) and Group operations (primarily due to re-risking as we exited equity hedges).

Solvency II OCG from UK, Ireland, Canada and Aviva Investors increased by 31% to £841 million (HY20: £640 million) driven by lower claims in general insurance partially offset by lower capital management actions in UK Life.

Solvency II return on equity (Solvency II RoE)

Solvency II RoE was higher at 8.0% (HY20: 7.1%) primarily reflecting the increase in Solvency II operating own funds generation owing to improvements in COVID-19 experience on our general insurance business, partially offset by lower volumes and margins on bulk purchase annuities.

Capital and cash

Centre liquidity

At end July 2021, centre liquidity was £2.8 billion (February 2021: £4.1 billion) with the decrease primarily driven by payment of the final 2020 dividend of £0.6 billion and debt repayments of £2 billion (including £0.1 billion premium on tender) partly offset by cash remittances to Group of £1.3 billion and disposal proceeds of £0.5 billion.

Solvency II debt leverage

Solvency II debt leverage ratio decreased to 26% in the first half of 2021 (FY20: 31%), reflecting our debt reduction actions of £1.9 billion.

Solvency II capital

At 30 June 2021, Aviva's Solvency II shareholder surplus was £12.0 billion and Solvency II shareholder cover ratio was 203% (FY20: £13.0 billion and 202% respectively). Solvency II net asset value per share was 433 pence (FY20: 442 pence) as Solvency II operating own funds generation and the reduction in the value of subordinated liabilities were more than offset by the payment of dividends, and adverse non-operating movements in own funds driven by higher interest rates.

1 Operating profit represents Group adjusted operating profit which is a non-GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.

Pro forma **£bn unless otherwise stated**	31 December 2020	30 June 2021	Remaining disposals	Illustrative return £4bn equity c.£1bn ext. debt £0.7bn int. debt	Pro forma estimated
Own funds	25.8	23.6	(0.5)	(5.0)	18.1
SCR	(12.8)	(11.6)	2.3	—	(9.3)
Surplus	13.0	12.0	1.8	(5.0)	8.8
Solvency II shareholder cover ratio (%)	**202%**	**203%**	**46%**	**(54)%**	**195%**
Centre liquidity	4.1	2.8	5.6	(5.7)	2.7
Solvency II debt leverage ratio	31%	26%			28%

Our pro forma Solvency II cover ratio allowing for the completion of previously announced divestments, and an assumed capital return of £4 billion as well as a further external debt reduction of c.£1 billion is estimated at 195%. Central liquidity, also allowing for a £0.7 billion reduction in internal debt is estimated at £2.7 billion. The estimated SCR of £9.3 billion allowing for the remaining disposals, includes a c.£2 billion benefit from Group diversification.

Dividends and capital return

Aviva has a dividend policy and capital framework that align with the Group's strategic priorities. Under the dividend policy we aim to grow dividends per share by low to mid-single digits based on sustainable cash flows. In light of our performance in the first half of 2021 and strong capital and liquidity, the Board has proposed an interim dividend of 7.35 pence per share (2020: 7.0 pence).

Under our capital framework, we consider capital above 180% Solvency II shareholder cover ratio as excess, allowing for returns to shareholders and additional investment in the business. We target Solvency II debt leverage ratio of below 30%.

In line with this framework, today we are announcing our intention to return at least £4 billion of capital to shareholders by HY 2022[1], including up to £750 million via share buyback to commence immediately[2]. This, combined with debt repayments of £2.0 billion (including £0.1 billion premium on tender) carried out in H1, further expected deleveraging of c.£1 billion and the expected repayment of £0.7 billion of the internal loan on completion of the sales of France and Poland, would utilise the £7.5 billion of proceeds from the divestments (once completed).

Business highlights

UK & Ireland Life

Operating profit	**6 months 2021 £m**	6 months 2020 £m	Sterling % change	Full year 2020 £m
Savings & Retirement	**73**	73	— %	119
Annuities & Equity Release	**265**	365	(27)%	815
Protection & Health	**107**	81	32 %	189
Heritage	**138**	226	(39)%	321
Other	**(38)**	69	(155)%	469
Ireland Life	**—**	8	(100)%	(6)
Total	**545**	822	(34)%	1,907

UK and Ireland Life operating profit[3] decreased 34% to £545 million (HY20: £822 million) with strong performances in Protection & Health more than offset by a reduction in profit from bulk purchase annuities (BPA) in the period and a reduction in one-offs and management actions compared to the first half of 2020. BPA volumes reduced to £1.6 billion (HY20: £3.1 billion) reflecting a more subdued market with lower margins, driven by the low spread environment. Volumes and margins are expected to improve in the second half of the year with a good pipeline of new business and increased origination of higher yielding illiquid assets. The reduction in Heritage reflects the weighting of operating profit toward H1 in 2020, driven by a net benefit from non-recurring items and other gains. The decrease in operating profit presented within Other is also impacted by the absence of favourable non-recurring items in the first half of 2021 as well as an increase in the provision for legacy customer remediation.

Savings & Retirement operating profit[3] was stable at £73 million (HY20: £73 million). Profit from H1 21 includes revenues on an actual rather than expected basis, with like for like profit up 30% relative to H1 20. On a reported basis, the benefit of higher revenues from group pensions and platform were offset by AUA driven variable costs and investment in new propositions including the Smooth Managed Fund and Cash Save.

Ireland Life operating profit[3] was adversely impacted by implementation spend on cost reduction initiatives which will drive future benefits.

1. Subject to regulatory and shareholder approvals, completion of disposals and market conditions
2. Commencing 13 August 2021
3. Operating profit represents Group adjusted operating profit which is a non GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.

New business	PVNBP				VNB			
	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Savings & Retirement and Other	**11,699**	8,576	36 %	17,777	**110**	58	90 %	140
Annuities & Equity Release	**2,466**	3,838	(36)%	7,508	**50**	173	(71)%	356
Protection & Health	**1,255**	1,292	(3)%	2,439	**95**	85	12 %	167
Ireland Life	**820**	770	6 %	1,534	**10**	3	225 %	12
UK & Ireland Life total	**16,240**	14,476	12 %	29,258	**265**	319	(17)%	675

Savings & Retirement sales[1] grew 36% driven by strong performance across both Workplace and Platform, benefitting from our most successful tax year-end bonus sacrifice campaign and member growth as well as momentum in both advised and direct platform volumes.

Annuities & Equity Release sales[1] were 36% lower, with strong growth in equity release sales[1], up 43% on prior period, offset by a fall in BPA sales[1] which reduced to £1.6 billion from £3.1 billion reflecting lower volumes of bulk purchase annuity transactions in the market at the start of 2021 and a particularly strong H1 in 2020. Individual annuity volumes were broadly in line with the first half of 2020. VNB has improved from the position at Q1, as we switched a greater proportion of assets from cash and gilts into illiquids, but remains lower than prior year. This reflects a combination of lower BPA volumes as well as lower spreads. Both volumes and margins are expected to improve in the second half of the year helped by a good pipeline of new business and increased origination of higher yielding illiquid assets, but may not reach the levels seen last year.

Protection & Health sales[1] were broadly in line with the first half of 2020. Individual Protection sales[1] grew, helping margins and VNB, as the gradual opening of the economy eased the impact of lockdown restrictions on this line of business. Group Protection volumes were down reflecting a very strong H1 in 2020, boosted by two large scheme wins. While Health volumes were broadly flat VNB increased as our higher margin consumer and SME propositions performed well following the launch of our Expert Select product in Q1.

Ireland Life PVNBP grew 6% driven by strong sales[1] in unit linked and protection business. A rationalised new product offering with a focused fund range for brokers and customers has improved margins and driven VNB up significantly over the period.

	Net flows				Assets under management			
	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Savings & Retirement	**5,173**	4,166	24%	8,547	**141,234**	113,374	25%	128,258

Savings & Retirement net flows were up 24% benefiting from strong performance in both Workplace and Platform. Workplace net flows increased by 8% to £2.7 billion (HY20: £2.5 billion) benefitting from our most successful tax year-end bonus sacrifice campaign and growth in members, up 100,000 to 3.9 million. Our adviser platform business continued to grow with net flows up 49% to £2.7 billion (HY20: £1.8 billion) reflecting record sales[1] in the first quarter. At an annualised 17% of opening assets this is one of the highest rates of growth across large adviser platforms with over £20 billion in assets.

A combination of higher net flows and higher positive market movements helped us grow Savings & Retirement assets under management to £141.2 billion (HY20: £113.4 billion).

General Insurance

Operating profit	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
UK	**169**	(66)	354 %	182
Ireland	**22**	16	38 %	31
Canada	**229**	129	78 %	287
General Insurance Total	**420**	79	432%	500

Operating profit[2] increased to £420 million (HY20: £79 million) owing to a combination of improvement in underlying performance, benign weather experience, a reduction in COVID-19 related claims compared to the prior year and frequency benefits in motor lines from reduced economic activity caused by COVID-19. These were partially offset by unfavourable prior year reserve development and a reduction in long term investment return (LTIR) owing to lower interest rates and a more cautious investment strategy in light of the market volatility caused by COVID-19.

	GWP										COR			
	Personal lines			Commercial lines			Total				Total			
	6 months 2021 £m	6 months 2020 £m	Sterling % change	**6 months 2021 £m**	6 months 2020 £m	Sterling % change	**6 months 2021 £m**	6 months 2020 £m	Sterling % change	Full year 2020 £m	**6 months 2021 %**	6 months 2020 %	Sterling % change	Full year 2020 %
UK	**1,213**	1,211	— %	**1,280**	1,104	16 %	**2,493**	2,315	8 %	4,639	**93.9 %**	106.3 %	(12.4)pp	98.5 %
Ireland	**105**	117	(10)%	**107**	95	13 %	**212**	212	— %	412	**89.9 %**	95.1 %	(5.2)pp	95.2 %
Canada	**1,047**	1,029	2 %	**614**	551	11 %	**1,661**	1,580	5 %	3,271	**88.8 %**	95.5 %	(6.7)pp	94.7 %
Total	**2,365**	2,357	— %	**2,001**	1,750	14 %	**4,366**	4,107	6 %	8,322	**91.6 %**	101.4 %	(9.8)pp	96.8 %

UK, Ireland and Canada COR improved sharply to 91.6% from 101.4% owing to the factors outlined above. However as we move forward claims frequency continues to normalise while the softer rate environment in motor in the UK, Ireland and Canada is increasingly reflected in earnings. While weather conditions have been benign in the first half of the year, we have experienced adverse weather conditions in July, including floods in the UK and hail storms in Canada, nevertheless, we expect the Group COR to be below 94% for the full year.

1. References to sales represent PVNBP for our life business which is an APM and further information can be found in the 'Other information' section.
2. Operating profit represents Group adjusted operating profit which is a non-GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.

GWP across UK, Ireland and Canada grew 6% to £4.4 billion, including 8% growth in the UK and 5% in Canada while Ireland was flat on the prior period. The overall growth reflected strong new business wins and a favourable rate environment in commercial lines as well as growth and increasing market share in UK retail personal lines including price comparison websites.

In UK commercial lines, well-priced new business opportunities, strong retention and continued rate momentum led to 16% growth across the business. This included 19% growth in Global Corporate and Specialty (GCS) lines and 13% growth in small and medium-sized enterprise (SME) GWP as both mid-market and digital increased. In Ireland, commercial lines also grew significantly, up 13%, supported by expansion into mid to large business lines as well as a new financial line product launch.

Our personal lines business in the UK achieved stable GWP and growing market share in a difficult market with weaker rates. This reflected 5% growth in retail with the successful launch of the Aviva brand on the major price comparison websites helping to offset the impact of the national lockdown on motor rates which continued to decline. New partnership deals entered into recently have also supported growth in home personal lines. However, COVID-19 lockdown restrictions continued to impact our intermediated business as the operations of some of our distribution partners were disrupted, particularly in Q1, while demand for travel insurance is very low given restrictions on international travel.

GWP in Canada commercial lines grew strongly driven by new business wins and a favourable rate environment. Personal lines business is also up despite rate reductions in the second half of 2020 and further rate reductions in Ontario motor which were implemented in the second quarter of 2021.

Aviva Investors

Operating profit	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Aviva Investors	**19**	9	128 %	25

Aviva Investors operating profit[1] more than doubled to £19 million (HY20: £9 million) reflecting 7% growth in revenues driven largely by higher origination fees on real assets and the impact on asset levels of positive market movements. Cost containment measures and streamlining of the business resulted in a reduction in controllable costs, excluding cost reduction implementation costs, to £168 million (HY20: £171 million) with further benefits expected in the future. This resulted in the cost income ratio improving by 8pps to 87% (HY20: 95%).

	Net flows				Assets under management			
	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Aviva Investors	**829**	(574)	244%	(1,084)	**259,691**	249,196	4%	261,595
Of which: Aviva Investors external assets	**1,084**	1,303	(17)%	1,397	**56,246**	52,200	(17)%	54,943

Aviva Investors net flows, excluding cash and liquidity funds, of £829 million improved compared to outflows of £574 million in the first half of 2020, while Aviva Investors external asset net flows were positive at £1.1 billion (HY20: £1.3 billion). Investment performance improved significantly with AUM ahead of benchmark over one year, up to 74% (HY20: 47%) and over 3 years up to 65% (HY20: 57%). The pipeline of third-party business remains healthy and diverse as we capitalise on our ESG credentials and strength in real assets, private debt, infrastructure and credit.

Reduction in AUM compared to 31 December 2020 reflects strong performance in equity markets offset by the impact of higher interest rates on the value of fixed interest assets.

Strategic Investments

Strategic Investments comprises our joint ventures and associates in India, China and Singapore, providing us with valuable opportunities and optionality in attractive and fast-growing markets.

Operating profit	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Strategic investments	**55**	17	225 %	26

Operating profit[1] increased three-fold to £55 million (HY20: £17 million) largely due to the inclusion of our minority stake in Aviva SingLife following the disposal of Aviva Singapore. Aviva SingLife had a strong performance helped by the successful launch of a new long-term care product.

	PVNBP				VNB			
New business	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Strategic investments	**617**	378	63 %	664	**59**	10	525 %	29

PVNBP increased primarily due to the inclusion of our minority stake in Aviva SingLife following the disposal of Aviva Singapore. Aviva SingLife has had a strong start to the year and volumes and margin also improved in China contributing to PVNBP and VNB growth.

1 Operating profit represents Group adjusted operating profit which is a non-GAAP APM. Operating profit is not bound by the requirements of IFRS. Further details of this measure are included in the 'Other information' section.

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. Statements containing the words 'believes', 'intends', 'expects', 'projects', 'plans', 'will', 'seeks', 'aims', 'may', 'could', 'outlook', 'likely', 'target', 'goal', 'guidance', 'trends', 'future', 'estimates', 'potential' and 'anticipates', and words of similar meaning, are forward-looking. By their nature, all forward-looking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the announcement include, but are not limited to: the impact of ongoing uncertain conditions in the global financial markets and the local and international political and economic situation generally; market developments and government actions (including those arising from the evolving relationship between the UK and the EU); the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value or yield of our investment portfolio and impact our asset and liability matching; the unpredictable consequences of reforms to reference rates, including LIBOR; the impact of changes in short or long-term inflation; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; changes in, or restrictions on, our ability to initiate capital management initiatives; 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 impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; 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 customer's 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 extension of use of the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs (DAC) and acquired value of in-force business (AVIF); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events and malicious acts (including cyber attack and theft, loss or misuse of customer data); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation; the inability to protect our intellectual property; the effect of undisclosed liabilities, execution and separation issues and other risks associated with our business disposals; and the timing/regulatory approval impact and other uncertainties, such as diversion of management attention and other resources, relating to announced and future disposals and 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 the implementation of key legislation and regulation. Please see Aviva's most recent Annual Report for further details of risks, uncertainties and other factors relevant to the business and its securities.

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 who 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.
Registered office
St Helen's
1 Undershaft
London
EC3P 3DQ

Notes to editors

- All figures have been retranslated 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 2021. The average rates employed in this announcement are 1 euro = £0.87 (6 months to 30 June 2020: 1 euro = £0.88) and CAD$1 = £0.58 (6 months to 30 June 2020: CAD$1 = £0.58).
- Growth rates in the press release have been provided in sterling terms unless stated otherwise. The following supplement presents this information on both a sterling and constant currency basis.
- Throughout this Half year 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.
- Aviva exists to be with people when it really matters, throughout their lives. We have been taking care of people for more than 320 years, in line with our purpose of being 'with you today, for a better tomorrow'. In 2020, we paid £30.6 billion in claims and benefits to our customers.
- We are focused on the UK, Ireland and Canada where we have leading market positions and significant potential. We will invest for growth in these markets. We will also transform our performance and improve our efficiency. Our transformation will be underpinned by managing our balance sheet prudently, reducing debt and increasing our financial resilience. We also have strategic investments in Singapore, China and India.
- As at 30 June 2021, total Group assets under management at Aviva Group are £522 billion and our Solvency II shareholder capital surplus is £12 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

Enquiries:

Investor contacts		Media Contacts		Timings	
Jakub Rosochowski	+44(0) 7385 382 206	Andrew Reid	+44(0) 7800 694 276	Presentation slides:	0700 hrs GMT
Tegan Gill	+44(0) 7800 691 138	Sarah Swailes	+44(0)7800 694 859	Real time media conference call:	0730 hrs GMT
Michael O'Hara	+44(0) 7837 234 388			Analyst conference call / audiocast:	0830 hrs GMT
				https://www.aviva.com	

Contents

As a reminder

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.

In 2020 we announced our strategic priorities to focus on building and extending leadership in the UK, Ireland and Canada, and managing other International businesses for long-term shareholder value. As a result, the financial performance of our key markets are presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland general insurance businesses and Canada) and Aviva Investors. Our other continuing International businesses are presented as Strategic investments (consisting of our interest in Singapore (Aviva Singlife), China and India). Following the announcement of a number of disposals during the first half of 2021, the results of our other International businesses: France, Italy, Poland, Asia and Other, are presented as Discontinued operations. The 2020 comparative results have been restated from those previously published to reclassify operations on the basis described above.

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

R symbol denotes key financial performance indicators used as a base to determine or modify remuneration.

‡ denotes APMs and further information can be found in Other Information section.

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

1 – Profit and earnings per share

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
UK & Ireland Life	**545**	822	1,907
UK & Ireland General Insurance	**191**	(50)	213
Canada	**229**	129	287
Aviva Investors	**19**	9	25
UK, Ireland, Canada and Aviva Investors	**984**	910	2,432
Strategic investments	**55**	17	26
Corporate centre costs and Other operations (note A2)	**(134)**	(127)	(282)
Group debt costs and other interest (note A3)	**(180)**	(179)	(370)
Operating profit from continuing operations	**725**	621	1,806
Discontinued operations	**407**	604	1,355
Operating profit	**1,132**	1,225	3,161
Tax attributable to shareholders' profit	**(263)**	(224)	(634)
Non-controlling interests	**(35)**	(48)	(98)
Preference dividends and other[1]	**(9)**	(36)	(44)
Operating profit attributable to ordinary shareholders	**825**	917	2,385
Operating earnings per share	**21.0p**	23.4p	60.8p
IFRS (loss)/profit for the period[2]	**(198)**	874	2,910
Basic earnings per share	**(6.2)p**	20.0p	70.2p

1 Other includes coupon payments in 2020 in respect of the direct capital instrument (DCI). On 27 July 2020, the instrument was redeemed in full.
2 See note A1 for the reconciliation of Group adjusted operating profit to IFRS (loss)/profit for the period.

UK, Ireland, Canada and Aviva Investors operating profit increased by 8% to £984 million (HY20: £910 million) with strong performance from our General Insurance markets and a reduced impact from COVID-19, partially offset by lower operating profit in UK & Ireland Life.

In the UK & Ireland Life businesses, operating profit decreased to £545 million (HY20: £822 million). Bulk Purchase Annuity (BPA) profits were lower as volumes reduced to £1.6 billion (HY20: £3.1 billion) in a subdued market, and lower yields available in the market led to lower margins. There was also an overall adverse impact from non-recurring items in the first half of 2021, compared to positive gains experienced in the prior period.

In the UK & Ireland General Insurance businesses, operating profit increased to £191 million (HY20: loss of £50 million). In the UK, general insurance operating profit increased to £169 million (HY20: loss of £66 million). The UK saw improved underwriting performance, benign weather experience and reduced COVID-19 related claims. Commercial lines continued to benefit from targeted profitable volume growth and strong rate momentum, and personal lines benefitted from profitable growth in our retail business. These were partly offset by a reduction in long-term investment return due to reduced yields.

In Canada, operating profit increased to £229 million (HY20: £129 million) due to reduced COVID-19 related claims, lower catastrophe weather losses and actions taken around pricing, indemnity management and risk selection, partially offset by unfavourable prior year reserve development. Personal lines performance is broadly in-line with prior year as increased commissions have been partially offset by the favourable net claims incurred. In commercial lines, gross written premiums improved through strong new business performance, increased rate and policy retention, while underwriting improvement is primarily due to favourable net claims incurred.

Aviva Investors operating profit increased to £19 million (HY20: £9 million), reflecting higher revenues from increased real assets origination volumes and the impact on assets under management of positive market movements in the second half of 2020.

Strategic investments operating profit increased to £55 million (HY20: £17 million) largely due to the inclusion of our joint venture in Singapore (following its formation on 30 November 2020). Singapore had a strong performance arising from a new long-term care product.

Operating profit from discontinued operations decreased to £407 million (HY20: £604 million) largely due to the inclusion in 2020 of the results of Friends Provident International Limited and Aviva Singapore; the disposal of both of these businesses was completed in the second half of 2020. Operating profit in France is broadly in line with prior period. Operating profit in Italy is £68 million lower than the first half of 2020, mainly due to adverse claims experience and lower investment returns. Operating profit in Poland is £9 million lower than prior period due to COVID-19 claims and storm-related general insurance claims.

The IFRS loss for the period was £(198) million (HY20: profit of £874 million), while basic earnings per share decreased to (6.2)p (HY20: 20.0p) as a result of non-operating items, including a loss of £(538) million on the classification to held for sale of the Aviva France business and adverse investment variances and economic assumption changes of £(437) million in the period.

2 – Cash and Centre liquidity

2.i – Cash remittances

The table below reflects actual remittances received by the Group from our markets, 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 2021 £m	6 months 2020 £m	Full year 2020 £m
UK & Ireland Life[1,2]	**983**	84	1,007
UK & Ireland General Insurance[1,3]	**52**	10	171
Canada[1,4]	**17**	14	131
Aviva Investors	**—**	—	50
UK, Ireland, Canada and Aviva Investors	**1,052**	108	1,359
Strategic investments	**11**	—	6
Cash remittances from continuing operations	**1,063**	108	1,365
Discontinued operations[1] and Other	**233**	42	135
Total	**1,296**	150	1,500

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.
2 UK & Ireland Life full year 2020 cash remittances include £250 million received in February 2021 in respect of 2020 activity.
3 UK & Ireland General Insurance full year 2020 cash remittances include £74 million received in February 2021 in respect of 2020 activity.
4 Canada General Insurance full year 2020 cash remittances include £115 million received in February 2021 in respect of 2020 activity.

Cash remittances are higher in the first half of 2021 compared to the same period in 2020 largely due to the decision in 2020 to retain cash in our subsidiaries to maintain balance sheet strength given the unprecedented economic and market uncertainty related to COVID-19. Cash remittances from Discontinued operations and Other were £233 million, of which £175 million was remitted by Poland.

2.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 core businesses.

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Cash remittances	**1,296**	150	1,500
External interest paid	**(217)**	(240)	(454)
Internal interest paid	**—**	—	(60)
Central spend	**(154)**	(106)	(241)
Other operating cash flows[1]	**70**	85	70
Excess centre cash inflow/(outflow)	**995**	(111)	815
Ordinary dividend	**(554)**	—	(511)
Net (reduction)/advance in borrowings	**(2,035)**	208	105
External disposal proceeds	**477**	209	1,253
Other non-operating cash flows[2]	**(151)**	(82)	55
Movement in centre liquidity	**(1,268)**	224	1,717
Centre liquidity as at end of July/February	**2,817**	2,592	4,085

1 Other operating cash flows include pension scheme funding and group tax relief payments.
2 Other non-operating cash flows include capital injections, advances and repayments of internal debt and other investment cash flows.

The decrease of £1,268 million in centre liquidity from full year 2020 is primarily driven by the payment of the final dividend, debt repayments following the successful £1 billion debt tender and subordinated debt redeemed (see note B15(b)), partially offset by cash remittances to Group.

3 – Controllable costs

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Excluding cost reduction implementation and IFRS 17 costs			
UK & Ireland Life	**545**	543	1,137
UK & Ireland General Insurance	**357**	379	774
Canada	**189**	193	397
Aviva Investors	**168**	171	356
UK, Ireland, Canada and Aviva Investors	**1,259**	1,286	2,664
Corporate centre costs and Other operations	**119**	122	260
	1,378	1,408	2,924
Cost reduction implementation and IFRS 17 costs	**69**	35	107
Continuing operations	**1,447**	1,443	3,031
Discontinued operations	**375**	469	904
Group controllable costs	**1,822**	1,912	3,935

Controllable costs from continuing operations (excluding cost reduction implementation and IFRS 17 costs) have reduced by £30 million to £1,378 million (HY20: £1,408 million). This reflects our relentless focus on operating efficiency with the decrease driven by planned savings mainly due to lower staff costs and other operational savings.

The increase in controllable costs in UK & Ireland Life is mainly due to the significant progress on cost savings achieved during 2021. The UK & Ireland General Insurance costs decreased as a result of ongoing cost reduction actions, particularly from the simplification of personal lines business and reduction in IT costs, partially offset by group initiative costs to support profitable growth. Costs in Canada have reduced marginally due to cost savings arising from lower operational costs offset by continued investment in operations, pricing and IT infrastructure. The marginal decrease in Aviva Investors reflects continued focus on cost reduction actions and streamlining of the business. The decrease in Corporate centre costs and Other operations is mainly due to charitable donations made in 2020 partially offset by increased investment in finance and risk improvement projects.

The decrease in costs from discontinued operations is largely due to disposals which have completed in 2020.

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 growth, as we look to focus the portfolio and target sustainable growth across the UK, Ireland and Canada.

6 months 2021	Solvency II operating own funds generation				
	Impact of new business (life) £m	Earnings from existing business (life) £m	Non-life capital generation £m	Other[1] £m	Total £m
UK & Ireland Life	**160**	**61**	**—**	**(4)**	**217**
UK & Ireland General Insurance	**—**	**—**	**129**	**(8)**	**121**
Canada	**—**	**—**	**191**	**3**	**194**
Aviva Investors	**—**	**—**	**18**	**—**	**18**
UK, Ireland, Canada and Aviva Investors	**160**	**61**	**338**	**(9)**	**550**
Strategic investments	**48**	**42**	**—**	**(6)**	**84**
Corporate centre costs and Other[2]	**—**	**30**	**(115)**	**(11)**	**(96)**
Group external debt costs	**—**	**—**	**(145)**	**—**	**(145)**
Continuing operations	**208**	**133**	**78**	**(26)**	**393**
Discontinued operations	**54**	**139**	**66**	**58**	**317**
Solvency II operating own funds generation at 30 June	**262**	**272**	**144**	**32**	**710**
Solvency II operating own funds generation at 30 June (excluding Group external debt costs)	**262**	**272**	**289**	**32**	**855**

1 Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
2 Corporate centre costs and Other operating own funds generation includes a Group level adjustment for minority interests in joint ventures within Discontinued operations

6 months 2020	Solvency II operating own funds generation				
	Impact of new business (life) £m	Earnings from existing business (life) £m	Non-life capital generation £m	Other[1] £m	Total £m
UK & Ireland Life	226	91	—	14	331
UK & Ireland General Insurance	—	—	(10)	—	(10)
Canada	—	—	129	3	132
Aviva Investors	—	—	7	—	7
UK, Ireland, Canada and Aviva Investors	226	91	126	17	460
Strategic investments	7	30	—	(2)	35
Corporate centre costs and Other[2]	—	(4)	(90)	6	(88)
Group external debt costs	—	—	(144)	—	(144)
Continuing operations	233	117	(108)	21	263
Discontinued operations	128	118	91	32	369
Solvency II operating own funds generation at 30 June	361	235	(17)	53	632
Solvency II operating own funds generation at 30 June (excluding Group external debt costs)	361	235	127	53	776

1 Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
2 Corporate centre costs and Other operating own funds generation includes a Group level adjustment for minority interests in joint ventures within Discontinued operations

Full year 2020	Solvency II operating own funds generation				
	Impact of new business (life) £m	Earnings from existing business (life) £m	Non-life capital generation £m	Other[1] £m	Total £m
UK & Ireland Life	449	273	—	335	1,057
UK & Ireland General Insurance	—	—	344	(15)	329
Canada	—	—	284	3	287
Aviva Investors	—	—	26	—	26
UK, Ireland, Canada and Aviva Investors	449	273	654	323	1,699
Strategic investments	20	45	—	(2)	63
Corporate centre costs and Other[2]	—	5	(266)	11	(250)
Group external debt costs	—	—	(296)	—	(296)
Continuing operations	469	323	92	332	1,216
Discontinued operations	229	398	174	(326)	475
Solvency II operating own funds generation at 31 December	698	721	266	6	1,691
Solvency II operating own funds generation at 31 December (excluding Group external debt costs)	698	721	562	6	1,987

1 Other includes the impact of capital actions, non-economic assumption changes and other non-recurring items
2 Corporate centre costs and Other operating own funds generation includes a Group level adjustment for minority interests in joint ventures within Discontinued operations

Solvency II operating own funds generation has increased by £78 million to £710 million (HY20: £632 million).

UK, Ireland, Canada and Aviva Investors Solvency II operating own funds generation increased by £90 million to £550 million (HY20: £460 million).

Solvency II performance continued

In the UK & Ireland Life businesses, Solvency II operating own funds generation has decreased by £114 million to £217 million (HY20: £331 million) mainly due to lower bulk purchase annuity (BPA) new business volumes and a reduction to margins primarily as a result of a low spread environment.

In the UK & Ireland General Insurance businesses, Solvency II operating own funds generation has increased by £131 million to £121 million (HY20: £(10) million). This is primarily due to improved underlying performance, benign weather experience and a reduced COVID-19 impact. Commercial lines continued to benefit from profitable new business growth and strong rate momentum and personal lines benefitted from growth in higher margin retail business. These improvements were partly offset by a reduction in the long-term investment return due to a combination of de-risking in 2020 and lower yields.

In Canada, Solvency II operating own funds generation has increased by £62 million to £194 million (HY20: £132 million), mainly due to a reduced COVID-19 impact and benign weather, partly offset by adverse prior year reserve developments.

Aviva Investors Solvency II operating own funds generation has increased by £11 million to £18 million (HY20: £7 million), reflecting higher revenues from increased flows and origination volumes and the impact on assets under management from positive market movements in the second half of 2020.

Solvency II operating own funds generation from our Strategic investments has increased by £49 million to £84 million (HY20: £35 million), largely due to the inclusion of our joint venture in Singapore (following its formation on 30 November 2020) where there was strong performance arising from a new long-term care product and also growth in China.

Solvency II operating own funds generation from Discontinued operations has decreased by £52 million to £317 million (HY20: £369 million). This is primarily due to the disposal of Aviva Singapore, completed in 2020.

4.ii – Solvency II return on capital/equity

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

6 months 2021	Operating own funds generation £m	Opening own funds £m	Solvency II return on capital/ equity %[1]
UK & Ireland Life	217	15,073	2.9 %
UK & Ireland General Insurance[2]	121	2,401	10.1 %
Canada	194	1,534	25.3 %
Aviva Investors	18	385	9.3 %
UK, Ireland, Canada and Aviva Investors	550	19,393	5.7 %
Strategic investments	84	909	18.5 %
Discontinued operations	317	6,283	10.1 %
Corporate centre costs and Other[2]	(96)	(815)	N/A
Solvency II return on capital at 30 June	855	25,770	6.6 %
Less: Senior debt	(9)	—	—
Less: Subordinated debt	(136)	(7,866)	—
Solvency II operating own funds generation at 30 June	710		
Direct capital instrument	—	—	—
Preference shares[3]	(19)	(450)	—
Net deferred tax assets	—	(96)	—
Solvency II return on equity at 30 June	691	17,358	8.0 %
Less: Management actions and other[4]	(32)	—	(0.4)%
Solvency II return on equity (excluding management actions)	659	17,358	7.6 %

1 Solvency II return on capital/equity is calculated on an annualised basis.
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 markets. This is only applicable to UK General Insurance Solvency II return on capital and not to the aggregated Group Solvency II return on 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 £10 million of General Accident plc preference dividends and £250 million of capital in respect of General Accident plc.
4 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

Solvency II performance continued

6 months 2020	Operating own funds generation £m	Opening own funds £m	Solvency II return on capital/ equity %[1]
UK & Ireland Life	331	14,241	4.6 %
UK & Ireland General Insurance[2]	(10)	2,509	(0.8)%
Canada	132	1,442	18.3 %
Aviva Investors	7	413	3.4 %
UK, Ireland, Canada and Aviva Investors	460	18,605	4.9 %
Strategic investments	35	643	10.9 %
Discontinued operations	369	7,442	9.9 %
Corporate centre costs and Other[2]	(88)	(2,142)	N/A
Solvency II return on capital at 30 June	776	24,548	6.3 %
Less: Senior debt	(6)	—	—
Less: Subordinated debt	(138)	(6,942)	—
Solvency II operating own funds generation at 30 June	632		
Direct capital instrument	(27)	(500)	—
Preference shares[3]	(19)	(450)	—
Net deferred tax assets	—	(78)	—
Solvency II return on equity at 30 June	586	16,578	7.1 %
Less: Management actions and other[4]	(53)	—	(0.6)%
Solvency II return on equity (excluding management actions)	533	16,578	6.5 %

1 Solvency II return on capital/equity is calculated on an annualised basis.
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 markets. This is only applicable to UK General Insurance Solvency II return on capital and not to the aggregated Group Solvency II return on 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 £10 million of General Accident plc preference dividends and £250 million of capital in respect of General Accident plc.
4 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

Full year 2020	Operating own funds generation £m	Opening own funds £m	Solvency II return on capital/ equity %[1]
UK & Ireland Life	1,057	14,241	7.4 %
UK & Ireland General Insurance[2]	329	2,509	13.1 %
Canada	287	1,442	19.9 %
Aviva Investors	26	413	6.3 %
UK, Ireland, Canada and Aviva Investors	1,699	18,605	9.1 %
Strategic investments	63	643	9.8 %
Discontinued operations	475	7,442	6.4 %
Corporate centre costs and Other[2]	(250)	(2,142)	N/A
Solvency II return on capital at 31 December	1,987	24,548	8.1 %
Less: Senior debt	(12)	—	—
Less: Subordinated debt	(284)	(6,942)	—
Solvency II operating own funds generation at 31 December	1,691		
Direct capital instrument	(27)	(500)	—
Preference shares[3]	(38)	(450)	—
Net deferred tax assets	—	(78)	—
Solvency II return on equity at 31 December	1,626	16,578	9.8 %
Less: Management actions and other[4]	(6)	—	— %
Solvency II return on equity (excluding management actions)	1,620	16,578	9.8 %

1 Solvency II return on capital/equity is calculated on an annualised basis.
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 markets. This is only applicable to UK General Insurance Solvency II return on capital and not to the aggregated Group Solvency II return on 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 General Accident plc preference dividends and £250 million of capital in respect of General Accident plc.
4 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.

Solvency II return on equity has increased by 0.9pp to 8.0% (HY20: 7.1%), primarily reflecting the increase in Solvency II operating own funds generation and lower debt interest following the repayment of the £500 million direct capital instrument in July 2020 partially offset by higher opening own funds in 2021.

4.iii – Solvency II operating capital generation

Solvency II operating capital generation (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 operating capital generation					Of which:	
6 months 2021	Impact of new business (life) £m	Earnings from existing business (life) £m	Non-life capital generation £m	Other OCG[1] £m	Total OCG £m	Own funds OCG £m	SCR OCG £m
UK & Ireland Life	11	354	—	119	484	217	267
UK & Ireland General Insurance	—	—	113	9	122	121	1
Canada	—	—	194	8	202	194	8
Aviva Investors	—	—	33	—	33	18	15
UK, Ireland, Canada and Aviva Investors	11	354	340	136	841	550	291
Strategic investments	29	14	—	(6)	37	84	(47)
Discontinued operations	(252)	290	92	209	339	317	22
Market Solvency II operating capital generation	(212)	658	432	339	1,217	951	266
Corporate centre costs and Other	—	(10)	(94)	(390)	(494)	(96)	(398)
Group external debt costs	—	—	(145)	—	(145)	(145)	—
Group Solvency II operating capital generation	(212)	648	193	(51)	578	710	(132)

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

	Solvency II operating capital generation					Of which:	
6 months 2020	Impact of new business (life) £m	Earnings from existing business (life) £m	Non-life capital generation £m	Other OCG[1] £m	Total OCG £m	Own funds OCG £m	SCR OCG £m
UK & Ireland Life	(18)	349	—	257	588	331	257
UK & Ireland General Insurance	—	—	(125)	19	(106)	(10)	(96)
Canada	—	—	153	1	154	132	22
Aviva Investors	—	—	4	—	4	7	(3)
UK, Ireland, Canada and Aviva Investors	(18)	349	32	277	640	460	180
Strategic investments	(11)	15	—	(3)	1	35	(34)
Discontinued operations	(23)	308	105	220	610	369	241
Market Solvency II operating capital generation	(52)	672	137	494	1,251	864	387
Corporate centre costs and Other	—	2	(81)	(138)	(217)	(88)	(129)
Group external debt costs	—	—	(144)	—	(144)	(144)	—
Group Solvency II operating capital generation	(52)	674	(88)	356	890	632	258

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

	Solvency II operating capital generation					Of which:	
Full year 2020	Impact of new business (life) £m	Earnings from existing business (life) £m	Non-life capital generation £m	Other OCG[1] £m	Total OCG £m	Own funds OCG £m	SCR OCG £m
UK & Ireland Life	(76)	787	—	548	1,259	1,057	202
UK & Ireland General Insurance	—	—	310	47	357	329	28
Canada	—	—	289	(27)	262	287	(25)
Aviva Investors	—	—	29	—	29	26	3
UK, Ireland, Canada and Aviva Investors	(76)	787	628	568	1,907	1,699	208
Strategic investments	(5)	12	—	(3)	4	63	(59)
Discontinued operations	(135)	660	116	(432)	209	475	(266)
Market Solvency II operating capital generation	(216)	1,459	744	133	2,120	2,237	(117)
Corporate centre costs and Other	—	(1)	(276)	385	108	(250)	358
Group external debt costs	—	—	(296)	—	(296)	(296)	—
Group Solvency II operating capital generation	(216)	1,458	172	518	1,932	1,691	241

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

Solvency II OCG was £578 million (HY20: £890 million).

UK, Ireland, Canada and Aviva Investors Solvency II OCG increased by £201 million to £841 million (HY20: £640 million).

In the UK & Ireland Life businesses, Solvency II OCG has reduced by £104 million to £484 million (HY20: £588 million) primarily due to lower other OCG than in the first half of 2020. Other OCG in 2021 includes the impact of additional equity hedging while the first half of 2020 included the beneficial impact of a change to the mix of business included in our reinsurance vehicle and de-risking activity which took place in response to COVID-19.

Solvency II performance continued

In the UK & Ireland General Insurance businesses, Solvency II OCG has increased by £228 million to £122 million (HY20: £(106) million) and increased by £48 million to £202 million (HY20: £154 million) in Canada for the period ended 30 June 2021. This is primarily due to improved underlying performance, benign weather experience and a reduced COVID-19 impact, partly offset by adverse prior year reserve developments.

Aviva Investors OCG has increased by £29 million to £33 million (HY20: £4 million) due to an increase in revenues and a release of capital held for potential adverse COVID-19 experience.

Solvency II OCG in respect of our Strategic investments increased by £36 million to £37 million (HY20: £1 million) for the period ended 30 June 2021, largely due to the inclusion of our joint venture in Singapore (following its formation on 30 November 2020) where there was strong performance.

Solvency II OCG in respect of Discontinued operations reduced by £271 million to £339 million (HY20: £610 million) for the period ended 30 June 2021. This reflects the disposal of Singapore and the higher new business strain in France and Italy due to higher volumes (volumes in the first half of 2020 were adversely impacted by COVID-19) and lower opening interest rates. Other OCG in the first half of 2021 includes the beneficial impact of a modelling change in France, whilst the first half of 2020 included strategic asset allocation, de-risking and hedging activity in France and Italy to protect the capital position in response to the COVID-19 pandemic.

Corporate centre costs and Other Solvency II OCG has reduced by £277 million to £(494) million (HY20: £(217) million), primarily due to an increase in capital requirement following the unwind of the Group Centre equity hedges, which are partially replaced by the additional hedging recognised within other OCG in UK & Ireland life.

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

Shareholder view	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Own funds	**23,595**	24,626	25,770
Solvency capital requirement	**(11,601)**	(12,674)	(12,770)
Estimated Solvency II surplus	**11,994**	11,952	13,000
Estimated Solvency II shareholder cover ratio	**203 %**	194 %	202 %

The estimated Solvency II shareholder cover ratio is 203% at 30 June 2021. 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 £2.3 billion at 30 June 2021 (2020: £2.5 billion) and staff pension schemes in surplus of £1.2 billion at 30 June 2021 (2020: £1.2 billion) 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 transitional measure on technical provisions (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 2021 Solvency II position includes a notional reset of £0.3 billion (2020: £0.6 billion).
- French insurers are permitted to place a part of the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. At 30 June 2021 PPE of £0.3 billion (2020: £0.4 billion) is included within Group regulatory own funds but remains excluded from the shareholder position as agreed with the regulator.
- The 30 June 2021 Solvency II position includes a pro forma adjustment (including TMTP) for the impact of a forthcoming regulatory change to GBP risk-free rates. From 31 July 2021, these rates will be based on Sterling Overnight Index Average (SONIA) rather than London Inter-Bank Offered Rate (LIBOR). This change was announced on 3 June 2021 in the PRA's Policy Statement PS12/21. The 30 June 2020 Solvency II position includes pro forma adjustments for the disposals of Friends Provident International Limited (FPI), Hong Kong and Indonesia (total impact of £0.1 billion increase in surplus), the potential impact of an expected change to Solvency II regulations on the treatment of equity release mortgages (£0.2 billion decrease in surplus as a result of an increase in SCR), and an adjustment for potential future corporate bond credit rating downgrades reflecting continued uncertainty in the external environment as a result of the COVID-19 pandemic at the time. The 31 December 2020 Solvency II position does not include any pro forma adjustments. From 31 December 2020, pro forma adjustments are no longer made for planned acquisitions and disposals.

	30 June 2021			30 June 2020			31 December 2020		
	Own funds £m	**SCR £m**	**Surplus £m**	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
Estimated Solvency II regulatory surplus	**27,129**	**(14,975)**	**12,154**	28,376	(16,039)	12,337	29,262	(16,441)	12,821
Fully ring-fenced with-profit funds	**(2,266)**	**2,266**	**—**	(2,430)	2,430	—	(2,492)	2,492	—
Staff pension schemes in surplus	**(1,151)**	**1,151**	**—**	(1,085)	1,085	—	(1,179)	1,179	—
Notional reset of TMTP	**280**	**—**	**280**	211	—	211	564	—	564
PPE	**(305)**	**—**	**(305)**	(369)	—	(369)	(385)	—	(385)
Pro forma adjustments	**(92)**	**(43)**	**(135)**	(77)	(150)	(227)	—	—	—
Estimated Solvency II shareholder surplus	**23,595**	**(11,601)**	**11,994**	24,626	(12,674)	11,952	25,770	(12,770)	13,000

Solvency II capital position continued

5.ii – Movement in Solvency II surplus

	6 months 2021			6 months 2020			Full year 2020		
Shareholder view	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	**25,770**	**(12,770)**	**13,000**	24,548	(11,910)	12,638	24,548	(11,910)	12,638
Opening restatements[1]	—	—	—	78	(202)	(124)	78	(202)	(124)
Operating capital generation	**710**	**(132)**	**578**	632	258	890	1,691	241	1,932
Non-operating capital generation	**(744)**	**1,092**	**348**	(671)	(823)	(1,494)	(741)	(963)	(1,704)
Dividends[2]	**(568)**	—	**(568)**	(19)	—	(19)	(549)	—	(549)
Repayment/issue of debt	**(1,506)**	—	**(1,506)**	—	—	—	257	—	257
Disposals completed	**(67)**	**209**	**142**	58	3	61	486	64	550
Estimated Solvency II surplus at 30 June/31 December	**23,595**	**(11,601)**	**11,994**	24,626	(12,674)	11,952	25,770	(12,770)	13,000

1 Opening restatements allow for adjustments to the estimated position presented in the preliminary announcement and the final position in the Solvency and Financial Condition Report.
2 Dividends includes £9 million (HY20: £9 million, 2020: £17 million) of Aviva plc preference dividends and £10 million (HY20: £10 million, 2020: £21 million) of General Accident plc preference dividends, and £549 million for the final dividend in respect of the 2020 financial year.

The estimated Solvency II surplus is £11,994 million at 30 June 2021 (2020: £13,000 million), with a Solvency II shareholder cover ratio of 203% (2020: 202%). The reduction in surplus since 31 December 2020 is mainly due to repayment of debt and the payment of the 2020 dividend, partially offset by beneficial impacts from Solvency II OCG, economic movements (mainly an increase in interest rates) and disposals of subsidiaries (primarily Aviva Vita and Turkey). At 30 June 2021 the announced disposals of France, Poland, Vietnam and remaining Italy entities have not yet completed. These disposals are estimated to increase the Solvency II shareholder cover ratio by 46 percentage points to 249% if they had completed by 30 June 2021.

5.iii – Diversified Solvency Capital Requirement (SCR) analysis

	30 June 2021 £bn	30 June 2020 £bn	31 December 2020 £bn
Credit risk	**2.8**	2.8	3.2
Equity risk	**1.9**	1.2	1.6
Interest rate risk	**0.0**	1.1	0.0
Other market risk	**1.4**	1.7	1.8
Life insurance risk	**2.9**	3.1	3.4
General insurance risk	**0.9**	0.8	0.9
Operational risk	**1.0**	1.1	1.1
Other risk	**0.7**	0.9	0.8
Total	**11.6**	12.7	12.8

The SCR has decreased by £1.2 billion to £11.6 billion since 31 December 2020 primarily due to an increase in interest rates over the period which has decreased a number of risks including credit, other market and life insurance risks. Equity risk has increased mainly due to higher exposure as a result of strong equity market performance.

5.iv – Solvency II sensitivities

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 for 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.

TMTP are assumed to be recalculated in all sensitivities where its impact would be material.

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 205%.

Solvency II capital position continued

Sensitivities		Impact on surplus 30 June 2021 £bn	Impact on shareholder cover ratio 30 June 2021 pp	Impact on surplus 31 December 2020 £bn	Impact on shareholder cover ratio 31 December 2020 pp
Changes in economic assumptions	25 bps increase in interest rate	**0.1**	**3 pp**	0.3	5 pp
	50 bps increase in interest rate	**0.2**	**6 pp**	0.6	9 pp
	100 bps increase in interest rate	**0.4**	**11 pp**	0.8	15 pp
	25 bps decrease in interest rate	**(0.2)**	**(4)pp**	(0.3)	(5)pp
	50 bps decrease in interest rate	**(0.4)**	**(8)pp**	(0.8)	(11)pp
	50 bps increase in corporate bond spread[1]	**0.0**	**2 pp**	0.0	2 pp
	100 bps increase in corporate bond spread[1]	**0.0**	**3 pp**	(0.1)	3 pp
	50 bps decrease in corporate bond spread[1]	**(0.3)**	**(5)pp**	(0.1)	(3)pp
	Credit downgrade on annuity portfolio[2]	**(0.5)**	**(6)pp**	(0.5)	(6)pp
	10% increase in market value of equity	**0.2**	**0 pp**	0.2	1 pp
	25% increase in market value of equity	**0.6**	**2 pp**	0.5	3 pp
	10% decrease in market value of equity	**(0.2)**	**(1)pp**	(0.2)	(1)pp
	25% decrease in market value of equity	**(0.7)**	**(3)pp**	(0.6)	(5)pp
	20% increase in value of commercial property	**0.7**	**8 pp**	0.8	8 pp
	20% decrease in value of commercial property	**(1.0)**	**(11)pp**	(1.1)	(11)pp
	20% increase in value of residential property	**0.5**	**5 pp**	0.6	6 pp
	20% decrease in value of residential property	**(0.6)**	**(7)pp**	(0.7)	(7)pp
Changes in non-economic assumptions	10% increase in maintenance and investment expenses	**(0.9)**	**(10)pp**	(1.0)	(9)pp
	10% increase in lapse rates	**(0.3)**	**(3)pp**	(0.3)	(2)pp
	5% increase in mortality/morbidity rates – life assurance	**(0.2)**	**(1)pp**	(0.2)	(2)pp
	5% decrease in mortality rates – annuity business	**(1.4)**	**(16)pp**	(1.6)	(16)pp
	5% increase in gross loss ratios	**(0.3)**	**(3)pp**	(0.3)	(3)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).

Our sensitivity to assumption changes has remained stable as markets begin to recover over 2021. The increase in interest rates at 30 June 2021 has reduced our exposure to further interest rate changes, particularly in France where there is material interest rate risk from guarantees on with-profit products in a low yield environment.

Limitations of sensitivity analysis

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

The sensitivity 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, adjusting bonuses credited to policyholders 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 interest rates move in an identical fashion.

5.v – Solvency II net asset value

	6 months 2021 £m	pence per share[1]	6 months 2020 £m	pence per share[1]	Full year 2020 £m	pence per share[1]
Solvency II shareholder unrestricted Tier 1 own funds at 1 January	**17,358**	**442 p**	16,578	423 p	16,578	423 p
Opening restatements[2]	**—**	**— p**	78	2 p	78	2 p
Operating own funds generation	**710**	**18 p**	632	16 p	1,691	43 p
Non-operating capital generation	**(744)**	**(19)p**	(671)	(17)p	(741)	(19)p
Dividends[3]	**(568)**	**(14)p**	(19)	— p	(549)	(14)p
Disposals completed	**(67)**	**(2)p**	58	1 p	486	12 p
Impact of changes to the value of subordinated liabilities	**352**	**9 p**	(281)	(8)p	(167)	(4)p
Impact of changes to the value of net deferred tax assets	**(19)**	**(1)p**	(29)	(1)p	(18)	(1)p
Estimated Solvency II shareholder unrestricted Tier 1 own funds at 30 June / 31 December	**17,022**	**433 p**	16,346	416 p	17,358	442 p

1 Number of shares in issue as at 30 June 2021 was 3,930 million (HY20: 3,928 million, 2020: 3,928 million).
2 Opening restatements allows for adjustments made to the estimated position presented in the preliminary announcement and the final position in the Solvency Financial Condition Report.
3 Dividends includes £9 million (HY20: £9 million, 2020: £17 million) of Aviva plc preference dividends and £10 million (HY20: £10 million, 2020: £21 million) of General Accident plc preference dividends, and £549 million for the final dividends in respect of the 2020 financial year (HY20: £nil, 2020: £511 million in respect of the 2019 and 2020 financial years).

Solvency II net asset value per share decreased by 9 pence to 433 pence per share (2020: 442 pence) mainly as a result of the payment of the 2020 dividend and economic movements partially offset by the beneficial impacts from operating own funds generation and changes to the value of subordinated liabilities following increase in market interest rates.

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

Regulatory view	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Solvency II regulatory debt[1]	**6,457**	8,173	8,316
Senior notes	**665**	1,129	1,112
Commercial paper	**52**	365	108
Direct capital instrument	**—**	499	—
Total debt	**7,174**	10,166	9,536
Unrestricted Tier 1	**20,556**	20,096	20,850
Restricted Tier 1	**980**	1,335	1,317
Tier 2	**5,477**	6,569	6,740
Tier 3[2]	**116**	376	355
Estimated total regulatory own funds	**27,129**	28,376	29,262
Solvency II debt leverage[3]	**26%**	33%	31%
Solvency II debt leverage excluding direct capital instrument	**N/A**	32%	N/A

1 Solvency II regulatory debt consists of Restricted Tier 1 and Tier 2 regulatory own funds, and Tier 3 subordinated debt.
2 Tier 3 regulatory own funds at 30 June 2021 consist of £116 million net deferred tax assets (HY20: £107 million, 2020: £96 million). There is no subordinated debt included in Tier 3 regulatory own funds (HY20: £269 million, 2020: 259 million).
3 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 at 30 June 2021 is 26% (2020: 31%). The reduction is due to the redemption of £1.9 billion of subordinated debt and senior notes during the first half of 2021. In March the Group completed a £1.0 billion tender offer and redeemed €185 million of the Group's 0.625% €500 million senior notes, €286 million of the Group's 1.875% €750 million senior notes, €349 million of the Group's 6.125% €650 million Tier 2 subordinated debt and £298 million of the Group's 6.125% £800 million restricted Tier 1 subordinated debt. In May both the Group's 4.500% C$450 million Tier 3 subordinated notes and 12.000% £162 million subordinated Tier 2 notes reached their final maturities and were redeemed. In June the Group redeemed its 6.625% £450 million Tier 2 subordinated notes in full at the first call date.

6 – Our Market performance
6.i – UK & Ireland Life

£m (unless otherwise stated)	6 months 2021	6 months 2020	Sterling % change	Constant currency %	Full year 2020
Operating profit	**545**	822	(34)%	(34)%	1,907
Cash remittances	**983**	84	N/A	N/A	1,007
Controllable costs	**571**	552	3 %	4 %	1,181
Excluding cost reduction implementation and IFRS 17 costs	**545**	543	— %	— %	1,137
Cost reduction implementation and IFRS 17 costs	**26**	9	189 %	189 %	44
New business					
VNB	**265**	319	(17)%	(17)%	675
PVNBP	**16,240**	14,476	12 %	12 %	29,258
Solvency II operating own funds generation	**217**	331	(34)%	(34)%	1,057
Solvency II return on capital	**2.9%**	4.6%	(1.7)pp	(1.7)pp	7.4 %
Solvency II operating capital generation	**484**	588	(18)%	(18)%	1,259

Overview

Aviva is the UK's largest insurer with a 24%[1] share of the UK life and savings market and we are a trusted provider of a broad range of products to both individual and corporate customers covering their savings, retirement, insurance and health needs. Our strategy is to invest for growth, through which we will become the UK's leading insurer and establish Aviva as the 'go-to' customer brand for all insurance, protection, savings and retirement needs for all of our customers. We have strong relationships with our distribution partners through a variety of channels and also offer digital direct solutions to customers. Our UK Life business is well capitalised and resilient to stress, providing our customers and investors with certainty, especially in times of uncertainty and economic volatility.

UK Life includes our Savings & Retirement business, which is maintaining its strong asset and revenue growth through our workplace and retail platforms. We continue to expand our position in bulk purchase annuities (BPA) by offering businesses de-risking solutions for their pension schemes. Overall our UK Life business continues to generate strong and sustainable cash flows.

In Ireland we are number four[2] in the market. Over the last 12 months we have delivered a single product range to market as part of our integration of the acquired Friends First business and we continue our commitment to making it easier for intermediaries to do business with Aviva.

Operating performance

Operating profit, new business and net flows

Operating profit	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Savings & Retirement	**73**	73	— %	119
Annuities & Equity Release	**265**	365	(27)%	815
Protection & Health	**107**	81	32 %	189
Heritage	**138**	226	(39)%	321
Other[1]	**(38)**	69	(155)%	469
UK Life	**545**	814	(33)%	1,913
Ireland Life	**—**	8	(100)%	(6)
Total	**545**	822	(34)%	1,907

1 Other represents changes in assumptions and modelling, non-recurring items and non-product specific overheads.

UK & Ireland Life operating profit decreased by 34% to £545 million (HY20: £822 million), driven by lower BPA volumes and margins, and reduced profits from our Heritage business.

	VNB				PVNBP				New Business Margin		
New Business	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m	6 months 2021 %	6 months 2020 %	Full year 2020 %
Savings & Retirement and Other	**110**	58	90 %	140	**11,699**	8,576	36 %	17,777	**0.9 %**	0.7 %	0.8 %
Annuities & Equity Release	**50**	173	(71)%	356	**2,466**	3,838	(36)%	7,508	**2.0 %**	4.5 %	4.7 %
Protection & Health	**95**	85	12 %	167	**1,255**	1,292	(3)%	2,439	**7.6 %**	6.6 %	6.8 %
Ireland Life	**10**	3	225 %	12	**820**	770	6 %	1,534	**1.3 %**	0.4 %	0.8 %
Total	**265**	319	(17)%	675	**16,240**	14,476	12 %	29,258	**1.6 %**	2.2 %	2.3 %

PVNBP increased by 12% to £16,240 million (HY20: £14,476 million) as strong growth in our Savings & Retirement business offset lower BPA volumes reflecting a subdued market at the start of 2021. VNB decreased by 17% to £265 million (HY20: £319 million) due to a combination of lower BPA volumes and lower yields driven by the low spread environment.

1. ABI – 12 months to 31 March 2021.
2. Aviva calculation derived from the Milliman Life and Pensions New Business 2020 Report, which is based on responses from a number of key companies within the Irish Life market.

Our Market performance continued

Assets under management and net flows	Platform £m	Workplace £m	Individual pensions £m	Total Savings & Retirement £m	Annuities & Equity Release £m	Heritage £m	Other UK Life £m	Ireland Life £m	6 months 2021 Total UK & Ireland Life £m	6 months 2020 Total UK & Ireland Life £m
Assets under management at 1 January	34,432	80,982	12,844	**128,258**	74,771	84,707	7,241	12,104	**307,081**	287,243
Premiums and deposits, net of reinsurance	4,290	5,207	198	**9,695**	1,529	450	602	668	**12,944**	11,594
Claims and redemptions, net of reinsurance	(1,456)	(2,510)	(556)	**(4,522)**	(1,308)	(3,727)	(301)	(486)	**(10,344)**	(9,160)
Net flows	2,834	2,697	(358)	**5,173**	221	(3,277)	301	182	**2,600**	2,434
Market and other movements	1,746	5,475	582	**7,803**	(4,669)	1,280	(174)	(329)	**3,911**	(167)
Assets under management at 30 June	**39,012**	**89,154**	**13,068**	**141,234**	**70,323**	**82,710**	**7,368**	**11,957**	**313,592**	289,510

Net flows increased to £2.6 billion (HY20: £2.4 billion) driven by Savings & Retirement net flows which increased to £5.2 billion (HY20: £4.2 billion), due to strong growth in group pensions and platform new business. This was partially offset by the impact of lower BPA volumes. Total outflows have increased reflecting the larger asset base and lower level of outflows seen during the initial stages of the COVID-19 pandemic.

Savings & Retirement

Our Savings & Retirement 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. Our 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.

Savings & Retirement net flows grew by 24% to £5.2 billion (HY20: £4.2 billion) driven by strong performances in both platform and group pensions. Platform net flows were 48% higher than in the first half of 2020, growing to £2.8 billion (HY20: £1.9 billion) and reflecting record sales in the first quarter. Group pensions net flows grew by 8% to £2.7 billion (HY20: £2.5 billion), benefitting from member growth and scheme wins. A combination of higher net flows and higher positive market movements helped to grow Savings & Retirement assets under management (AUM) to £141.2 billion (2020: 128.3 billion).

Operating profit was flat at £73 million (HY20: £73 million). During the first half of 2021 operating profit includes revenue earned from actual fees charged to customers rather than an expected basis, in line with wider industry practice. On a comparable basis operating profit increased by an estimated 30% relative to the first half of 2020. HY21 benefited from higher revenues from group pensions and platform which were offset by investment in new propositions including the Smooth Managed Fund and Cash Save. Development costs in the first half of 2020 were lower as spend was deferred into the second half as a result of the uncertainty created by the COVID-19 pandemic.

Annuities & Equity Release

Our Annuities & Equity Release business consists of BPA, 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[1], we manage the UK's largest book of equity release mortgages[1], and in 2020 we were the third largest provider of BPAs[2]. Our Annuities & Equity Release products create synergies, with equity release assets being held long-term to back longer-term 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.

Annuities & Equity Release PVNBP decreased by 36% to £2.5 billion (HY20: £3.8 billion) including a reduction in BPA PVNBP to £1.6 billion (HY20: £3.1 billion) reflecting a lower number of transactions in a subdued market. Individual Annuity volumes were broadly in line with HY20. Equity release PVNBP performed strongly compared to the prior period which was materially impacted by the first national lockdown. Annuity & Equity Release VNB decreased to £50 million (HY20: £173 million) due to a combination of lower BPA volumes and lower margins driven by low yields.

Annuities & Equity Release operating profit decreased by 27% to £265 million (HY20: £365 million), mainly due to lower BPA volumes and lower margins driven by changes in asset mix, reflecting lower yields available in the market. Individual annuity operating profit was higher than HY20, due to changes in business mix. Equity Release operating profit was stable compared to 2020, with the benefit of higher volumes being offset by lower margins driven by yield changes.

Protection & Health

Aviva is the only provider of scale in the UK offering coverage across health, group protection and individual protection. We have a number two[1] position in the individual protection market, are second in the group protection market by book size[3], and we are third in the health[4] market. 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 & wellbeing products to market. Pricing and underwriting discipline as well as cost efficiency are key drivers for profitability in this sector.

Protection & Health PVNBP was broadly in line with the first half of 2020 at £1,255 million (HY20: £1,292 million). Individual Protection volumes grew compared to the prior period, which was materially impacted by the first national lockdown in 2020, severely impacting the ability of our distribution partners to meet clients. Group protection volumes were lower than in 2020 due to a subdued market. Health volumes were slightly lower than in 2020, with lower volumes of large group business being written during the period. Health consumer business performed well following updates to our proposition.

1. Aviva analysis of published accounts for the year ended 31 December 2020.
2. Lane, Clark & Peacock (LCP) pensions de-risking update, May 2021.
3. Swiss Re Group Watch 2021.
4. LaingBuisson, Health Cover UK Market Report, 16th edition.

Protection & Health VNB increased by 12% to £95 million (HY20: £85 million) due to higher Individual Protection and Health margins, reflecting changes in business mix.

Protection & Health operating profit increased by 32% to £107 million (HY20: £81 million) mainly due to improved Group Protection claims experience. Health operating profit also increased, benefitting from strong expense management.

Heritage

Aviva has one of the largest back books in the UK, with AUM of £82.7 billion. We manage legacy pension and savings policies for approximately 2 million customers, honouring promises made over many years. As a heritage business, we are in run-off and we manage significant product and platform complexity with multiple third-party suppliers. Profit is driven by effective management of AUM run-off and cost efficiencies.

Heritage operating profit decreased by 39% to £138 million (HY20: £226 million) mainly due to 2020 including a net benefit from non-recurring items and other gains. Additionally, 2021 reflects the impact of lower with-profit bonus rates. The underlying run-off of the book remains in line with our expectations.

Ireland Life

Our core lines of business are protection and annuity business, pre and post retirement unit-linked contracts, as well as unit-linked savings & investments. We are leaders in the income protection and individual annuity market and have an ambitious target to become the overall life & pensions market leading intermediary provider.

Ireland Life PVNBP increased by 6% to £820 million (HY20: £770 million) driven by strong sales of unit-linked and protection business. VNB increased to £10 million (HY20: £3 million) driven primarily by improvements in unit-linked and protection margins from our new single product offerings.

Operating profit in Ireland Life was £nil (HY20: £8 million), as we invested heavily in the future of our business through long-term cost reduction initiatives.

Other

An Other operating loss of £(38) million (HY20: profit of £69 million) reflects an absence of favourable non-recurring items in the first half of 2021 and the cost of providing for rectification relating to protection benefits on a specific cohort of legacy unit-linked products.

Controllable costs

UK & Ireland Life controllable costs excluding cost reduction implementation and IFRS 17 costs increased slightly to £545 million (HY20: £543 million). We have made significant progress with implementing our cost reduction initiatives, which has helped offset growth costs and we expect this to deliver further benefits in future. Controllable costs were also lower in the first half of 2020 as development spend was deferred into the second half of the year due to uncertainty created by the COVID-19 pandemic. Total controllable costs also include £26 million (HY20: £9 million) of investment in developments to reduce our cost base in the longer term and IFRS 17 costs.

Cash remittances

Cash remitted to Group by UK & Ireland Life was £983 million (HY20: £84 million), with the increase reflecting the decision in 2020 to retain cash in UK Life to maintain balance sheet strength given the unprecedented economic and market uncertainty related to COVID-19.

Solvency II performance

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

Solvency II return on capital reduced by 1.7pp to 2.9% (HY20: 4.6%) and Solvency II OFG decreased to £217 million (HY20: £331 million), mainly due to lower BPA new business volumes and lower margins driven by changes in asset mix, reflecting lower yields available in the market.

Solvency II operating capital generation (OCG)

Solvency II OCG decreased to £484 million (HY20: £588 million) mainly due to a lower benefit from capital management actions than in the first half of 2020.

Our Market performance continued

6.ii – General Insurance: UK & Ireland and Canada

£m (unless otherwise stated)	6 months 2021	6 months 2020	Sterling % change	Constant currency %	Full year 2020	6 months 2021	6 months 2020	Sterling % change	Constant currency %	Full year 2020
					UK & Ireland					Canada
Operating profit/(loss)	**191**	(50)	485 %	484 %	213	**229**	129	78 %	79 %	287
Cash remittances	**52**	10	420 %	420 %	171	**17**	14	21 %	22 %	131
Controllable costs	**361**	384	(6)%	(6)%	793	**190**	194	(2)%	(1)%	401
Excluding cost reduction implementation and IFRS 17 costs	357	379	(6)%	(6)%	774	189	193	(2)%	(1)%	397
Cost reduction implementation and IFRS 17 costs	4	5	(20)%	(20)%	19	1	1	— %	1 %	4
GWP	**2,705**	2,527	7 %	7 %	5,051	**1,661**	1,580	5 %	6 %	3,271
COR	**93.6 %**	105.3 %	(11.7)pp		98.2 %	**88.8 %**	95.5 %	(6.7)pp		94.7 %
Solvency II operating own funds generation	**121**	(10)	1310 %	1286 %	329	**194**	132	47 %	48 %	287
Solvency II return on capital[1]	**10.1 %**	(0.8)%	10.9 pp	10.9 pp	13.1 %	**25.3 %**	18.3 %	7.0 pp	6.8 pp	19.9 %
Solvency II operating capital generation	**122**	(106)	215 %	215 %	357	**202**	154	31 %	32 %	262

1 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 capital and Solvency II return on equity measures, with the reversal of the impact included in Corporate centre costs and Other opening own funds.

Overview

Our strongest general insurance businesses where we continue to focus on building and extending our leadership are in the UK, Ireland and Canada. General insurance financial performance during the first half of 2021 has been very strong with improved results across all key performance metrics for continuing operations. The highest GWP delivered in a decade for general insurance was achieved through continued commercial lines growth, driven by strong new business and rate increases, while personal lines GWP was maintained through an increased market share and presence. Operating results benefited from an improved underwriting performance, better-than-expected weather, frequency benefits and reduction in COVID-19 related claims compared to the prior year. This strong profitability has translated into improved Solvency II performance.

During 2021 we have focused on executing our market strategies and growing our business, while dealing with the impact of the global COVID-19 pandemic. In the UK and Ireland, our strategy is to invest for growth and to deliver on our ambition of being the leading insurer in the UK and Ireland as measured by premium, reputation, trust, breadth of distribution and strength of digital platform. In Canada, our strategy, aligned with Group strategic pillars, is to (1) sustain leading performance throughout execution excellence; (2) transform the service experience through digital; and (3) lead the market with customer-centric innovation.

The COVID-19 pandemic is having an enduring impact on general insurance markets, principally impacting claims and economic activity, with potential long-term influences on social behaviours that have not yet emerged.

Operating performance
UK & Ireland General Insurance
Operating profit

	6 months 2021 £m	6 months 2020 £m	Sterling % change	Full year 2020 £m
Underwriting result	**128**	(132)	197 %	63
Long-term investment return	**41**	72	(43)%	132
Other[1]	**—**	(6)	100 %	(13)
UK	**169**	(66)	354 %	182
Ireland	**22**	16	38 %	31
Total	**191**	(50)	482 %	213

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

Overall UK & Ireland operating profit increased to £191 million (HY20: loss of £50 million). The UK experienced benign weather, a reduction in COVID-19 related claims compared to the prior year and frequency benefits in motor lines from continuing lockdowns. Performance, excluding weather, prior year claims development and COVID-19 related claims, improved compared to 2020, as commercial lines continued to benefit from profitable new business growth and strong rate momentum, and personal lines benefitted from growth in higher margin retail business. These were partly offset by a £31 million reduction in long-term investment return due to reduced yields and a more cautious investment strategy in light of the uncertainties caused by COVID-19.

GWP and COR

	GWP				COR			
	6 months 2021 £m	6 months 2020 £m	Sterling % Change	Full year 2020 £m	6 months 2021 %	6 months 2020 %	Change	Full year 2020 %
Personal lines[1]	**1,213**	1,211	— %	2,377	**94.2 %**	98.2 %	(4.0)pp	92.3 %
Commercial lines[1]	**1,280**	1,104	16 %	2,262	**93.6 %**	116.8 %	(23.2)pp	106.4 %
UK	**2,493**	2,315	8 %	4,639	**93.9 %**	106.3 %	(12.4)pp	98.5 %
Ireland	**212**	212	— %	412	**89.9 %**	95.1 %	(5.2)pp	95.2 %
Total	**2,705**	2,527	7 %	5,051	**93.6 %**	105.3 %	(11.7)pp	98.2 %

1 Following a reclassification of UK van insurance products from commercial lines to personal lines in 2021, comparative amounts for the first half of 2020 and full year 2020 have been restated from those previously reported. The effect of this change on personal lines GWP is an increase of £39 million for the first half of 2020 and £76 million for the full year with an equal and opposite decrease in commercial lines GWP. The effect of this change on personal lines COR is a 0.5pp increase for the first half of 2020 and 0.1pp decrease for the full year and a 0.7pp increase in commercial lines COR for both the first half of 2020 and full year.

In the UK, we achieved the highest first half GWP for a decade growing 8% to £2,493 million (HY20: £2,315 million). Commercial lines GWP grew 16% to £1,280 million (HY20: £1,104 million), reflecting the benefits of investment in underwriting talent which led to strong new business growth, high retention levels and continued rate momentum, with Global Corporate and Specialty (GCS) experiencing growth across all lines of business and small and medium-sized enterprise (SME) growth led by mid-market and digital. Personal lines GWP was stable at £1,213 million (HY20: £1,211 million), as sales through retail channels increased 5%. While we continued our disciplined approach to pricing and underwriting in a challenging motor insurance rating environment, we increased market share, benefitting from the successful launch of the Aviva brand on price comparison websites for motor and home. The lockdown continued to disrupt sales volumes through our intermediated distribution partners, including a reduction in travel premiums given the restrictions on international travel, although these impacts were partly offset by new partnership deals in home insurance.

UK COR improved 12.4pp to 93.9% (HY20: 106.3%) due to a better underwriting performance, benign weather experience, a reduction in COVID-19 related claims compared to the prior year and frequency benefits in motor lines from continuing lockdowns. Commercial lines COR improved 23.2pp to 93.6% (HY20: 116.8%) primarily as a result of a reduction in COVID-19 related claims, although it also benefitted from a combination of profitable new business growth and continued rate momentum. Personal lines COR of 94.2% (HY20: 98.2%), was 4.0pp lower owing to frequency benefits in Motor lines from continuing lockdowns, benign weather and benefits from the ongoing simplification of our personal lines business, partly offset by higher prior year reserve strengthening. Excluding the impacts of weather and prior year reserve strengthening, UK COR improved 11pp.

Ireland GWP was stable at £212 million (HY20: £212 million). Personal lines is behind HY20 by 10% due to motor insurance performance, where year-on-year growth in new business and stable retention has been offset by market rate pressures, which has driven average premiums down. Commercial lines GWP increased 13% to £107 million with outperformance driven by continued strong retention and the launch of new products.

Ireland GI COR of 89.9% (HY20: 95.1%) was 5.2pp lower year-on-year, largely driven by the impact of COVID-19 and one-off expenses in HY20. HY21 saw favourable experience from motor frequency benefits resulting from the third lockdown, whereas HY20 was adversely impacted by COVID-19 related claims. Personal lines COR of 81.8% (HY20: 83.4%) was 1.6pp lower year-on-year driven by benefits from lower economic activity as a result of a third lockdown, and favourable prior year development that included releases due to personal injury reforms. Commercial lines COR of 101.1% (HY20: 110.6%) was driven by the reduced impact of COVID-19 on speciality lines, offset by adverse prior year reserve development and large losses.

Controllable costs

Excluding cost reduction implementation and IFRS 17 costs, controllable costs in the UK decreased to £319 million (HY20: £338 million), reflecting the simplification of our personal lines business and a reduction in IT costs, while we continue to support profitable growth in our business by investing in commercial lines underwriting talent, marketing and brand activity. This reduction in costs against a backdrop of growing premiums has led to a decrease of 0.8pp in the expense ratio. In Ireland, controllable costs excluding cost reduction implementation and IFRS 17 costs decreased to £38 million (HY20: £41 million) due to ongoing cost management actions and non-repeat of one-off costs incurred at HY20.

Canada

Operating profit

During HY21, operating profit increased 78% to £229 million (HY20: £129 million) due to reduced claims incurred related to COVID-19, lower catastrophic weather losses, as well as actions around pricing, indemnity management and risk selection, partially offset by unfavourable prior year reserve development. Personal lines performance is broadly in-line with prior year as increased commissions have been partially offset by slightly favourable net claims incurred. In commercial lines, GWP improved through strong new business performance, increased rate and policy retention, while the underwriting improvement is primarily due to favourable net claims incurred.

Operating profit	6 months 2021 £m	6 months 2020 £m	Sterling % change	Constant currency %	Full year 2020 £m
Underwriting result	**174**	68	160 %	162 %	162
Long-term investment return	**57**	64	(10)%	(10)%	130
Other[1]	**(2)**	(3)	29 %	28 %	(5)
Total	**229**	129	78 %	79 %	287

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

In HY21, the underwriting result was £174 million (HY20: £68 million), mainly driven by strong premium increases in commercial lines, lower catastrophic weather losses, and benefits from lower net claims incurred as a result of COVID-19, partially offset by unfavourable prior year reserve development and higher contingent profit commission payments. Long-term investment return worsened by 10% mainly due to lower reinvestment yields and reduced dividend income.

GWP and COR

	GWP					COR			
	6 months 2021 £m	6 months 2020 £m	Sterling % Change	Constant currency %	Full year 2020 £m	6 months 2021 %	6 months 2020 %	Change	Full year 2020 %
Personal lines	**1,047**	1,029	1.8 %	2.4 %	2,118	**87.9 %**	86.4 %	1.5 pp	87.2 %
Commercial lines	**614**	551	11.3 %	12.0 %	1,153	**90.6 %**	115.0 %	(24.4)pp	110.2 %
Total	**1,661**	1,580	5.1 %	5.8 %	3,271	**88.8 %**	95.5 %	(6.7)pp	94.7 %

Canada GWP was £1,661 million (HY20: £1,580 million), up 6% on a constant currency basis. In personal lines, GWP of £1,047 million (HY20: £1,029 million) was marginally higher despite rate reductions in Ontario motor applied towards the end of the period. Commercial lines GWP increased to £614 million (HY20: £551 million) mostly due to increased rate in the prevailing hard market, change in business mix, new business activity and higher policy retention.

COR improved to 88.8% (HY20: 95.5%) due to an improvement in the underwriting result. Personal lines COR of 87.9% (HY20: 86.4%) was 1.5pp higher year-on-year, driven by an increased contingent profit commission provision and unfavourable prior year development, partially offset by better pricing and underwriting and reduced catastrophic weather losses. Commercial lines COR of 90.6% (HY20: 115.0%) was 24.4pp lower year-on-year due to decreased claims, mostly as a result of COVID-19.

Controllable costs

Excluding cost reduction implementation and IFRS 17 costs, controllable costs were £190 million (HY20: £194 million), favourable to prior year. Cost savings initiatives in HY21 were offset by investments in our claims operational capabilities, investment in our pricing capabilities and the GCS business, and continued investment in our IT infrastructure.

Solvency II performance and capital

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

Solvency II OFG in the UK and Ireland was £121 million (HY20: £(10) million), with HY21 results benefitting from improved underwriting performance and benign weather experience and a reduction in COVID-19 related claims compared to the prior year. Solvency II return on capital has improved to 10.1% (HY20: (0.8)%), driven by the movement in operating own funds generation described above.

In Canada, Solvency II OFG increased to £194 million (HY20: £132 million) mainly due to reduced COVID-19 claims and benign weather, partly offset by adverse prior year reserve developments, which translated into a Solvency II return on capital of 25.3% (HY20: 18.3%).

Solvency II operating capital generation (OCG)

UK & Ireland Solvency II OCG increased 215% to £122 million (HY20: £(106) million), largely driven by the movement in Solvency II OFG described above.

In Canada, Solvency II OCG increased to £202 million (HY20: £154 million). This is mainly due to increased Solvency II OFG described above.

Cash remittances

Cash remittances to Group from the UK and Ireland were £52 million (HY20: £10 million) and cash remittances to Group from Canada were £17 million (HY20: £14 million) with the increase reflecting the decision in 2020 to retain cash to maintain balance sheet strength given the unprecedented economic and market uncertainty related to COVID-19.

6.iii – Aviva Investors

£m (unless otherwise stated)	6 months 2021	6 months 2020	Sterling % change	Full year 2020
Aviva Investors revenue	**192**	180	7 %	381
Controllable costs	**173**	171	1 %	356
Excluding cost reduction implementation and IFRS 17 costs	**168**	171	(2)%	356
Cost reduction implementation and IFRS 17 costs	**5**	—	100 %	—
Operating profit	**19**	9	128 %	25
Cost income ratio	**87 %**	95 %	8 pp	93 %
Cash remittances	**—**	—	—	50
Net flows	**0.8 bn**	(0.6) bn	244 %	(1.1) bn
Assets under management	**260 bn**	249 bn	4 %	262 bn
Solvency II operating own funds generation	**18**	7	157 %	26
Solvency II return on capital	**9.3 %**	3.4 %	5.9 pp	6.3 %
Solvency II operating capital generation	**33**	4	725 %	29

Overview

Aviva Investors manages £260 billion of assets within our continuing operations, with £203 billion managed on behalf of Aviva.

Our strategy is to support Aviva becoming the UK's leading insurer with strengths and capabilities across the full spectrum of financial services. We combine our investment expertise and relentless focus on sustainability to become a trusted partner for our clients, delivering leading wealth and retirement solutions to our institutional and wholesale clients. We have a highly diversified range of competitive capabilities, with expertise in real assets, liquidity, multi-assets, sustainable equity and credit.

The key drivers of our strategy are:

- Customer: deliver our customers' investment needs through strong investment performance, embedding Environmental, Social and Governance (ESG) and maintaining a rigorous risk and control culture.
- Simplification: use data and automation to streamline processes and continue to simplify our businesses to become more efficient and deliver better customer outcomes.
- Growth: continue to grow in both our Aviva client business, ensuring Aviva is the go-to brand for Savings & Retirement solutions, and our external business, by being recognised as a credible global asset manager.
- People: develop a high-performance culture by embedding our diversity and inclusion strategy, and actively promoting focused learning and upskilling, talent management and career development.

With our focus on ESG we will lead by example, be impactful with our asset strategies, and influence others to act, thereby playing an active role in the fight against climate change, building stronger communities and embedding sustainability. We will lead on sustainable investing by transforming Aviva client assets to be in Net Zero aligned strategies, and we will launch sustainable outcome ranges across our People, Climate and Earth propositions. We have committed to a Net Zero company target by 2040 and have also signed up to the Net Zero Asset Managers Initiative.

At the end of June 2021 74% of our funds were ahead of benchmark over one year. Consistent delivery of strong investment performance is key to meeting our customers' investment needs and remains a key priority.

Operating performance

Operating profit

Operating profit increased to £19 million (HY20: £9 million) reflecting higher revenues from increased origination volumes and the impact on assets under management of positive market movements in the second half of 2020. Operating profit also benefitted from a reduction in controllable costs excluding cost reduction implementation and IFRS 17 costs to £168 million (HY20: £171 million) as a result of cost containment measures and streamlining our business.

Our cost income ratio improved by 8pp to 87% (HY20: 95%), reflecting higher revenues and increased efficiency.

Net flows and assets under management

Assets under management represent all assets managed by Aviva Investors' continuing operations. 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. The Internal legacy category includes assets related to products that are closed for new business. These internal assets are included within the Group's statement of financial position. Assets under management also include assets managed by Aviva Investors on behalf of external clients, which are not included in the Group's statement of financial position.

	Internal legacy £m	Internal core £m	External £m	2021 Total £m	2020 Total £m
Assets under management at 1 January	**88,967**	**117,685**	**54,943**	**261,595**	247,867
Total inflows	**5,689**	**17,705**	**3,617**	**27,011**	24,409
Total outflows	**(6,824)**	**(16,825)**	**(2,533)**	**(26,182)**	(24,983)
Net flows	**(1,135)**	**880**	**1,084**	**829**	(574)
Net flows into liquidity funds and cash	**(2,065)**	**1,086**	**1,235**	**256**	4,883
Market and foreign exchange movements	**(671)**	**(1,302)**	**(1,016)**	**(2,989)**	(2,980)
Assets under management[1] at 30 June	**85,096**	**118,349**	**56,246**	**259,691**	249,196

1 Aviva Investors administer an additional £43 billion (HY20: £36 billion, 2020 : £40 billion) of assets classified as assets under administration which are not included in assets under management.

Net flows improved to £0.8 billion (HY20: £(0.6) billion) with external client flows of £1.1 billion (HY20: £1.3 billion) excluding liquidity, mainly driven by real assets. Our future pipeline remains strong as we continue to build and deliver growth through our priority strategies, sustainable investing and wealth and retirement solutions. Assets under management decreased by £1.9 billion during the first half of 2021 to £259.7 billion (2020: £261.6 billion), with strong performance in equity markets offset by the impact of the higher rate environment on fixed interest assets.

Solvency II performance

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

Solvency II OFG increased to £18 million (HY20: £7 million) as a result of higher operating profit as discussed above. Solvency II return on capital was 9.3% (HY20: 3.4%) driven by the higher Solvency II operating own funds generation.

Solvency II operating capital generation (OCG)

Solvency II OCG increased to £33 million (HY20: £4 million) reflecting growth in Solvency II OFG and a net release of solvency capital requirement.

Our Market performance continued

6.iv – Strategic investments

£m (unless otherwise stated)	6 months 2021	6 months 2020	Sterling % change	Constant currency %	Full year 2020
Operating profit	**55**	17	225 %	224 %	26
Cash remittances	**11**	—	100 %	100 %	6
New business - Life Insurance					
VNB	**59**	10	525 %	515 %	29
PVNBP	**617**	378	63 %	65 %	664
Solvency II operating own funds generation	**84**	35	140 %	139 %	63
Solvency II return on capital	**18.5 %**	10.9 %	7.6 pp	7.8 pp	9.8 %
Solvency II operating capital generation	**37**	1			4

Overview

Strategic investments comprise our joint venture operations in India, China and Singapore. These are small businesses, providing us with interesting opportunities and optionality in attractive and fast-growing markets.

In India, we have a life insurance business through our joint venture with Dabur Invest. Corp. The business is a provider of savings, protection and retirement products through bancassurance, retail agency channels and a direct sales force.

In China, we operate our joint venture with our partner COFCO. This joint venture has a core agency channel, maintaining a team of more than 12,000 agents nationwide as of December 2020.

Our joint venture in Singapore (Aviva Singlife) was formed on the sale of Aviva's majority holding in Aviva Singapore on 30 November 2020, to a consortium led by Singapore Life Ltd (Singlife) to support the creation of one of the country's leading insurance companies. The combination brought together Aviva Singapore's scale and leading franchise with Singlife's innovative and digitally focused capabilities. Aviva has a 26% shareholding in Aviva Singlife.

Operating and Solvency II performance

Operating profit increased to £55 million (HY20: £17 million), Solvency II operating own funds generation increased by 140% to £84 million (HY20: £35 million) and Solvency II operating capital generation increased to £37 million (HY20: £1 million) largely due to the inclusion of Aviva Singlife (following its formation on 30 November 2020). Aviva Singlife had strong performance arising from a new long-term care product, which alongside improved volumes and margins in China also contributed to higher PVNBP of £617 million (HY20: £378 million) and VNB of £59 million (HY20: £10 million).

Cash remittances

Cash remittances to Group increased to £11 million (HY20: £nil), and relates to a dividend from China.

Our Market performance continued

6.v – Discontinued operations

£m (unless otherwise stated)	6 months 2021	6 months 2020	Sterling % change	Constant currency %	Full year 2020
Operating profit	**407**	604	(33)%	(32)%	1,355
Cash remittances	**233**	32	628 %	643 %	121
Controllable costs	**375**	469	(20)%	(19)%	904
New business - Life Insurance					
VNB	**233**	265	(12)%	(10)%	547
PVNBP	**5,878**	5,680	3 %	6 %	12,170
General Insurance					
GWP	**1,010**	948	7 %	8 %	1,782
COR	**95.7 %**	92.0 %	3.7 pp		93.7 %
Solvency II operating own funds generation	**317**	369	(14)%	4 %	475
Solvency II return on capital	**10.1 %**	9.9 %	0.2 pp	1.0 pp	6.4 %
Solvency II operating capital generation	**339**	610	(44)%	(50)%	209

Overview

Our discontinued operations comprise our businesses in France, Italy, Poland, Turkey and Asia (Friends Provident International Limited (FPI), Aviva Singapore, Hong Kong, Indonesia and Vietnam) and also includes Aviva Investors' discontinued operations in France and Poland.

In the second half of 2020, we completed the disposals of FPI, Aviva Singapore, Hong Kong and Indonesia. In 2021 we have completed the disposals of Aviva Vita (on 1 April 2021) and our joint venture in Aviva Turkey (on 6 May 2021). In 2021 we have also announced the disposals of our entire shareholdings in Aviva France, our remaining Life and General Insurance businesses in Aviva Italy and our entire shareholding in Aviva Poland.

We have concluded the planned refocus of our portfolio, which will generate total cash proceeds of £7.5 billion once completed.

Operating performance

Operating profit

£m (unless otherwise stated)	6 months 2021	6 months 2020	Sterling % change	Constant currency %	Full year 2020
France	**219**	220	— %	— %	467
Italy	**55**	123	(56)%	(55)%	306
Poland	**92**	101	(9)%	(6)%	194
Other	**41**	33	20 %	26 %	83
Completed disposals	**—**	127	(100)%	(100)%	305
Operating profit	**407**	604	(33)%	(32)%	1,355

Operating profit has decreased by 33% to £407 million (HY20: £604 million) largely due to the inclusion in 2020 of the results of FPI and Aviva Singapore; the disposal of both of these businesses was completed in the second half of 2020. Operating profit in France is broadly in line with prior period. Operating profit in Italy has decreased by 56% to £55 million (HY20: £123 million), mainly due to the disposal of Aviva Vita on 1 April 2021 which contributed three months results, combined with adverse claims experience due to higher mortality rates and a non-recurring loss on dormant policies. Operating profit in Poland has decreased by 9% to £92 million (HY20: £101 million) due to COVID-19 claims and storm-related general insurance claims.

Solvency II performance

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

Solvency II OFG from Discontinued operations has decreased by £52 million to £317 million (HY20: £369 million). This is primarily due to the disposal of Aviva Singapore, completed in 2020.

Solvency II operating capital generation (OCG)

Solvency II OCG in respect of Discontinued operations reduced by £271 million to £339 million (HY20: £610 million) for the period ended 30 June 2021. This reflects the disposal of Singapore and higher new business strain in France and Italy due to higher volumes (volumes in the first half of 2020 were adversely impacted by COVID-19) and lower opening interest rates. The first half of 2021 also includes the beneficial impact of a modelling change in France, whilst the first half of 2020 included strategic asset allocation, de-risking and hedging activity in France and Italy to protect the capital position in response to the COVID-19 pandemic.

7 – Profit drivers

7.i – Life business profit drivers

Profit drivers and the supporting income and expense analysis in this section relate to UK & Ireland life.

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
New business income	**325**	427	857
Underwriting margin	**201**	187	412
Investment return	**717**	715	1,472
Total income	**1,243**	1,329	2,741
Acquisition expenses	**(216)**	(226)	(424)
Administration expenses	**(471)**	(433)	(946)
Total expenses	**(687)**	(659)	(1,370)
Other[1]	**(30)**	141	493
Life business operating profit	**526**	811	1,864
Health business operating profit	**19**	11	43
Total operating profit	**545**	822	1,907

1 Other represents amortisation of deferred acquisition costs (DAC), changes in assumptions and modelling, non-recurring items, including provision for legacy customer remediation, and non-product specific items.

Income: New business income and underwriting margin

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
New business income	**325**	427	857
Acquisition expenses	**(216)**	(226)	(424)
Net contribution	**109**	201	433
Annual premium equivalent (APE) (£m)	**2,262**	1,947	4,034
As margin on APE (%)	**5 %**	10 %	11 %
Underwriting margin (£m)	**201**	187	412
Analysed by:			
Expenses	**46**	45	96
Mortality and longevity	**152**	137	313
Persistency	**3**	5	3

Income: Investment return

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Unit-linked margin (£m)	**530**	486	979
As annual management charge on average reserves (bps)	**58**	60	59
Average reserves (£bn)[1]	**183**	162	165
Participating business (£m)[2]	**48**	59	115
As bonus on average reserves (bps)	**24**	28	28
Average reserves (£bn)[1]	**40**	42	41
Spread margin (£m)	**142**	148	298
As spread margin on average reserves (bps)	**37**	41	40
Average reserves (£bn)[1]	**77**	73	75
Expected return on shareholder assets (£m)[3]	**(3)**	22	80
Total (£m)	**717**	715	1,472
Total Average reserves (£bn)[1]	**300**	277	281

1 An average of the insurance or investment contract liabilities over the reporting period, including managed pension business which is not consolidated within the statement of financial position.
2 The shareholders' share of the return on with-profits and other participating business.
3 The expected investment return based on opening economic assumptions applied to expected surplus assets over the reporting period that are not backing policyholder liabilities.

Expenses

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Acquisition expenses (£m)	**(216)**	(226)	(424)
APE (£m)	**2,262**	1,947	4,034
As acquisition expense ratio on APE (%)	**10 %**	12 %	11 %
Administration expenses (£m)	**(471)**	(433)	(946)
As existing business expense ratio on average reserves (bps)	**31**	31	34
Total Average reserves (£bn)[1]	**300**	277	281

1 An average of the insurance or investment contract liabilities over the reporting period, including managed pension business which is not consolidated within the statement of financial position.

7.ii – General insurance profit drivers

6 months 2021	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 continuing operations £m
Gross written premiums	1,213	1,280	2,493	212	2,705	1,047	614	1,661	4,366
Net earned premiums	1,104	976	2,080	189	2,269	1,038	510	1,548	3,817
Net claims incurred	(616)	(586)	(1,202)	(105)	(1,307)	(568)	(264)	(832)	(2,139)
Of which claims handling costs			*(60)*	*(7)*	*(67)*			*(57)*	*(124)*
Earned commission	(290)	(205)	(495)	(29)	(524)	(232)	(127)	(359)	(883)
Earned expenses	(133)	(122)	(255)	(37)	(292)	(112)	(71)	(183)	(475)
Underwriting result	65	63	128	18	146	126	48	174	320
Long-term investment return (LTIR)			41	4	45			57	102
Other[1]			—	—	—			(2)	(2)
Operating profit			169	22	191			229	420
Claims ratio	55.8 %	60.0 %	57.8 %	55.2 %	57.6 %	54.7 %	51.8 %	53.8 %	56.0 %
Of which:									
Prior year reserve development (%)			*3.3 %*	*1.2 %*	*3.1 %*			*3.2 %*	*3.1 %*
Weather claims (under)/over long-term average (%)			*(2.4)%*	*(3.2)%*	*(2.5)%*			*(2.6)%*	*(2.6)%*
Commission ratio	26.3 %	21.0 %	23.8 %	15.5 %	23.1 %	22.4 %	24.9 %	23.2 %	23.1 %
Expense ratio	12.1 %	12.6 %	12.3 %	19.2 %	12.9 %	10.8 %	13.9 %	11.8 %	12.5 %
Combined operating ratio	94.2 %	93.6 %	93.9 %	89.9 %	93.6 %	87.9 %	90.6 %	88.8 %	91.6 %
Assets supporting general insurance business									
Debt securities					2,518			4,856	7,374
Equity securities					2			224	226
Investment property					290			—	290
Cash and cash equivalents					2,709			310	3,019
Other[2]					1,313			460	1,773
Assets at 30 June 2021					6,832			5,850	12,682
Debt securities					2,402			4,773	7,175
Equity securities					2			238	240
Investment property					352			—	352
Cash and cash equivalents					2,666			217	2,883
Other[2]					1,497			396	1,893
Assets at 31 December 2020					6,919			5,624	12,543
Average assets					6,876			5,737	12,612
LTIR as % of average assets					1.3 %			2.0 %	1.6 %

1 Includes the result of non-insurance operations, unwind of discount rate and pension scheme net finance costs.
2 Includes loans and other financial investments.

Profit drivers continued

6 months 2020	UK Personal[3] £m	UK Commercial[3] £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Total continuing operations £m
Gross written premiums	1,211	1,104	2,315	212	2,527	1,029	551	1,580	4,107
Net earned premiums	1,190	902	2,092	208	2,300	1,027	481	1,508	3,808
Net claims incurred	(734)	(749)	(1,483)	(126)	(1,609)	(565)	(372)	(937)	(2,546)
Of which claims handling costs			*(69)*	*(7)*	*(76)*			*(56)*	*(132)*
Earned commission	(279)	(188)	(467)	(29)	(496)	(210)	(109)	(319)	(815)
Earned expenses	(158)	(116)	(274)	(42)	(316)	(112)	(72)	(184)	(500)
Underwriting result	19	(151)	(132)	11	(121)	140	(72)	68	(53)
Long-term investment return (LTIR)			72	6	78			64	142
Other[1]			(6)	(1)	(7)			(3)	(10)
Operating profit/(loss)			(66)	16	(50)			129	79
Claims ratio	61.7 %	83.0 %	70.9 %	60.8 %	70.0 %	55.0 %	77.3 %	62.1 %	66.9 %
Of which:									
Prior year reserve development (%)			*2.7 %*	*(5.1)%*	*1.8 %*			*(0.5)%*	*0.4 %*
Weather claims (under)/over long-term average (%)			*(0.6)%*	*(3.1)%*	*(0.8)%*			*1.6 %*	*0.2 %*
Commission ratio	23.4 %	20.8 %	22.3 %	14.2 %	21.6 %	20.4 %	22.7 %	21.2 %	21.4 %
Expense ratio	13.1 %	13.0 %	13.1 %	20.1 %	13.7 %	11.0 %	15.0 %	12.2 %	13.1 %
Combined operating ratio	98.2 %	116.8 %	106.3 %	95.1 %	105.3 %	86.4 %	115.0 %	95.5 %	101.4 %
Assets supporting general insurance business									
Debt securities					2,406			5,026	7,432
Equity securities					559			220	779
Investment property					406			—	406
Cash and cash equivalents					1,604			161	1,765
Other[2]					1,581			186	1,767
Assets at 30 June 2020					6,556			5,593	12,149
Debt securities					2,483			4,633	7,116
Equity securities					744			231	975
Investment property					414			—	414
Cash and cash equivalents					658			158	816
Other[2]					1,893			150	2,043
Assets at 31 December 2019					6,192			5,172	11,364
Average assets					6,374			5,383	11,757
LTIR as % of average assets					2.4 %			2.4 %	2.4 %

1 Includes the result of non-insurance operations, unwind of discount rate and pension scheme net finance costs.
2 Includes loans and other financial investments.
3 Following a reclassification of UK van insurance products from commercial lines to personal lines in 2021, comparative amounts for the first half of 2020 have been restated from those previously reported. The effect of this change on personal lines GWP is an increase of £39 million with an equal and opposite decrease in commercial lines GWP. The effect of this change on personal lines COR is a 0.5pp increase with no change and a 0.7pp increase in commercial lines COR.

Profit drivers continued

Full year 2020	UK Personal[3] £m	UK Commercial[3] £m	Total UK £m	Ireland £m	Total UK & Ireland £m	Canada Personal £m	Canada Commercial £m	Total Canada £m	Total continuing operations £m
Gross written premiums	2,377	2,262	4,639	412	5,051	2,118	1,153	3,271	8,322
Net earned premiums	2,356	1,829	4,185	407	4,592	2,055	985	3,040	7,632
Net claims incurred	(1,254)	(1,329)	(2,583)	(243)	(2,826)	(1,154)	(699)	(1,853)	(4,679)
Of which claims handling costs			*(139)*	*(14)*	*(153)*			*(122)*	*(275)*
Earned commission	(620)	(379)	(999)	(57)	(1,056)	(411)	(236)	(647)	(1,703)
Earned expenses	(302)	(238)	(540)	(88)	(628)	(228)	(150)	(378)	(1,006)
Underwriting result	180	(117)	63	19	82	262	(100)	162	244
Long-term investment return (LTIR)			132	12	144			130	274
Other[1]			(13)	—	(13)			(5)	(18)
Operating profit			182	31	213			287	500
Claims ratio	53.2 %	72.7 %	61.7 %	59.6 %	61.5 %	56.1 %	71.0 %	61.0 %	61.3 %
Of which:									
Prior year reserve development (%)			*1.0 %*	*(2.5)%*	*0.7 %*			*0.8 %*	*0.7 %*
Weather claims (under)/over long-term average (%)			*(0.8)%*	*(2.3)%*	*(0.9)%*			*(0.2)%*	*(0.6)%*
Commission ratio	26.3 %	20.7 %	23.9 %	14.0 %	23.0 %	20.0 %	24.0 %	21.3 %	22.3 %
Expense ratio	12.8 %	13.0 %	12.9 %	21.6 %	13.7 %	11.1 %	15.2 %	12.4 %	13.2 %
Combined operating ratio	92.3 %	106.4 %	98.5 %	95.2 %	98.2 %	87.2 %	110.2 %	94.7 %	96.8 %
Assets supporting general insurance business									
Debt securities					2,402			4,773	7,175
Equity securities					2			238	240
Investment property					352			—	352
Cash and cash equivalents					2,666			217	2,883
Other[2]					1,497			396	1,893
Assets at 31 December 2020					6,919			5,624	12,543
Debt securities					2,483			4,633	7,116
Equity securities					744			231	975
Investment property					414			—	414
Cash and cash equivalents					658			158	816
Other[2]					1,893			150	2,043
Assets at 31 December 2019					6,192			5,172	11,364
Average assets					6,556			5,398	11,954
LTIR as % of average assets					2.2 %			2.4 %	2.3 %

1 Includes the result of non-insurance operations, unwind of discount rate and pension scheme net finance costs.
2 Includes loans and other financial investments.
3 Following a reclassification of UK van insurance products from commercial lines to personal lines in 2021, comparative amounts for the full year 2020 have been restated from those previously reported. The effect of this change on personal lines GWP is an increase of £76 million with an equal and opposite decrease in commercial lines GWP. The effect of this change on personal lines COR is a 0.1pp decrease and a 0.7pp increase in commercial lines COR.

Financial supplement

A1 - Reconciliation of Group adjusted operating profit to IFRS (loss)/profit for the period

	6 months 2021 £m	Restated[1] 6 months 2020 £m	Restated[1] Full year 2020 £m
UK & Ireland Life (note 6.i)	**545**	822	1,907
UK & Ireland General Insurance (note 6.ii)	**191**	(50)	213
Canada (note 6.ii)	**229**	129	287
Aviva Investors (note 6.iii)	**19**	9	25
Strategic investments (note 6.iv)	**55**	17	26
	1,039	927	2,458
Corporate centre costs and Other operations (note A2)	**(134)**	(127)	(282)
Group debt costs and other interest (note A3)	**(180)**	(179)	(370)
Adjusted operating profit from continuing operations	**725**	621	1,806
Adjusted operating profit from discontinued operations[1] (note 6.v)	**407**	604	1,355
Group adjusted operating profit before tax attributable to shareholders' profits	**1,132**	1,225	3,161
Adjusted for the following:			
Life business: Investment variances and economic assumption changes (note A4)	**(259)**	305	174
Non-life business: Short-term fluctuation in return on investments (note A5)	**(155)**	(171)	(64)
General insurance and health business: Economic assumption changes (note A6)	**(23)**	(45)	(104)
Impairment of goodwill, joint ventures, associates and other amounts expensed (note A7)	**—**	(17)	(30)
Amortisation and impairment of intangibles acquired in business combinations (note A8)	**(30)**	(44)	(76)
Amortisation and impairment of acquired value of in-force business (note A9)	**(100)**	(165)	(278)
(Loss)/profit on the disposal and remeasurement of subsidiaries, joint ventures and associates (note A10)	**(513)**	(12)	725
Other (note A11)	**(55)**	—	(34)
Adjusting items before tax	**(1,135)**	(149)	313
IFRS (loss)/profit before tax attributable to shareholders' profits from continuing operations and discontinued operations	**(3)**	1,076	3,474
Tax on group adjusted operating profit	**(263)**	(224)	(634)
Tax on other activities	**68**	22	70
	(195)	(202)	(564)
IFRS (loss)/profit for the period	**(198)**	874	2,910

1 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.

Other Group adjusted operating profit items
A2 – Corporate centre costs and Other operations

	6 months 2021 £m	Restated[1] 6 months 2020 £m	Restated[1] Full Year 2020 £m
Project spend[2,3]	**(46)**	(26)	(63)
Central spend and share award costs[2]	**(73)**	(90)	(187)
Corporate centre costs	**(119)**	(116)	(250)
Other operations	**(15)**	(11)	(32)
Total	**(134)**	(127)	(282)

1 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information. See note B2.
2 Following a review of corporate centre costs, comparative amounts for the first half of 2020 and full year 2020 have been amended from those previously reported. The effect of this change is an increase in project spend of £8 million for the first half of 2020 and £21 million for the full year 2020 with an equal and opposite decrease in central spend and share award costs.
3 Project spend includes £34 million (HY20: £13 million, 2020: £35 million) in relation to cost reduction implementation and IFRS 17 costs.

Corporate centre costs of £119 million (HY20: £116 million) increased by £3 million mainly driven by higher cost reduction implementation and IFRS 17 costs partially offset by one-off COVID-19 charitable donations in 2020.

A3 – Group debt costs and other interest

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Subordinated debt	**(168)**	(170)	(352)
Other	**(11)**	(7)	(15)
Total external debt	**(179)**	(177)	(367)
Internal lending arrangements	**(17)**	(25)	(48)
Net finance income on main UK pension scheme	**16**	23	45
Total	**(180)**	(179)	(370)

External debt costs are marginally higher than prior year with additional interest on new loans issued in the last quarter of 2020 being partially offset by lower interest from the early repayment following £1 billion debt tender. Internal lending arrangements are lower than prior year which is partially offset by lower pension scheme finance income both driven by lower interest rates.

Non-operating profit items
A4 – Life business: Investment variances and economic assumption changes

(a) Definitions
Group adjusted operating profit for life business is based on expected long-term investment returns on financial investments backing shareholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. Group adjusted operating profit includes the effect of variance in experience for operating items, such as mortality, persistency and expenses, and the effect of changes in operating assumptions. 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 life business liabilities are calculated separately for each principal life 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. Expected investment return assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each financial year. The same margins are applied on a consistent basis across the Group to gross risk-free yields, to obtain investment return assumptions for equity and property. 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 movements in interest rates. To the extent that these differences arise from the operating experience of the life business, 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.

The movement in liabilities included in Group adjusted operating profit reflects both the change in liabilities due to the expected return on investments and the impact of experience variances and assumption changes for non-economic items. This would include movements in liabilities due to changes in the discount rate arising from discretionary management decisions that impact on product profitability over the lifetime of products.

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 life business depends on the degree of matching of assets and liabilities, and exposure to financial options and guarantees.

(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:

	Equity			Property		
	6 months 2021	6 months 2020	Full year 2020	**6 months 2021**	6 months 2020	Full year 2020
United Kingdom	**3.9%**	4.5%	4.5%	**2.4%**	3.0%	3.0%
France[1]	**4.0%**	4.5%	4.5%	**3.0%**	3.5%	3.5%
Other Eurozone	**3.2%**	3.7%	3.7%	**1.7%**	2.2%	2.2%

1 In light of the current unprecedented low interest rates, the expected investment return on equity and property in France have been determined taking into account local economic and market forecasts of the long-term return. The impact of this change is an increase of £7 million to the expected return on the life business over HY21 (HY20: £5 million; 2020: £12 million).

The expected return on equity and property has been calculated by reference to the ten-year mid-price swap rate for an AA rated bank in the relevant currency plus a risk premium. 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 2021**	6 months 2020	Full year 2020
Equity risk premium	**3.5%**	3.5%	3.5%
Property risk premium	**2.0%**	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 2021**	6 months 2020	Full year 2020
United Kingdom	**0.4%**	1.0%	1.0%
Eurozone	**(0.3%)**	0.2%	0.2%

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). This includes an adjustment for credit risk on all eurozone sovereign debt. Where such securities are classified as available for sale, the expected investment return comprises the expected interest or dividend payments and amortisation of the premium or discount at purchase.

(d) Investment variances and economic assumption changes

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

Life business	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Investment variances and economic assumptions	**(259)**	305	174

Investment variances and economic assumption changes were a loss of £259 million (HY20: profit of £305 million), primarily driven by an increase in interest rates and positive global equity returns, partially offset by a reduction in the allowance for risk of default on assets backing annuities. The adverse impact of interest rates and equities reflect the fact that we hedge on an economic rather than IFRS basis e.g. 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 are recognised on both an economic and IFRS basis.

The variance in the period to 30 June 2020 was primarily due to the UK where there was a positive variance as a result of a reduction in yields and decreases in equity markets, partially offset by the adverse impact of a widening of fixed income spreads in the UK and falls in interest rates in France and Asia. The impact of yields and equities reflect the fact that we hedge on an economic rather than on an IFRS basis.

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

(a) Definitions

Group adjusted operating profit for non-life business is based on an expected long-term investment return over the period. Any variance between the total investment return (including realised and unrealised gains) and the expected return over the period is disclosed separately outside Group adjusted operating profit, in short-term fluctuations.

(b) Methodology

The long-term investment return is calculated separately for each principal non-life market. In respect of equities and investment properties, the return is calculated by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the long-term rate of investment return.

The long-term rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return. The allocated long-term return for other investments (including debt securities) is the actual income receivable for the year. Actual income and long-term investment return both contain the amortisation of the discounts/premium arising on the acquisition of fixed income securities. For other operations, the long-term return reflects assets backing non-life business held in Group centre investments.

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

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

(c) Assumptions

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

	Long-term rate of return on equities			Long-term rate of return on property		
	6 months 2021	6 months 2020	Full year 2020	**6 months 2021**	6 months 2020	Full year 2020
United Kingdom	**3.9 %**	4.5 %	4.5 %	**2.4 %**	3.0 %	3.0 %
France[1]	**4.0 %**	4.5 %	4.5 %	**3.0 %**	3.5 %	3.5 %
Other Eurozone	**3.2 %**	3.7 %	3.7 %	**1.7 %**	2.2 %	2.2 %
Canada	**4.7 %**	5.7 %	5.7 %	**3.2 %**	4.2 %	4.2 %

1 In light of the current unprecedented low interest rates, the expected investment return on equity and property in France have been determined taking into account local economic and market forecasts of the long-term return. The impact of this change is an increase of £2 million to the expected return on the general insurance business over HY21 (HY20: £2 million; 2020:£5 million).

The long-term rates of return on equities and properties have been calculated by reference to the ten-year mid-price swap rate for an AA rated bank in the relevant currency plus a risk premium. The underlying reference rates and risk premiums for the United Kingdom and eurozone are shown in note A4(c).

(d) Analysis of investment return

The total investment income on our non-life business, including short-term fluctuations, is as follows:

Non-life business	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Analysis of investment income:			
– Net investment (expenses)/income	**(91)**	113	365
– Foreign exchange gains/(losses) and other charges	**36**	(47)	(45)
	(55)	66	320
Analysed between:			
– Long-term investment return, reported within Group adjusted operating profit	**130**	175	335
– Short-term fluctuations in investment return, reported outside Group adjusted operating profit	**(185)**	(109)	(15)
	(55)	66	320
Short-term fluctuations:			
– General insurance and health	**(185)**	(109)	(15)
– Other operations[1]	**30**	(62)	(49)
Total short-term fluctuations	**(155)**	(171)	(64)

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

The short-term fluctuations during the first half of 2021 represented a loss of £155 million, primarily due to rising interest rates reducing the value of fixed interest securities, partially offset by foreign exchange gains.

The short-term fluctuations during the first half of 2020 represented a loss of £171 million, primarily due to falling equity markets and foreign exchange losses. These losses were partly offset by an increase in the value of fixed income securities, as a result of falls in interest rates outweighing widening credit spreads, and gains on hedges held by the Group, including the Group centre hedging programme.

A6 – General insurance and health business: Economic assumption changes

In the general insurance and health business, there is a negative impact of £23 million (HY20: £45 million negative, 2020: £104 million negative) primarily as a result of an increase in the estimated future inflation rate used to value periodic payment orders (PPOs), partly offset by an increase in the interest rates used to discount claim reserves for both PPOs and latent claims.

A7 – Impairment of goodwill, joint ventures, associates and other amounts expensed

No impairment of goodwill, associates and joint ventures has been recognised in the period (HY20: £17 million charge relating to goodwill impairment).

A8 – Amortisation and impairment of intangibles acquired in business combinations

The amortisation and impairment of intangible assets acquired in business combinations is a charge of £30 million (HY20: £44 million charge).

A9 – Amortisation and impairment of acquired value of in-force business

Amortisation of acquired value of in-force business (AVIF) is a charge of £100 million (HY20: £165 million charge), which relates solely to amortisation in respect of the Group's subsidiaries and joint ventures. The decrease in amortisation of AVIF is primarily driven by the disposal of Friends Provident International Limited, which completed in July 2020. There is no impairment of AVIF in 2021 (HY20: £19 million).

A10 – Profit/loss on the disposal and remeasurement of subsidiaries, joint ventures and associates

The total Group loss on disposal and remeasurement of subsidiaries, joint ventures and associates is £(513) million (HY20: £(12) million loss). This comprises mainly of a gain of £65 million on the sale of Aviva Vita, a loss of £(41) million on the disposal of the joint venture in Turkey (both after currency translation reserve recycling) and a £(538) million loss on classification to held for sale of the Aviva France business. Further details of these items are provided in note B4.

A11 – 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. At 30 June 2021, other items are a charge of £55 million (HY20: £nil) which comprises the following:

- A charge of £51 million in relation to the redemption payment in excess of the market value of debt repaid as part of the Group's deleveraging strategy. This is disclosed outside of Group adjusted operating profit as the costs arise from a strategic decision relating to the financing of the Group as a whole and not to the operating performance of the Group or its operating segments;
- A charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases held by the Aviva Investors REaLM Ground Rent Fund; and
- A net release of £3 million of certain provisions assumed as part of historic acquisition activities.

IFRS capital
A12 – Net asset value

	6 months 2021 £m	pence per share[2]	6 months 2020 £m	pence per share[2]	Full year 2020 £m	pence per share[2]
Equity attributable to shareholders of Aviva plc at 1 January[1]	**19,354**	**493p**	17,008	434p	17,008	434p
Group adjusted operating profit	**1,132**	**29p**	1,225	31p	3,161	80p
Investment return variances and economic assumption changes	**(437)**	**(11)p**	89	2p	6	—
Amortisation and impairment of intangibles, joint ventures, associates and other amounts expensed	**(30)**	**(1)p**	(61)	(2)p	(106)	(3)p
Amortisation and impairment of acquired value of in-force business	**(100)**	**(3)p**	(165)	(4)p	(278)	(7)p
(Loss)/profit on the disposal and remeasurements of subsidiaries, joint ventures and associates	**(513)**	**(13)p**	(12)	—	725	18p
Other[3]	**(55)**	**(1)p**	—	—	(34)	(1)p
Tax on operating profit and on other activities	**(195)**	**(5)p**	(202)	(5)p	(564)	(14)p
Non-controlling interests	**(34)**	**(1)p**	(53)	(1)p	(112)	(3)p
(Loss)/profit after tax attributable to shareholders of Aviva plc	**(232)**	**(6)p**	821	21p	2,798	70p
Available for sale (AFS) securities fair value and other reserve movements	**(45)**	**(1)p**	11	—	32	1p
Ordinary dividends	**(824)**	**(21)p**	—	—	(236)	(6)p
Direct capital instrument and tier 1 notes interest and preference share dividend	**(9)**	**—**	(36)	(1)p	(44)	(1)p
Foreign exchange rate movements	**(96)**	**(2)p**	248	6p	(81)	(2)p
Remeasurements of pension schemes (net of tax)	**(123)**	**(3)p**	511	13p	(171)	(4)p
Other net equity movements	**(46)**	**(1)p**	13	—	48	1p
Equity attributable to shareholders of Aviva plc at 30 June/31 December[1]	**17,979**	**457p**	18,576	473p	19,354	493p

1 Excluding preference shares of £200 million (30 June 2020: £200 million, 31 December 2020: £200 million).
2 Number of shares as at 30 June 2021: 3,930 million (HY20: 3,928 million, 2020: 3,928 million).
3 Other in the first half of 2021 mainly relates to a redemption payment in excess of market value of debt repaid as part of the Group's deleveraging strategy (see note A11). Other in 2020 includes a charge of £16 million relating to costs on contracts that have become onerous following the disposals of FPI, Singapore, Indonesia and Hong Kong and a charge of £18 million relating to the estimated additional liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP).

At 30 June 2021, IFRS net asset value per share was 457 pence (HY20: 473 pence, 2020: 493 pence). The decrease of 36p, compared to 2020, primarily reflects adverse investment variances and economic assumption changes, the pre-disposal remeasurement loss on France on reclassification to held for sale, and the payment of the dividend in the first half of 2021. The disposal of other operations classified as held for sale at 30 June 2021 (see note B4(c)) would have increased IFRS net asset value attributable to shareholders of Aviva plc by approximately £2 billion and IFRS net asset value per share by 51p had they completed at 30 June 2021.

A13 – IFRS return on equity

	Operating profit			
6 months 2021	Before tax attributable to shareholders' profits £m	After tax attributable to shareholders' profits £m	Weighted average shareholders' funds including non-controlling interests £m	Return on equity %[1]
UK & Ireland Life	**545**	**403**	**12,345**	**6.5%**
UK & Ireland General Insurance	**191**	**173**	**1,358**	**25.5%**
Canada	**229**	**176**	**1,569**	**22.4%**
Aviva Investors	**19**	**16**	**417**	**7.7%**
UK, Ireland, Canada and Aviva Investors	**984**	**768**	**15,689**	**9.8%**
Strategic investments	**55**	**55**	**810**	**13.6%**
Other Group activities[2]	**(135)**	**(121)**	**6,553**	**N/A**
Return on capital employed from continuing operations	**904**	**702**	**23,052**	**6.1%**
Discontinued operations	**407**	**312**	**3,985**	**15.7%**
Return on total capital employed	**1,311**	**1,014**	**27,037**	**7.5%**
Subordinated debt	**(168)**	**(136)**	**(6,256)**	**4.3%**
Senior debt	**(11)**	**(9)**	**(969)**	**1.9%**
Return on total equity	**1,132**	**869**	**19,812**	**8.8%**
Less: Non-controlling interests		**(35)**	**(945)**	**7.4%**
Preference shares		**(9)**	**(200)**	**9.0%**
Return on equity shareholders' funds		**825**	**18,667**	**8.8%**

1 IFRS return on equity is calculated on an annualised basis.
2 The other Group activities operating loss before tax of £(135) million comprises corporate centre costs of £(119) million, other operations loss of £(15) million, interest expense on internal lending arrangements of £(17) million, partly offset by finance income on the main UK pension scheme of £16 million.

Restated[2] 6 months 2020	Operating profit: Before tax attributable to shareholders' profits £m	Operating profit: After tax attributable to shareholders' profits £m	Weighted average shareholders' funds including non-controlling interests £m	Return on equity %[1]
UK & Ireland Life	822	658	11,529	11.4%
UK & Ireland General Insurance	(50)	(32)	1,299	(4.9)%
Canada	129	103	1,448	14.2%
Aviva Investors	9	6	441	2.7%
UK, Ireland, Canada and Aviva Investors	910	735	14,717	10.0%
Strategic investments	17	17	449	7.6%
Other Group activities[3]	(129)	(92)	6,767	N/A
Return on capital employed from continuing operations	798	660	21,933	6.0%
Discontinued operations[2]	604	485	5,463	17.8%
Return on total capital employed	1,402	1,145	27,396	8.4%
Subordinated debt	(170)	(138)	(6,767)	4.1%
Senior debt	(7)	(6)	(1,392)	0.9%
Return on total equity	1,225	1,001	19,237	10.4%
Less: Non-controlling interests		(48)	(995)	9.6%
Direct capital instrument		(27)	(250)	5.4%
Preference shares		(9)	(200)	9.0%
Return on equity shareholders' funds		917	17,792	10.5%

1 IFRS return on equity is calculated on an annualised basis.
2 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.
3 The other Group activities operating loss before tax of £(129) million comprises corporate centre costs of £(116) million, other operations loss of £(11) million, interest expense on internal lending arrangements of £(25) million, partly offset by finance income on the main UK pension scheme of £23 million.

Restated[1] Full year 2020	Operating profit: Before tax attributable to shareholders' profits £m	Operating profit: After tax attributable to shareholders' profits £m	Weighted average shareholders' funds including non-controlling interests £m	Return on equity %
UK & Ireland Life	1,907	1,570	11,953	13.1%
UK & Ireland General Insurance	213	190	1,287	14.8%
Canada	287	224	1,479	15.1%
Aviva Investors	25	24	434	5.5%
UK, Ireland, Canada and Aviva Investors	2,432	2,008	15,153	13.3%
Strategic investments	26	25	544	4.6%
Other Group activities[2]	(285)	(253)	7,060	N/A
Return on capital employed from continuing operations	2,173	1,780	22,757	7.8%
Discontinued operations[1]	1,355	1,043	5,298	19.7%
Return on total capital employed	3,528	2,823	28,055	10.1%
Subordinated debt	(352)	(284)	(6,974)	4.1%
Senior debt	(15)	(12)	(1,375)	0.9%
Return on total equity	3,161	2,527	19,706	12.8%
Less: Non-controlling interests		(98)	(1,002)	9.8%
Direct capital instrument		(27)	(125)	21.6%
Preference shares		(17)	(200)	8.5%
Return on equity shareholders' funds		2,385	18,379	13.0%

1 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.
2 The other Group activities operating loss before tax of £(285) million comprises corporate centre costs of £(250) million, other operations loss of £(32) million, interest expense on internal lending arrangements of £(48) million, partly offset by finance income on the main UK pension scheme of £45 million.

A14 – Group capital under IFRS basis

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

	30 June 2021 £m	Restated[1] 30 June 2020 £m	Restated[1] 31 December 2020 £m
UK & Ireland Life	**12,037**	12,095	12,654
UK & Ireland General Insurance[2]	**1,299**	1,134	1,415
Canada	**1,637**	1,519	1,501
Aviva Investors	**423**	445	409
UK, Ireland, Canada and Aviva Investors	**15,396**	15,193	15,979
Strategic investments	**819**	476	801
Other Group activities[2,3]	**5,725**	7,338	7,376
Capital employed from continuing operations	**21,940**	23,007	24,156
Discontinued operations[1]	**3,318**	5,603	4,657
Total capital employed	**25,258**	28,610	28,813
Financed by			
Equity shareholders' funds	**17,979**	18,576	19,354
Non-controlling interests	**884**	1,012	1,006
Preference shares	**200**	200	200
Subordinated debt	**5,478**	7,328	7,033
Senior debt	**717**	1,494	1,220
Total capital employed[4]	**25,258**	28,610	28,813

1 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.
2 Capital employed for United Kingdom General Insurance excludes £924 million (HY20: £927 million, 2020: £927 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 £1,767 million (HY20: £1,850 million, 2020: £1,799 million) and goodwill in joint ventures of £nil (HY20: £10 million, 2020: £9 million). AVIF and other intangibles comprise £2,098 million (HY20: £2,649 million, 2020: £2,434 million) of intangibles in subsidiaries and £nil (HY20: £25 million, 2020: £3 million) of intangibles in joint ventures, net of deferred tax liabilities of £(445) million (HY20: £(437) million, 2020: £(397) million) and the non-controlling interest share of intangibles of £(23) million (HY20: £(26) million, 2020: £(25) million).

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

On 16 March 2021 the Group completed a £1.0 billion tender offer and redeemed €185 million of the Group's 0.625% €500 million senior notes, €286 million of the Group's 1.875% €750 million senior notes, €349 million of the Group's 6.125% €650 million Tier 2 subordinated debt and £298 million of the Group's 6.125% £800 million restricted Tier 1 subordinated debt.

On 10 May 2021 the Group's 4.500% C$450 million subordinated notes reached their final maturity and were redeemed. On 21 May 2021 the Group's 12.000% £162 million subordinated notes reached their final maturity and were redeemed. On 3 June 2021 the Group redeemed its 6.625% £450 million subordinated notes in full at the first call date.

At 30 June 2021 the market value of our external debt (subordinated debt and senior debt) and preference shares (including both Aviva plc preference shares of £200 million (HY20: £200 million) and General Accident plc preference shares, within non-controlling interests, of £250 million (HY20: £250 million)) was £7,971 million (HY20: £10,307 million).

IFRS financial statements

Condensed consolidated financial statements

Condensed consolidated income statement

For the six month period ended 30 June 2021

	Note	6 months 2021 £m	6 months 2020[1] £m	Full year 2020[1] £m
Continuing operations				
Income				
Gross written premiums		**8,269**	9,407	18,590
Premiums ceded to reinsurers		**(1,392)**	(1,820)	(3,500)
Premiums written net of reinsurance		**6,877**	7,587	15,090
Net change in provision for unearned premiums		**(229)**	(74)	(95)
Net earned premiums		**6,648**	7,513	14,995
Fee and commission income		**728**	680	1,317
Net investment income/(expense)		**7,351**	(1,279)	14,971
Share of profit/(loss) after tax of joint ventures and associates		**48**	55	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates		**1**	7	12
		14,776	6,976	31,292
Expenses				
Claims and benefits paid, net of recoveries from reinsurers		**(6,248)**	(6,637)	(13,028)
Change in insurance liabilities, net of reinsurance	B9(b)	**3,485**	(3,129)	(4,991)
Change in investment contract provisions		**(8,446)**	5,717	(5,252)
Change in unallocated divisible surplus		**1**	339	505
Fee and commission expense		**(1,600)**	(1,491)	(3,047)
Investment expense attributable to unitholders		**(274)**	518	(588)
Other expenses		**(1,013)**	(1,279)	(2,530)
Finance costs		**(285)**	(275)	(549)
		(14,380)	(6,237)	(29,480)
Profit before tax from continuing operations		**396**	739	1,812
Tax attributable to policyholders' returns	B6(d)	**(119)**	271	(43)
Profit before tax attributable to shareholders' profits from continuing operations		**277**	1,010	1,769
Tax (expense)/credit	B6(a)	**(280)**	105	(346)
Less: tax attributable to policyholders' returns	B6(d)	**119**	(271)	43
Tax attributable to shareholders' profits		**(161)**	(166)	(303)
Profit from continuing operations		**116**	844	1,466
Profit for the period from discontinued operations		**200**	49	731
(Loss)/profit on disposal of discontinued operations		**(514)**	(19)	713
(Loss)/profit from discontinued operations	B4(d)	**(314)**	30	1,444
(Loss)/profit for the period		**(198)**	874	2,910
Attributable to:				
Equity holders of Aviva plc		**(232)**	821	2,798
Non-controlling interests		**34**	53	112
(Loss)/profit for the period		**(198)**	874	2,910
Earnings per share	B7			
Basic (pence per share)		**(6.2)**	20.0	70.2
Diluted (pence per share)[2]		**(6.2)**	20.0	69.8
Continuing operations - basic (pence per share)		2.5	20.3	35.7
Continuing operations - diluted (pence per share)[2]		2.5	20.3	35.5

1 The 2020 comparative results have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note B2.
2 Following a revision to the methodology to calculate the dilutive effect of share awards, comparative amounts for the first half of 2020 have been amended from those previously reported. See note B7 for more information.

Condensed consolidated statement of comprehensive income

For the six month period ended 30 June 2021

	Note	6 months 2021 £m	6 months 2020[1] £m	Full year 2020[1] £m
Profit for the period from continuing operations		**116**	844	1,466
Other comprehensive income from continuing operations:				
Items that may be reclassified subsequently to income statement				
Investments classified as available for sale				
Fair value gains		**—**	1	1
Share of other comprehensive (loss)/income of joint ventures and associates		**(6)**	10	16
Foreign exchange rate movements		**(26)**	9	(51)
Aggregate tax effect – shareholder tax on items that may be reclassified subsequently to income statement	B6(b)	**6**	(15)	(9)
Items that will not be reclassified to income statement				
Remeasurements of pension schemes		**26**	711	(150)
Aggregate tax effect – shareholder tax on items that will not be reclassified subsequently to income statement	B6(b)	**(149)**	(200)	(21)
Total other comprehensive (loss)/ income, net of tax from continuing operations		**(149)**	516	(214)
Total comprehensive (loss)/ income for the period from continuing operations		**(33)**	1,360	1,252
(Loss)/profit for the period from discontinued operations	B4(d)	**(314)**	30	1,444
Other comprehensive (loss)/income, net of tax from discontinued operations	B4(d)	**(219)**	302	201
Total comprehensive (loss)/income for the period from discontinued operations		**(533)**	332	1,645
Total comprehensive (loss)/income for the period		**(566)**	1,692	2,897
Attributable to:				
Equity holders of Aviva plc				
From continuing operations		**(44)**	1,350	1,231
From discontinued operations		**(529)**	241	1,520
Non-controlling interests				
From continuing operations		**11**	10	21
From discontinued operations		**(4)**	91	125
		(566)	1,692	2,897

1 The 2020 comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in note B2.

Condensed consolidated statement of changes in equity

For the six month period ended 30 June 2021

	Note	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Balance at 1 January		**20,560**	18,685	18,685
(Loss)/profit for the period		**(198)**	874	2,910
Other comprehensive income		**(368)**	818	(13)
Total comprehensive income for the period		**(566)**	1,692	2,897
Dividends and appropriations	B8	**(833)**	(36)	(280)
Non-controlling interests share of dividends declared in the period		**(48)**	(18)	(30)
Reclassification of DCI to financial liabilities		**—**	(499)	(499)
Reserves credit for equity compensation plans		**28**	10	37
Shares (purchased)/issued under equity compensation plans		**(67)**	4	1
Net forfeited dividend income		**(1)**	—	2
Changes in non-controlling interests in subsidiaries		**(9)**	(50)	(54)
Transfer to profit on disposal of subsidiaries, joint ventures and associates		**(1)**	—	(199)
Balance at 30 June/31 December		**19,063**	19,788	20,560

Condensed consolidated statement of financial position

As at 30 June 2021

	Note	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Assets				
Goodwill		**1,767**	1,850	1,799
Acquired value of in-force business and intangible assets		**2,098**	2,649	2,434
Interests in, and loans to, joint ventures		**1,720**	1,163	1,702
Interests in, and loans to, associates		**132**	336	263
Property and equipment		**468**	926	768
Investment property		**6,787**	11,306	11,369
Loans		**40,070**	40,109	43,679
Financial investments		**253,637**	353,583	351,378
Reinsurance assets	B12	**13,189**	13,307	13,338
Deferred tax assets		**134**	162	119
Current tax assets		**209**	181	183
Receivables		**8,806**	13,003	9,352
Deferred acquisition costs		**2,712**	3,291	3,264
Pension surpluses and other assets		**2,801**	3,467	2,834
Prepayments and accrued income		**2,001**	3,051	2,742
Cash and cash equivalents		**10,654**	19,125	16,900
Assets of operations classified as held for sale	B4(c)	**112,541**	9,330	17,733
Total assets		**459,726**	476,839	479,857
Equity				
Capital				
Ordinary share capital		**982**	982	982
Preference share capital		**200**	200	200
		1,182	1,182	1,182
Capital reserves				
Share premium		**1,244**	1,242	1,242
Capital redemption reserve		**44**	44	44
Merger reserve		**8,974**	8,974	8,974
		10,262	10,260	10,260
Treasury shares		**(55)**	(5)	(6)
Currency translation reserve		**719**	1,231	862
Other reserves		**(236)**	(286)	(212)
Retained earnings		**6,307**	6,394	7,468
Equity attributable to shareholders of Aviva plc		**18,179**	18,776	19,554
Non-controlling interests		**884**	1,012	1,006
Total equity		**19,063**	19,788	20,560
Liabilities				
Gross insurance liabilities	B10	**119,174**	157,598	152,482
Gross liabilities for investment contracts	B11	**165,335**	222,112	222,831
Unallocated divisible surplus	B14	**1,788**	8,748	9,736
Net asset value attributable to unitholders		**18,020**	18,669	20,301
Pension deficits and other provisions		**1,061**	1,405	1,435
Deferred tax liabilities		**1,901**	2,045	1,828
Current tax liabilities		**33**	163	114
Borrowings	B15	**7,637**	10,356	9,684
Payables and other financial liabilities		**13,683**	24,134	20,667
Other liabilities		**2,826**	2,888	3,043
Liabilities of operations classified as held for sale	B4(c)	**109,205**	8,933	17,176
Total liabilities		**440,663**	457,051	459,297
Total equity and liabilities		**459,726**	476,839	479,857

Condensed consolidated statement of cash flows

For the six month period ended 30 June 2021

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 2021 £m	6 months 2020[1] £m	Full year 2020[1] £m
Continuing operations				
Cash flows from operating activities[2]				
Cash generated from/(used in) operating activities		**517**	(435)	(2,128)
Tax paid		**(241)**	(627)	(857)
Total net cash from/(used in) operating activities		**276**	(1,062)	(2,985)
Cash flows from investing activities				
Acquisitions of, and additions to, subsidiaries, joint ventures and associates, net of cash acquired		**—**	(11)	(11)
Disposals of subsidiaries, joint ventures and associates, net of cash transferred		**13**	7	12
Purchases of property and equipment		**(37)**	(65)	(77)
Proceeds on sale of property and equipment		**52**	1	2
Purchases of intangible assets		**(13)**	(29)	(61)
Total net cash from/(used in) investing activities		**15**	(97)	(135)
Cash flows from financing activities				
Proceeds from issue of ordinary shares		**2**	4	3
Treasury shares purchased for employee trusts		**(69)**	—	(2)
New borrowings drawn down, net of expenses		**134**	617	966
Repayment of borrowings[3]		**(2,100)**	(33)	(1,006)
Net (repayment)/drawdown of borrowings		**(1,966)**	584	(40)
Interest paid on borrowings		**(279)**	(265)	(532)
Preference dividends paid	B8	**(9)**	(9)	(17)
Ordinary dividends paid	B8	**(824)**	—	(236)
Net forfeited dividend income		**(1)**	—	2
Coupon payments on direct capital instrument	B8	**—**	—	(27)
Dividends paid to non-controlling interests of subsidiaries		**(10)**	(10)	(21)
Other		**(1)**	—	(1)
Total net cash (used in)/from financing activities		**(3,157)**	304	(871)
Total net decrease in cash and cash equivalents from continuing operations		**(2,866)**	(855)	(3,991)
Net cash flows from discontinued operations	B4(d)	**(396)**	370	503
Cash and cash equivalents at 1 January		**16,182**	19,434	19,434
Effect of exchange rate changes on cash and cash equivalents		**(178)**	326	236
Cash and cash equivalents at 30 June/31 December	B20	**12,742**	19,275	16,182

1 The 2020 comparative results have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in note B2.
2 Cash flows from operating activities include interest received of £2,096 million (HY20: £2,045 million, 2020: £4,299 million) and dividends received of £2,036 million (HY20: £1,584 million, 2020: £3,198 million).
3 Repayment of borrowings includes lease payments of £38 million (HY20: £35 million, 2020: £76 million). The second half of 2020 includes the redemption of 5.902% £500 million DCI.

B1 – Basis of preparation

On 31 December 2020, IFRS as adopted by the EU at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. Aviva Plc transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The condensed consolidated interim financial statements for the six months to 30 June 2021 have been prepared in accordance with *IAS 34 Interim Financial Reporting* as adopted by the UK, and the Disclosure Rules and Transparency Rules of the Financial Conduct Authority.

The results for the six months to 30 June 2021 are unaudited but have been reviewed by the Auditor, PricewaterhouseCoopers LLP. The interim results do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The comparative results for the full year 2020 have been taken from the Group's 2020 Annual Report and Accounts (re-presented for those items noted in note B2). Therefore, these interim financial statements should be read in conjunction with the 2020 Annual Report and Accounts that were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS), the legal requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. PricewaterhouseCoopers LLP reported on the 2020 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 2020 Annual Report and Accounts has been filed with the Registrar of Companies.

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 condensed consolidated financial statements are stated in pounds sterling, which is the Group's functional and presentational currency. Unless otherwise noted, the amounts shown in the financial statements are in millions of pounds sterling (£m).

Going concern

A detailed going concern review has been undertaken as part of the 2021 interim reporting process. This review includes consideration of the Group's current and forecast solvency and liquidity positions over a minimum two-year period through management's 2021-2023 business plan and evaluates the results of stress and scenario testing. The Group's stress and scenario testing considers the Group's capacity to respond to a series of relevant financial, insurance or operational shocks should future circumstances or events differ from the current assumptions in the business plan, focusing on the impacts on Group solvency, cash remittances and liquidity.

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 twelve 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.

Accounting policies

The accounting policies applied in the condensed consolidated interim financial statements are the same as those applied in the Group's 2020 Annual Report and Accounts. In addition, during the period ended 30 June 2021, the Group adopted new amendments to IFRS effective for the Group on 1 January 2021, as described in the Group's 2020 Annual Report and Accounts, however these had no material effect on reported profit or loss or equity, the statement of financial position or the statement of cash flows. The Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS7, IFRS 4 and IFRS 16 were adopted by the UK on 5 January 2021. For further details on the transition to alternative risk-free rates please see note B19(g).

B2 – Changes to comparative amounts

(a) Discontinued operations

In the first half of 2021, Aviva announced the agreement to sell its entire shareholdings in its businesses in France and Poland, its remaining Italian Life and General Insurance businesses and its joint venture in Turkey. This includes the asset management businesses in France and Poland. In addition, in the second half of 2020, Aviva announced the completion of the disposal of its controlling interest in Friends Provident International Limited (FPI), its entire shareholdings in the Hong Kong and Indonesia joint ventures and its majority shareholding in Aviva Singapore. The sales of its entire shareholdings in Aviva Vietnam Life Insurance Limited and in its Italian life insurance joint venture (Aviva Vita) were also agreed.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the results of these operations have been reclassified as discontinued operations in these condensed consolidated financial statements, as they represent exits from separate major geographical areas of business. Profit from discontinued operations for the period ended 30 June 2021 has been shown as a single line in the condensed consolidated income statement and net cash flows from discontinued operations have been shown as a single line in the condensed consolidated statement of cash flows, with comparatives at 30 June 2020 and 31 December 2020 being re-presented accordingly. Further analysis of the results from discontinued operations is provided in note B4(d).

(b) Amendment to segmental analysis

At our interim results announcement on 6 August 2020, we announced our strategic priorities to focus on building and extending leadership in the UK, Ireland and Canada, and managing our other international businesses for long-term shareholder value. As a result, financial performance of our key markets is presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland GI businesses and Canada) and Aviva Investors. Our other continuing international businesses are presented as Strategic investments (consisting of our interest in Singapore (Aviva Singlife), India and China). The 2020 comparative results have been restated from those previously published to reclassify operations on this basis. See note B5 for further information.

B3 – Exchange rates

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

	6 months 2021	6 months 2020	Full year 2020
Eurozone			
Average rate (€1 equals)	**£0.87**	£0.88	£0.88
Period end rate (€1 equals)	**£0.86**	£0.91	£0.90
Canada			
Average rate ($CAD1 equals)	**£0.58**	£0.58	£0.58
Period end rate ($CAD1 equals)	**£0.58**	£0.59	£0.57
Poland			
Average rate (PLN1 equals)	**£0.19**	£0.20	£0.20
Period end rate (PLN1 equals)	**£0.19**	£0.20	£0.20

B4 – Strategic transactions

This note provides details of the acquisitions and disposals of subsidiaries, joint ventures and associates that the Group has made during the period, together with the details of business held for sale at 30 June 2021 and discontinued operations.

(a) Acquisitions

There have been no acquisitions in the 6 months to 30 June 2021. In the first half of 2020, the Group completed the acquisition of a further 40% shareholding in Wealthify, a Group subsidiary, for a consideration of £11 million. Following the transaction, Wealthify became a wholly owned subsidiary.

(b) Disposals and remeasurements

The (loss)/gain on the disposal and remeasurement of subsidiaries, joint ventures and associates comprises:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Disposals			
Aviva Vita (i)	**65**	—	—
Turkey (ii)	**(41)**	—	—
Singapore	**—**	—	674
Other	**1**	7	70
Held for sale remeasurements	**(538)**	(19)	(19)
Total (loss)/gain on disposals and remeasurements	**(513)**	(12)	725

The held for sale remeasurement loss of £(538) million relates to the French business (see section (c)(i)). In 2020, the net gain on disposal of £725 million primarily comprised the disposals of Friends Provident International Limited (FPI), Singapore, Indonesia and Hong Kong.

(i) Aviva Vita (Italy)

On 23 November 2020, Aviva announced the sale of its entire 80% shareholding in the Italian Life Insurer Aviva Vita S.p.A. (Aviva Vita) to its partner UBI Banca. The transaction completed on 1 April 2021 and resulted in a profit on disposal of £65 million calculated as follows:

	Aviva Vita £m
Assets	
Financial investments	15,790
Reinsurance assets	16
Receivables and other financial assets	333
Prepayments and accrued income	92
Cash and cash equivalents	188
Total assets	**16,419**
Liabilities	
Gross insurance liabilities	2,861
Gross liabilities for investment contracts	11,890
Unallocated divisible surplus	974
Borrowings	41
Payables and other financial liabilities	141
Tax liabilities	52
Other liabilities	67
Total liabilities	**16,026**
Net assets	**393**
Less: Non-controlling interests before disposal	(79)
Group's share of net assets disposed of	**314**
Total consideration	352
Less: transaction costs	(4)
Net consideration	**348**
Reserves recycled to the income statement	31
Profit on disposal	**65**

(ii) AvivaSA (Turkey)

On 24 February 2021, Aviva announced the sale of its entire 40% shareholding in its joint venture in Turkey, AvivaSA Emeklilik ve Hayat AS (AvivaSA), to Ageas Insurance International N.V. for cash consideration of £122 million. The transaction completed on 6 May 2021, resulting in a loss on disposal of £(41) million which included a £(112) million loss in relation to recycling of the currency translation reserve to the income statement.

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

In the first half of 2021, the Group has announced the sales of its holdings in France, Italy and Poland, which are pending regulatory approval and have been classified as operations held for sale in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations.* The assets and liabilities of operations classified as held for sale as at 30 June 2021 are as follows:

	France £m	Italy £m	Poland £m	Other £m	30 June 2021 Total £m	30 June 2020 Total £m	31 December 2020 Total £m
Assets							
Acquired value of in-force business and other intangible assets	28	8	79	18	133	447	18
Interests in, and loans to, joint ventures and associates	77	—	—	—	77	56	—
Property and equipment	151	—	11	19	181	8	69
Investment property	5,221	52	—	—	5,273	—	—
Loans	1,076	9	—	—	1,085	1	—
Financial investments	77,986	18,808	3,414	210	100,418	7,634	16,907
Reinsurance assets	205	145	21	—	371	44	18
Other assets	1,158	597	291	26	2,072	278	531
Cash and cash equivalents	2,484	250	184	13	2,931	862	190
Total assets	**88,386**	**19,869**	**4,000**	**286**	**112,541**	9,330	17,733
Liabilities							
Gross insurance liabilities	19,280	8,360	3,125	194	30,959	668	3,166
Gross liabilities for investment contracts	55,745	9,478	2	—	65,225	8,123	12,425
Unallocated divisible surplus	4,867	1,046	62	—	5,975	—	1,234
Net assets attributable to unit holders	2,905	—	—	—	2,905	—	—
Borrowings	64	11	—	—	75	26	43
Other liabilities	3,458	223	369	16	4,066	116	308
Total liabilities	**86,319**	**19,118**	**3,558**	**210**	**109,205**	8,933	17,176
Net assets[1]	**2,067**	**751**	**442**	**76**	**3,336**	397	557

1 Net assets at 30 June 2021 include amounts attributable to non-controlling interests of £301 million for France, £243 million for Italy and £86 million for Poland.

Other items primarily comprise the Group's operations in Vietnam (disposal announced in 2020).

Assets and liabilities classified as held for sale as at 30 June 2020 comprised primarily of FPI and also included the Group's operations in Hong Kong and Indonesia. Assets and liabilities classified as held for sale at 31 December 2020 related primarily to the expected disposal of the Group's operations in Vietnam and of Aviva Vita.

Cumulative income/(expense) recognised in other comprehensive income relating to disposal groups classified as held for sale is as follows:

Operations classified as held for sale	France £m	Italy £m	Poland £m	Other £m	30 June 2021 Total £m	30 June 2020 Total £m	31 December 2020 Total £m
Cumulative income/(expense) recognised in other comprehensive income	**136**	**73**	**51**	**(10)**	**250**	17	32

(i) Aviva France

On 23 February 2021, Aviva announced the sale of its entire shareholding in Aviva France to Aéma Group for cash consideration of €3,200 million (approximately £2,751 million), including €1,100 million (approximately £945 million) in respect of Aviva France's intra-group debt. The transaction covers the French life, general insurance and asset management businesses and the 75% shareholding in L'Union Financière de France, a wealth manager listed on the Paris Bourse. The transaction is subject to customary closing conditions, including regulatory approval, and is expected to complete in the second half of 2021.

The fair value of the consideration, net of the settlement of Aviva France's intra-group debt and estimated costs to sell, is £1,766 million at 30 June 2021. The carrying amount of the Group's holding in France was higher than the fair value of the consideration less costs to sell, and therefore a loss on remeasurement of £(538) million has been recognised in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*. The business remains a consolidated subsidiary of Aviva at the balance sheet date. The calculation of the loss on remeasurement and carrying value at 30 June 2021 are shown below:

	France £m
Carrying value as at 30 June 2021	**2,067**
Less: amounts attributable to non-controlling interests	**(301)**
Carrying value net of controlling interests at 30 June 2021[1]	**1,766**
Carrying value net of non-controlling interests before remeasurement	**2,304**
Loss on remeasurement (B4(b))	**(538)**

1 The carrying value has been remeasured at the fair value of the consideration less estimated costs to sell.

The transaction will significantly strengthen the Group's capital and liquidity on completion.

(ii) Aviva Italy

On 3 March 2021, the Group entered into agreements to sell its remaining Italian Life and General Insurance businesses (Aviva Italy). The sale of the remaining life businesses primarily comprises the entire 100% shareholding in Aviva Life S.p.A. and the 51% shareholding in Aviva S.p.A. to CNP Assurances for cash consideration of €543 million (approximately £466 million). The sale of the general insurance business comprises the entire 100% shareholding in Aviva Italia S.p.A. to Allianz for cash consideration of €330 million (approximately £283 million). The transactions are subject to customary closing conditions, including regulatory and anti-trust approvals, and are expected to complete in the second half of 2021. The transactions would have increased IFRS net asset value attributable to shareholders of Aviva plc by approximately £0.2 billion had they completed at 30 June 2021. Following completion of these transactions, Aviva will retain Aviva Italia Holdings S.p.A, which will have no underlying operating insurance entities. These businesses are measured at their carrying amount and remain consolidated subsidiaries of Aviva at the balance sheet date.

(iii) Aviva Poland

On 26 March 2021, Aviva announced the sale of its entire shareholding in its life insurance business in Poland and Lithuania, and its Polish general insurance, asset management and pensions businesses, to Allianz for cash consideration of €2.5 billion (approximately £2.1 billion). The transaction is subject to customary closing conditions, including regulatory and anti-trust approvals, and is expected to complete by the end of 2021. The transaction would have increased IFRS net asset value attributable to shareholders of Aviva plc by approximately £1.8 billion had it completed at 30 June 2021. The business is measured at its carrying amount and remains a consolidated subsidiary of Aviva at the balance sheet date.

(iv) Vietnam

On 14 December 2020, Aviva announced the sale of its entire shareholding in Aviva Vietnam Life Insurance Limited to Manulife Financial Asia Limited. The transaction is expected to complete in the second half of 2021, subject to regulatory approvals. The business is measured at its carrying amount and remains a consolidated subsidiary of Aviva at the balance sheet date.

(d) Discontinued operations

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the results of the operations noted in note B2(a) have been reclassified as discontinued operations in these condensed consolidated financial statements. Profit from discontinued operations for the period ended 30 June 2021 has been shown as a single line in the condensed consolidated income statement and net cash flows from discontinued operations have been shown as a single line in the condensed consolidated statement of cash flows, with the comparatives at 30 June 2020 and 31 December 2020 being re-presented accordingly. Notes to the condensed consolidated statement of financial position are presented on a total group basis and, as a result, income statement and cash flow movements included within these notes may not reconcile to those presented in the condensed consolidated income statement and the condensed consolidated statement of cash flows.

Further analysis of the results and cash flows for the discontinued operations presented in the condensed consolidated financial statements are analysed below.

Income Statement

Discontinued operations	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Gross written premiums	**6,081**	5,822	11,896
Premiums ceded to reinsurers	**(77)**	(185)	(325)
Net written premiums	**6,004**	5,637	11,571
Net change in provision for unearned premiums	**(146)**	(125)	(25)
Net earned premiums	**5,858**	5,512	11,546
Net investment income/(expense)	**824**	(2,360)	4,478
Other income	**309**	394	748
Share of profit after tax of joint ventures and associates	**10**	11	18
(Loss)/profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**(514)**	(19)	713
Total income	**6,487**	3,538	17,503
Claims and benefits paid, net of recoveries from reinsurers	**(4,193)**	(4,358)	(8,766)
Change in insurance liabilities, net of reinsurance	**(2,360)**	(391)	(1,914)
Change in investment contract provisions	**(1,323)**	1,228	(819)
Change in unallocated divisible surplus	**1,867**	995	(2,194)
Other expenses	**(758)**	(947)	(2,061)
Total expenses	**(6,767)**	(3,473)	(15,754)
(Loss)/profit before tax from discontinued operations	**(280)**	65	1,749
Tax attributable to policyholders' returns	**—**	1	(44)
(Loss)/profit before tax attributable to shareholders' profits from discontinued operations	**(280)**	66	1,705
Tax attributable to shareholders' profits	**(34)**	(36)	(261)
(Loss)/profit for the period from discontinued operations	**(314)**	30	1,444

Reconciliation of Group adjusted operating profit to profit for the period

Discontinued operations	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Group adjusted operating profit from discontinued operations	**407**	604	1,355
Adjusted for the following:			
Reclassification of unallocated interest	**(25)**	(26)	(53)
Life business: Investment variances and economic assumption changes	**(152)**	(332)	(166)
Non-life business: Short-term fluctuation in return on investments	**(8)**	(86)	(43)
General insurance and health business: Economic assumption changes	**16**	(7)	(20)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**—**	(1)	(1)
Amortisation and impairment of intangibles acquired in business combinations	**(3)**	(8)	(14)
Amortisation and impairment of acquired value of in-force business	**(1)**	(59)	(66)
(Loss)/profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**(514)**	(19)	713
Adjusting items before tax	**(687)**	(538)	350
(Loss)/profit before tax attributable to shareholders' profits from discontinued operations	**(280)**	66	1,705

Other Comprehensive Income

Discontinued operations	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Other comprehensive income from discontinued operations:			
Items that may be reclassified subsequently to income statement			
Investments classified as available for sale			
Fair value (losses)/gains	**(45)**	3	23
Fair value (losses)/gains transferred to profit on disposals	**(9)**	(1)	(7)
Share of other comprehensive (loss)/income of joint venture and associates	**—**	(2)	1
Foreign exchange rate movements	**(179)**	300	186
Aggregate tax effect - shareholder tax on items that may be reclassified	**14**	2	(2)
Total other comprehensive (loss)/income for the period from discontinued operations	**(219)**	302	201

Cash flows

Discontinued operations	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Total net cash (used in)/from operating activities	**(620)**	395	403
Cash proceeds from disposal of subsidiaries, joint ventures and associates	**466**	—	1,208
Less: Net cash and cash equivalents divested with subsidiaries	**(188)**	—	(1,065)
Other investing activities	**(12)**	(11)	(26)
Total net cash from/(used in) investing activities	**266**	(11)	117
Total net cash used in financing activities	**(42)**	(14)	(17)
Net cash flows (used in)/from discontinued operations	**(396)**	370	503

(e) Significant restrictions

In certain jurisdictions the ability of subsidiaries to transfer funds to the Group in the form of cash dividends or to repay loans and advances is subject to local corporate or insurance laws and regulations and solvency requirements. There are no protective rights of non-controlling interests which significantly restrict the Group's ability to access or use the assets and settle the liabilities of the Group.

B5 – Segmental information

The Group's results can be segmented either by activity or by geography. Our primary reporting format is along market reporting lines, with supplementary information being given by business activity. This note provides segmental information on the condensed consolidated income statement. In 2020, we announced our strategic priorities to focus on building and extending leadership in the UK, Ireland and Canada, and managing other International businesses for long-term shareholder value. As a result, financial performance of our key markets are presented as UK & Ireland Life, General Insurance (which brings together our UK & Ireland GI businesses and Canada) and Aviva Investors. Our other continuing International businesses are presented as Strategic investments (consisting of our interest in Singapore (Aviva Singlife), China and India). Following the announcement of a number of disposals during the first half of 2021, the results of our other International businesses: France, Italy, Poland, Asia and Other, are presented as discontinued operations. The 2020 comparative results have been restated (see note B2) from those previously published to reclassify operations on the basis above. Segmental information is presented for continuing operations only, an analysis of results from discontinued operations is presented in note B4(d).

(a) Operating segments

UK & Ireland Life

The principal activities of our UK & Ireland Life operations are life insurance, long-term health and accident insurance, savings, pensions and annuity business.

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 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.

Strategic investments

Strategic investments comprise our long-term business operations in China, India and Singapore. These have been aggregated into a single reporting segment in line with IFRS 8 *Operating Segments*.

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

(a) (i) Segmental income statement for the six month period ended 30 June 2021

Continuing operations	UK & Ireland Life £m	General Insurance: UK & Ireland GI £m	General Insurance: Canada £m	Aviva Investors £m	Strategic investments £m	Other Group activities £m	Total continuing operations £m
Gross written premiums	3,903	2,705	1,661	—	—	—	8,269
Premiums ceded to reinsurers	(1,025)	(271)	(96)	—	—	—	(1,392)
Premiums written net of reinsurance	2,878	2,434	1,565	—	—	—	6,877
Net change in provision for unearned premiums	(47)	(165)	(17)	—	—	—	(229)
Net earned premiums	2,831	2,269	1,548	—	—	—	6,648
Fee and commission income	556	52	15	100	—	5	728
	3,387	2,321	1,563	100	—	5	7,376
Net investment income/(expense)	7,177	(75)	(32)	20	—	261	7,351
Inter-segment revenue	—	—	—	107	—	—	107
Share of profit/(loss) after tax of joint ventures and associates	(6)	—	1	—	47	6	48
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	1	1	—	—	(1)	1
Segmental income[1]	10,558	2,247	1,533	227	47	271	14,883
Claims and benefits paid, net of recoveries from reinsurers	(4,284)	(1,226)	(738)	—	—	—	(6,248)
Change in insurance liabilities, net of reinsurance	3,698	(123)	(90)	—	—	—	3,485
Change in investment contract provisions	(8,426)	—	—	(20)	—	—	(8,446)
Change in unallocated divisible surplus	1	—	—	—	—	—	1
Fee and commission expense	(409)	(680)	(496)	(13)	—	(2)	(1,600)
Investment expense attributable to unitholders	—	—	—	—	—	(274)	(274)
Other expenses	(511)	(152)	(67)	(175)	—	(108)	(1,013)
Inter-segment expenses	(99)	(3)	(3)	—	—	(2)	(107)
Finance costs	(88)	(1)	(3)	—	—	(193)	(285)
Segmental expenses	(10,118)	(2,185)	(1,397)	(208)	—	(579)	(14,487)
Profit/(loss) before tax	440	62	136	19	47	(308)	396
Tax attributable to policyholders' returns	(119)	—	—	—	—	—	(119)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	321	62	136	19	47	(308)	277
Adjusting items:							
Reclassification of unallocated interest	7	(5)	12	—	—	(39)	(25)
Life business: Investment variances and economic assumption changes	103	—	—	—	4	—	107
Non-life business: Short-term fluctuation in return on investments	—	92	81	—	—	(26)	147
General insurance and health business: Economic assumption changes	—	43	(4)	—	—	—	39
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	—	—	—	—	—
Amortisation and impairment of intangibles acquired in business combinations	22	—	5	—	—	—	27
Amortisation and impairment of acquired value of in-force business	95	—	—	—	4	—	99
(Profit)/loss on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	(1)	(1)	—	—	1	(1)
Other[2]	(3)	—	—	—	—	58	55
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	545	191	229	19	55	(314)	725

1 Total reported income, excluding inter-segment revenue, includes £12,130 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 £51 million in relation to the redemption payment in excess of the market value of debt repaid as part of the Group's deleveraging strategy, a charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases held by the Aviva Investor REaLM Ground Rent Fund and a net release of £3 million of certain provisions assumed as part of historic acquisition activities.

(a) (ii) Segmental income statement for the six month period ended 30 June 2020 — restated[1]

Continuing operations	UK & Ireland Life £m	General Insurance: UK & Ireland GI £m	General Insurance: Canada £m	Aviva Investors £m	Strategic investments £m	Other Group activities £m	Total continuing operations[1] £m
Gross written premiums	5,300	2,527	1,580	—	—	—	9,407
Premiums ceded to reinsurers	(1,556)	(186)	(78)	—	—	—	(1,820)
Premiums written net of reinsurance	3,744	2,341	1,502	—	—	—	7,587
Net change in provision for unearned premiums	(39)	(41)	6	—	—	—	(74)
Net earned premiums	3,705	2,300	1,508	—	—	—	7,513
Fee and commission income	522	49	13	95	—	1	680
	4,227	2,349	1,521	95	—	1	8,193
Net investment (expense)/income	(978)	47	124	(17)	—	(455)	(1,279)
Inter-segment revenue	—	—	—	102	—	—	102
Share of profit/(loss) after tax of joint ventures and associates	(26)	—	—	—	22	59	55
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	7	—	—	—	7
Segmental income[2]	3,223	2,396	1,652	180	22	(395)	7,078
Claims and benefits paid, net of recoveries from reinsurers	(4,483)	(1,280)	(874)	—	—	—	(6,637)
Change in insurance liabilities, net of reinsurance	(2,697)	(360)	(70)	—	—	(2)	(3,129)
Change in investment contract provisions	5,703	—	—	14	—	—	5,717
Change in unallocated divisible surplus	339	—	—	—	—	—	339
Fee and commission expense	(352)	(656)	(449)	(14)	—	(20)	(1,491)
Investment income attributable to unitholders	—	—	—	—	—	518	518
Other expenses	(517)	(260)	(95)	(172)	—	(235)	(1,279)
Inter-segment expenses	(96)	(3)	(3)	—	—	—	(102)
Finance costs	(94)	(2)	(3)	—	—	(176)	(275)
Segmental expenses	(2,197)	(2,561)	(1,494)	(172)	—	85	(6,339)
Profit/(loss) before tax	1,026	(165)	158	8	22	(310)	739
Tax attributable to policyholders' returns	271	—	—	—	—	—	271
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,297	(165)	158	8	22	(310)	1,010
Adjusting items:							
Reclassification of unallocated interest	26	(7)	16	1	—	(62)	(26)
Life business: Investment variances and economic assumption changes	(632)	—	—	—	(5)	—	(637)
Non-life business: Short-term fluctuation in return on investments	—	91	(72)	—	—	66	85
General insurance and health business: Economic assumption changes	—	31	7	—	—	—	38
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	16	—	—	—	16
Amortisation and impairment of intangibles acquired in business combinations	25	—	11	—	—	—	36
Amortisation and impairment of acquired value of in-force business	106	—	—	—	—	—	106
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	(7)	—	—	—	(7)
Other	—	—	—	—	—	—	—
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	822	(50)	129	9	17	(306)	621

1 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.
2 Total reported income, excluding inter-segment revenue, includes £5,598 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.

(a) (iii) Segmental income statement for the year ended 31 December 2020 - restated[1]

Continuing operations	UK & Ireland Life £m	General Insurance: UK & Ireland GI £m	General Insurance: Canada £m	Aviva Investors £m	Strategic investments £m	Other Group activities £m	Total continuing operations[1] £m
Gross written premiums	10,268	5,051	3,271	—	—	—	18,590
Premiums ceded to reinsurers	(2,904)	(421)	(175)	—	—	—	(3,500)
Premiums written net of reinsurance	7,364	4,630	3,096	—	—	—	15,090
Net change in provision for unearned premiums	(1)	(38)	(56)	—	—	—	(95)
Net earned premiums	7,363	4,592	3,040	—	—	—	14,995
Fee and commission income	989	101	25	198	—	4	1,317
	8,352	4,693	3,065	198	—	4	16,312
Net investment income	13,842	123	227	28	—	751	14,971
Inter-segment revenue	—	—	—	213	—	—	213
Share of (loss)/profit after tax of joint ventures and associates	(58)	—	—	—	52	3	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	12	—	—	—	12
Segmental income[2]	22,136	4,816	3,304	439	52	758	31,505
Claims and benefits paid, net of recoveries from reinsurers	(8,748)	(2,559)	(1,712)	—	—	(9)	(13,028)
Change in insurance liabilities, net of reinsurance	(4,505)	(345)	(148)	—	—	7	(4,991)
Change in investment contract provisions	(5,221)	—	—	(31)	—	—	(5,252)
Change in unallocated divisible surplus	505	—	—	—	—	—	505
Fee and commission expense	(730)	(1,372)	(914)	(27)	—	(4)	(3,047)
Investment expense attributable to unitholders	—	—	—	—	—	(588)	(588)
Other expenses	(1,112)	(474)	(168)	(357)	—	(419)	(2,530)
Inter-segment expenses	(201)	(5)	(7)	—	—	—	(213)
Finance costs	(166)	(4)	(6)	—	—	(373)	(549)
Segmental expenses	(20,178)	(4,759)	(2,955)	(415)	—	(1,386)	(29,693)
Profit/(loss) before tax	1,958	57	349	24	52	(628)	1,812
Tax attributable to policyholders' returns	(43)	—	—	—	—	—	(43)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,915	57	349	24	52	(628)	1,769
Adjusting items:							
Reclassification of unallocated interest	48	(13)	29	1	—	(118)	(53)
Life business: Investment variances and economic assumption changes	(314)	—	—	—	(26)	—	(340)
Non-life business: Short-term fluctuation in return on investments	—	92	(118)	—	—	47	21
General insurance and health business: Economic assumption changes	—	77	7	—	—	—	84
Impairment of goodwill, joint ventures, associates and other amounts expensed	—	—	16	—	—	13	29
Amortisation and impairment of intangibles acquired in business combinations	46	—	16	—	—	—	62
Amortisation and impairment of acquired value of in-force business	212	—	—	—	—	—	212
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	—	(12)	—	—	—	(12)
Other[3]	—	—	—	—	—	34	34
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,907	213	287	25	26	(652)	1,806

1 The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.
2 Total reported income, excluding inter-segment revenue, includes £26,051 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.
3 Other includes a charge of £16 million relating to costs on contracts that have become onerous following the disposals of FPI, Singapore, Indonesia and Hong Kong and a charge of £18 million relating to the estimated additional liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP).

(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.

(b) (i) Segmental income statement – products and services for the six month period ended 30 June 2021

Continuing operations	Long-term business £m	General insurance and health[1] £m	Fund management £m	Other £m	Total continuing operations £m
Gross written premiums[2]	3,619	4,650	—	—	8,269
Premiums ceded to reinsurers	(1,026)	(366)	—	—	(1,392)
Premiums written net of reinsurance	2,593	4,284	—	—	6,877
Net change in provision for unearned premiums	—	(229)	—	—	(229)
Net earned premiums	2,593	4,055	—	—	6,648
Fee and commission income	556	63	98	11	728
	3,149	4,118	98	11	7,376
Net investment income	7,177	(106)	(1)	281	7,351
Inter-segment revenue	—	—	108	—	108
Share of profit/(loss) after tax of joint ventures and associates	42	1	(1)	6	48
Profit/(loss) on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	2	—	(1)	1
Segmental income	10,368	4,015	204	297	14,884
Claims and benefits paid, net of recoveries from reinsurers	(4,123)	(2,125)	—	—	(6,248)
Change in insurance liabilities, net of reinsurance	3,703	(218)	—	—	3,485
Change in investment contract provisions	(8,446)	—	—	—	(8,446)
Change in unallocated divisible surplus	1	—	—	—	1
Fee and commission expense	(388)	(1,198)	(13)	(1)	(1,600)
Investment expense attributable to unitholders	—	—	—	(274)	(274)
Other expenses	(479)	(253)	(173)	(108)	(1,013)
Inter-segment expenses	(101)	(7)	—	—	(108)
Finance costs	(75)	(3)	—	(207)	(285)
Segmental expenses	(9,908)	(3,804)	(186)	(590)	(14,488)
Profit/(loss) before tax	460	211	18	(293)	396
Tax attributable to policyholders' returns	(119)	—	—	—	(119)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	341	211	18	(293)	277
Adjusting items	237	224	—	(13)	448
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	578	435	18	(306)	725

1 General insurance and health business segment includes gross written premiums of £284 million relating to health business. The remaining business relates to property and liability insurance.
2 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £100 million, which all relates to property and liability insurance.

(b) (ii) Segmental income statement – products and services for the six month period ended 30 June 2020[1]

Continuing operations	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total continuing operations[1] £m
Gross written premiums[3]	5,063	4,344	—	—	9,407
Premiums ceded to reinsurers	(1,556)	(264)	—	—	(1,820)
Premiums written net of reinsurance	3,507	4,080	—	—	7,587
Net change in provision for unearned premiums	—	(74)	—	—	(74)
Net earned premiums	3,507	4,006	—	—	7,513
Fee and commission income	523	57	93	7	680
	4,030	4,063	93	7	8,193
Net investment (expense)/income	(1,012)	171	(4)	(434)	(1,279)
Inter-segment revenue	—	—	105	—	105
Share of profit/(loss) after tax of joint ventures and associates	(2)	—	—	57	55
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	7	—	—	7
Segmental income	3,016	4,241	194	(370)	7,081
Claims and benefits paid, net of recoveries from reinsurers	(4,342)	(2,295)	—	—	(6,637)
Change in insurance liabilities, net of reinsurance	(2,709)	(420)	—	—	(3,129)
Change in investment contract provisions	5,717	—	—	—	5,717
Change in unallocated divisible surplus	339	—	—	—	339
Fee and commission expense	(330)	(1,127)	(14)	(20)	(1,491)
Investment income attributable to unitholders	—	—	—	518	518
Other expenses	(480)	(374)	(172)	(253)	(1,279)
Inter-segment expenses	(99)	(6)	—	—	(105)
Finance costs	(77)	(5)	—	(193)	(275)
Segmental expenses	(1,981)	(4,227)	(186)	52	(6,342)
Profit/(loss) before tax	1,035	14	8	(318)	739
Tax attributable to policyholders' returns	271	—	—	—	271
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,306	14	8	(318)	1,010
Adjusting items	(473)	74	1	9	(389)
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	833	88	9	(309)	621

1 The 2020 comparative results have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note B2.
2 General insurance and health business segment includes gross written premiums of £236 million relating to health business. The remaining business relates to property and liability insurance.
3 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £35 million relating to property and liability insurance.

(b) (iii) Segmental income statement – products and services for the year ended 31 December 2020[1]

Continuing operations	Long-term business £m	General insurance and health[2] £m	Fund management £m	Other £m	Total continuing operations[1] £m
Gross written premiums[3]	9,837	8,753	—	—	18,590
Premiums ceded to reinsurers	(2,904)	(596)	—	—	(3,500)
Premiums written net of reinsurance	6,933	8,157	—	—	15,090
Net change in provision for unearned premiums	—	(95)	—	—	(95)
Net earned premiums	6,933	8,062	—	—	14,995
Fee and commission income	990	120	194	13	1,317
	7,923	8,182	194	13	16,312
Net investment income/(expense)	13,828	349	(6)	800	14,971
Inter-segment revenue	—	—	216	—	216
Share of (loss)/profit after tax of joint ventures and associates	(14)	(4)	—	15	(3)
Profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	—	12	—	—	12
Segmental income	21,737	8,539	404	828	31,508
Claims and benefits paid, net of recoveries from reinsurers	(8,464)	(4,564)	—	—	(13,028)
Change in insurance liabilities, net of reinsurance	(4,511)	(480)	—	—	(4,991)
Change in investment contract provisions	(5,252)	—	—	—	(5,252)
Change in unallocated divisible surplus	505	—	—	—	505
Fee and commission expense	(688)	(2,328)	(27)	(4)	(3,047)
Investment expense attributable to unitholders	—	—	—	(588)	(588)
Other expenses	(1,034)	(688)	(353)	(455)	(2,530)
Inter-segment expenses	(203)	(13)	—	—	(216)
Finance costs	(135)	(10)	—	(404)	(549)
Segmental expenses	(19,782)	(8,083)	(380)	(1,451)	(29,696)
Profit/(loss) before tax	1,955	456	24	(623)	1,812
Tax attributable to policyholders' returns	(43)	—	—	—	(43)
Profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,912	456	24	(623)	1,769
Adjusting items	(9)	80	1	(35)	37
Group adjusted operating profit/(loss) before tax attributable to shareholders' profits from continuing operations	1,903	536	25	(658)	1,806

1 The 2020 comparative results have been re-presented from those previously published to reclassify the amounts relating to certain operations as discontinued operations as described in note B2.
2 General insurance and health business segment includes gross written premiums of £95 million relating to health business. The remaining business relates to property and liability insurance.
3 Gross written premiums include inward reinsurance premiums assumed from other companies amounting to £430 million, which all relates to property and liability insurance.

B6 – Tax

This note analyses the tax charge for the period and explains the factors that affect it. The comparative amounts in (a), (b) and (d) have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in note B2.

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

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

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Continuing operations			
Current tax			
For the period	**152**	241	426
Prior period adjustments	**(8)**	(14)	(62)
Total current tax from continuing operations	**144**	227	364
Deferred tax			
Origination and reversal of temporary differences	**38**	(327)	—
Changes in tax rates or tax laws	**99**	(8)	(7)
Write (back) /down of deferred tax assets	**(1)**	3	(11)
Total deferred tax from continuing operations	**136**	(332)	(18)
Total tax charged/(credited) to income statement from continuing operations	**280**	(105)	346
Total tax charged to income statement from discontinued operations	**34**	35	305
Total tax charged/(credited) to income statement	**314**	(70)	651

(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 life insurance policyholder returns is included in the tax charge. The tax charge attributable to policyholder returns included in the charge above is £119 million (HY20: credit of £272 million; 2020: charge of £87 million) of which £119 million (HY20: £271 million; 2020: £43 million) relates to continuing operations and £nil (HY20: £1 million; 2020: £44 million) relates to discontinued operations.

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

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Continuing operations			
UK tax	**253**	(143)	256
Overseas tax	**27**	38	90
	280	(105)	346

(b) Tax charged to other comprehensive income

(i) The total tax charge comprises:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Current tax from continuing operations			
In respect of pensions and other post-retirement obligations	**(16)**	(19)	(34)
In respect of foreign exchange movements	**(6)**	15	9
	(22)	(4)	(25)
Deferred tax from continuing operations			
In respect of pensions and other post-retirement obligations	**165**	219	55
Total tax charged to other comprehensive income arising from continuing operations	**143**	215	30
Total tax (credited)/charged to other comprehensive income from discontinued operations	**(14)**	(2)	3
Total tax charged to other comprehensive income	**129**	213	33

(ii) There is no tax charge/(credit) attributable to policyholders' return included above in either 2021 or 2020.

(c) Tax charged/(credited) to equity

No tax has been directly charged/(credited) to equity in either 2020 or 2021.

(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:

	Shareholder £m	Policyholder £m	6 months 2021 £m	Shareholder £m	Policyholder £m	6 months 2020 £m	Shareholder £m	Policyholder £m	Full Year 2020 £m
Profit / (loss) before tax - Continuing Operations	**277**	**119**	**396**	1,010	(271)	739	1,769	43	1,812
(Loss) / profit before tax - Discontinued Operations	**(280)**	**—**	**(280)**	66	(1)	65	1,705	44	1,749
Total (loss)/profit before tax	**(3)**	**119**	**116**	1,076	(272)	804	3,474	87	3,561
Tax calculated at standard UK corporation tax rate of 19.00% (2020: 19.00%)	**(1)**	**23**	**22**	205	(52)	153	660	17	677
Reconciling items									
Different basis of tax – policyholders	**—**	**96**	**96**	—	(221)	(221)	—	73	73
Adjustment to tax charge in respect of prior periods	**(9)**	**—**	**(9)**	(19)	—	(19)	(30)	—	(30)
Non-assessable income and items not taxed at the full statutory rate	**(15)**	**—**	**(15)**	(80)	—	(80)	(72)	—	(72)
Non-taxable profit on sale of subsidiaries and associates	**96**	**—**	**96**	—	—	—	(138)	—	(138)
Disallowable expenses	**30**	**—**	**30**	17	—	17	33	—	33
Different local basis of tax on overseas profits	**27**	**—**	**27**	22	1	23	100	(3)	97
Change in future local statutory tax rates	**87**	**—**	**87**	49	—	49	30	—	30
Movement in deferred tax not recognised	**(3)**	**—**	**(3)**	14	—	14	(3)	—	(3)
Tax effect of profit from joint ventures and associates	**(10)**	**—**	**(10)**	(5)	—	(5)	(10)	—	(10)
Other	**(7)**	**—**	**(7)**	(1)	—	(1)	(6)	—	(6)
Total tax charged/(credited) to income statement	**195**	**119**	**314**	202	(272)	(70)	564	87	651

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.

During 2020, the reduction in the rate of corporation tax in the UK that was due to take effect was cancelled, and as a result, the rate remained at 19%. This rate was used in the calculation of deferred tax assets in the UK at 30 June 2020 and 31 December 2020.

In addition, the UK Government has announced an increase in the UK corporation tax rate to 25% to take effect from 1 April 2023. This revised rate has been used in the calculation of the UK's deferred tax assets and liabilities as at 30 June 2021 and increased the Group's deferred tax liabilities by £233 million.

The French government has introduced a stepped reduction to the French corporation tax rate from 34.43% to 25.83% from 1 January 2022. These reduced rates were used in the calculation of deferred tax assets and liabilities in France at 31 December 2020 and 30 June 2021.

B7 – 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 in the period. The comparative amounts in (a) and (b) have been re-presented from those previously published to reclassify certain operations as discontinued operations as described in note B2.

Notes to the condensed consolidated financial statements continued

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	6 months 2021			6 months 2020			Full year 2020		
	Group adjusted operating profit £m	**Adjusting items £m**	**Total £m**	Group adjusted operating profit £m	Adjusting items £m	Total £m	Group adjusted operating profit £m	Adjusting items £m	Total £m
Continuing operations									
Profit before tax attributable to shareholders' profits	**725**	**(448)**	**277**	621	389	1,010	1,806	(37)	1,769
Tax attributable to shareholders' profits	**(168)**	**7**	**(161)**	(105)	(61)	(166)	(323)	20	(303)
Profit from continuing operations	**557**	**(441)**	**116**	516	328	844	1,483	(17)	1,466
Amount attributable to non-controlling interests	**(10)**	**—**	**(10)**	(10)	—	(10)	(21)	—	(21)
Cumulative preference dividends for the period	**(9)**	**—**	**(9)**	(9)	—	(9)	(17)	—	(17)
Coupon payments in respect of DCI (net of tax)	**—**	**—**	**—**	(27)	—	(27)	(27)	—	(27)
Profit attributable to ordinary shareholders from continuing operations	**538**	**(441)**	**97**	470	328	798	1,418	(17)	1,401
Profit/(loss) attributable to ordinary shareholders from discontinued operations	**287**	**(626)**	**(339)**	447	(460)	(13)	967	386	1,353
Profit/(loss) attributable to ordinary shareholders	**825**	**(1,067)**	**(242)**	917	(132)	785	2,385	369	2,754

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

	6 months 2021			6 months 2020			Full year 2020		
	Before tax £m	**Net of tax, NCI and preference dividends £m**	**Per share p**	Before tax £m	Net of tax, NCI, preference dividends and DCI £m	Per share p	Before tax £m	Net of tax, NCI, preference dividends and DCI £m	Per share p
Continuing operations									
Group adjusted operating profit attributable to ordinary shareholders[1]	**725**	**538**	**13.7**	621	470	12.0	1,806	1,418	36.1
Adjusting items:									
Reclassification of unallocated interest	**25**	**25**	**0.6**	26	26	0.7	53	53	1.4
Life business: Investment variances and economic assumption changes	**(107)**	**(109)**	**(2.8)**	637	543	13.8	340	277	7.1
Non-life business: Short-term fluctuation in return on investments	**(147)**	**(100)**	**(2.6)**	(85)	(90)	(2.3)	(21)	(15)	(0.4)
General insurance and health business: Economic assumption changes	**(39)**	**(32)**	**(0.8)**	(38)	(31)	(0.8)	(84)	(67)	(1.7)
Impairment of goodwill, joint ventures, associates and other amounts expensed	**—**	**—**	**—**	(16)	(14)	(0.4)	(29)	(27)	(0.7)
Amortisation and impairment of intangibles acquired in business combinations	**(27)**	**(25)**	**(0.6)**	(36)	(26)	(0.7)	(62)	(47)	(1.2)
Amortisation and impairment of acquired value of in-force business	**(99)**	**(153)**	**(3.9)**	(106)	(86)	(2.2)	(212)	(172)	(4.4)
Profit/(loss) on disposal and remeasurement of subsidiaries, joint ventures and associates	**1**	**(1)**	**—**	7	6	0.2	12	12	0.3
Other	**(55)**	**(46)**	**(1.1)**	—	—	—	(34)	(31)	(0.8)
Profit attributable to ordinary shareholders from continuing operations	**277**	**97**	**2.5**	**1,010**	**798**	**20.3**	**1,769**	**1,401**	**35.7**
Discontinued operations									
Group adjusted operating profit attributable to ordinary shareholders[1]	**407**	**287**	**7.3**	604	447	11.4	1,355	967	24.7
Adjusting items	**(687)**	**(626)**	**(16.0)**	(538)	(460)	(11.7)	350	386	9.8
(Loss)/profit attributable to ordinary shareholders from discontinued operations	**(280)**	**(339)**	**(8.7)**	66	(13)	(0.3)	1,705	1,353	34.5
(Loss)/profit attributable to ordinary shareholders	**(3)**	**(242)**	**(6.2)**	1,076	785	20.0	3,474	2,754	70.2

1 Group adjusted operating earnings per share from continuing operations and discontinued operations is 21.0p (HY20: 23.4p, 2020: 60.8p).

(iii) The calculation of basic earnings per share uses a weighted average of 3,927 million (HY20: 3,923 million, 2020: 3,925 million) ordinary shares in issue, after deducting treasury shares. The actual number of shares in issue at 30 June 2021 was 3,930 million (HY20: 3,928 million, 2020: 3,928 million) or 3,916 million (HY20: 3,927 million, 2020: 3,926 million) excluding treasury shares.

(b) Diluted earnings per share

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

	6 months 2021			6 months 2020[1]			Full year 2020		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Continuing operations									
Profit attributable to ordinary shareholders	97	3,927	2.5	798	3,923	20.3	1,401	3,925	35.7
Dilutive effect of share awards and options		31	—		12	—		19	(0.2)
Diluted earnings per share from continuing operations	97	3,958	2.5	798	3,935	20.3	1,401	3,944	35.5
Discontinued operations									
(Loss)/profit attributable to ordinary shareholders	(339)	3,927	(8.7)	(13)	3,923	(0.3)	1,353	3,925	34.5
Dilutive effect of share awards and options		31	—		12	—		19	(0.2)
Diluted earnings per share from discontinued operations	(339)	3,958	(8.7)	(13)	3,935	(0.3)	1,353	3,944	34.3
Diluted earnings per share	(242)	3,958	(6.2)	785	3,935	20.0	2,754	3,944	69.8

1 Following a revision to the methodology to correctly allow for unvested share options in the calculation of the dilutive effect of share awards, comparative amounts for the first half of 2020 have been amended from those previously reported.

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

	6 months 2021			6 months 2020[1]			Full year 2020		
	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p	Total £m	Weighted average number of shares million	Per share p
Continuing operations									
Group adjusted operating profit attributable to ordinary shareholders	538	3,927	13.7	470	3,923	12.0	1,418	3,925	36.1
Dilutive effect of share awards and options		31	(0.1)		12	(0.1)		19	(0.2)
Diluted group adjusted operating profit per share from continuing operations	538	3,958	13.6	470	3,935	11.9	1,418	3,944	35.9
Discontinued operations									
Group adjusted operating profit attributable to ordinary shareholders	287	3,927	7.3	447	3,923	11.4	967	3,925	24.7
Dilutive effect of share awards and options		31	—		12	—		19	(0.1)
Diluted group adjusted operating profit per share from discontinued operations	287	3,958	7.3	447	3,935	11.4	967	3,944	24.6
Diluted group adjusted operating profit per share	825	3,958	20.9	917	3,935	23.3	2,385	3,944	60.5

1 Following a revision to the methodology to correctly allow for unvested share options in the calculation of the dilutive effect of share awards, comparative amounts for the first half of 2020 have been amended from those previously reported.

B8 – 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 2021 interim dividend which will be paid on 7 October 2021 which is not accrued in these financial statements and is therefore excluded from the table.

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Ordinary dividends declared and charged to equity in the year			
Final 2020 – 14.00 pence per share, paid on 14 May 2021	549	—	—
Final 2019 – 21.40 pence per share, withdrawn on 8 April 2020	—	—	—
Interim 2020 – 7.00 pence per share, paid on 21 January 2021	275	—	—
Second Interim 2019 – 6.00 pence per share, paid on 24 September 2020	—	—	236
	824	—	236
Preference dividends declared and charged to equity in the year	9	9	17
Coupon payments on direct capital instrument	—	27	27
	833	36	280

Subsequent to 30 June 2021, the directors declared an interim dividend for 2021 of 7.35 pence per ordinary share, amounting to £289 million. The dividend will be paid on 7 October 2021 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2021. Refer to shareholder services in the 'Other information' section for further details.

On 23 June 2020, notification was given that the Group would redeem the 5.9021% £500 million DCI at its principal amount together with accrued interest to (but excluding) 27 July 2020, the date on which the DCI was redeemed. Interest payable up to 23 June 2020 was recorded as an appropriation of retained profits with the remaining interest payable from 24 June 2020 until the redemption date recorded within profit before tax attributable to shareholders' profits. In prior periods, the interest on the DCI was treated as an appropriation of retained profits and, accordingly, accounted for when paid.

B9 – Contract liabilities and associated reinsurance

The Group's liabilities for insurance and investment contracts it has sold, and the associated reinsurance, is covered in the following notes:

- Note B10 covers insurance liabilities;
- Note B11 covers liabilities for investment contracts;
- Note B12 details the associated reinsurance assets on these liabilities; and
- Note B13 shows the effects of changes in the assumptions on the liabilities.

(a) Carrying amount

The following is a summary of the contract liabilities and related reinsurance assets as at 30 June /31 December:

	6 months 2021			6 months 2020			Full year 2020		
	Gross provisions £m	**Reinsurance assets £m**	**Net £m**	Gross provisions £m	Reinsurance assets £m	Net £m	Gross provisions £m	Reinsurance assets £m	Net £m
Long-term business									
Insurance liabilities	**(129,461)**	**6,765**	**(122,696)**	(137,662)	7,930	(129,732)	(135,409)	7,176	(128,233)
Liabilities for participating investment contracts	**(85,675)**	**—**	**(85,675)**	(95,486)	—	(95,486)	(97,073)	1	(97,072)
Liabilities for non-participating investment contracts	**(144,885)**	**4,567**	**(140,318)**	(134,749)	3,021	(131,728)	(138,183)	3,860	(134,323)
	(360,021)	**11,332**	**(348,689)**	(367,897)	10,951	(356,946)	(370,665)	11,037	(359,628)
Outstanding claims provisions	**(2,619)**	**86**	**(2,533)**	(2,586)	111	(2,475)	(2,643)	87	(2,556)
	(362,640)	**11,418**	**(351,222)**	(370,483)	11,062	(359,421)	(373,308)	11,124	(362,184)
General insurance and health									
Outstanding claims provisions	**(8,894)**	**801**	**(8,093)**	(8,893)	690	(8,203)	(9,017)	794	(8,223)
Provisions for claims incurred but not reported	**(3,562)**	**1,017**	**(2,545)**	(3,653)	1,306	(2,347)	(3,367)	1,139	(2,228)
	(12,456)	**1,818**	**(10,638)**	(12,546)	1,996	(10,550)	(12,384)	1,933	(10,451)
Provision for unearned premiums	**(5,596)**	**324**	**(5,272)**	(5,464)	293	(5,171)	(5,210)	299	(4,911)
Provision arising from liability adequacy tests[1]	**(1)**	**—**	**(1)**	(8)	—	(8)	(2)	—	(2)
	(18,053)	**2,142**	**(15,911)**	(18,018)	2,289	(15,729)	(17,596)	2,232	(15,364)
Total	**(380,693)**	**13,560**	**(367,133)**	(388,501)	13,351	(375,150)	(390,904)	13,356	(377,548)
Less: Amounts classified as held for sale	**96,184**	**(371)**	**95,813**	8,791	(44)	8,747	15,591	(18)	15,573
	(284,509)	**13,189**	**(271,320)**	(379,710)	13,307	(366,403)	(375,313)	13,338	(361,975)

1 Provision arising from liability adequacy tests relates to general insurance business only. Additional liabilities arising from liability adequacy test for life operations, where applicable, are included in unallocated divisible surplus. At 30 June 2021 this provision is £nil (HY20: £224 million, 2020: £8 million) for the life operations.

(b) Change in contract liabilities, net of reinsurance, recognised as an expense

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

Following the announcement of a number of disposals during the first half of 2021, the results of our other International businesses: France, Italy, Poland, Asia and Other, are presented as discontinued operations. The 2020 comparative results below have been re-presented (see note B2) from those previously published to reclassify operations on the basis above.

6 months 2021	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note B10(b))	**(1,834)**	**355**	**(1,479)**
Change in provision for outstanding claims	**114**	**(2)**	**112**
	(1,720)	**353**	**(1,367)**
General insurance and health			
Change in insurance liabilities (note B10(c) and B12(c))	**136**	**108**	**244**
Change in provision arising from liability adequacy tests	**(1)**	**—**	**(1)**
Less: Unwind of discount	**(1)**	**—**	**(1)**
	134	**108**	**242**
Total change in insurance liabilities	**(1,586)**	**461**	**(1,125)**
Less: Change in insurance liabilities from discontinued operations	**(2,367)**	**7**	**(2,360)**
Total change in insurance liabilities from continued operations	**(3,953)**	**468**	**(3,485)**

6 months 2020	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note B10(b))	4,178	(1,447)	2,731
Change in provision for outstanding claims	342	(8)	334
	4,520	(1,455)	3,065
General insurance and health			
Change in insurance liabilities (note B10(c) and B12(c))	743	(280)	463
Change in provision arising from liability adequacy	(7)	—	(7)
Less: Unwind of discount	(5)	4	(1)
	731	(276)	455
Total change in insurance liabilities	5,251	(1,731)	3,520
Less: Change in insurance liabilities from discontinued operations	(704)	313	(391)
Total change in insurance liabilities from continued operations	4,547	(1,418)	3,129

Full year 2020	Gross £m	Reinsurance £m	Net £m
Long-term business			
Change in insurance liabilities (note B10(b))	7,336	(1,458)	5,878
Change in provision for outstanding claims	471	(22)	449
	7,807	(1,480)	6,327
General insurance and health			
Change in insurance liabilities (note B10(c) and B12(c))	852	(259)	593
Change in provision arising from liability adequacy tests	(12)	—	(12)
Less: Unwind of discount	(11)	8	(3)
	829	(251)	578
Total change in insurance liabilities	8,636	(1,731)	6,905
Less: Change in insurance liabilities from discontinued operations	(2,196)	282	(1,914)
Total change in insurance liabilities from continued operations	6,440	(1,449)	4,991

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

B10 – Insurance liabilities

(a) Carrying amount

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

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Long-term business			
Participating insurance liabilities	**42,071**	49,687	44,725
Unit-linked non-participating insurance liabilities	**14,237**	14,505	14,061
Other non-participating insurance liabilities	**73,153**	73,470	76,623
	129,461	137,662	135,409
Outstanding claims provisions	**2,619**	2,586	2,643
	132,080	140,248	138,052
General insurance and health			
Outstanding claims provisions	**8,894**	8,893	9,017
Provision for claims incurred but not reported	**3,562**	3,653	3,367
	12,456	12,546	12,384
Provision for unearned premiums	**5,596**	5,464	5,210
Provision arising from liability adequacy tests[1]	**1**	8	2
	18,053	18,018	17,596
Total	**150,133**	158,266	155,648
Less: Amounts classified as held for sale	**(30,959)**	(668)	(3,166)
	119,174	157,598	152,482

1 Provision arising from liability adequacy tests relates to general insurance business only. Additional liabilities arising from liability adequacy test for life operations, where applicable, are included in unallocated divisible surplus. At 30 June 2021 this provision is £nil (HY20: £224 million, 2020: £8 million) for the life operations.

(b) Movements in long-term business liabilities

The following movements have occurred in the gross long-term business liabilities during the period:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**135,409**	131,182	131,182
Liabilities in respect of new business	**3,879**	4,288	8,982
Expected change in existing business	**(3,219)**	(3,729)	(6,293)
Variance between actual and expected experience	**1,341**	(717)	(378)
Impact of operating assumption changes	**(47)**	165	(783)
Impact of economic assumption changes	**(3,878)**	4,084	5,531
Other movements recognised as an expense[1]	**90**	87	277
Change in liability recognised as an expense (note B9(b))	**(1,834)**	4,178	7,336
Effect of portfolio transfers, acquisitions and disposals[2]	**(2,861)**	—	(4,707)
Foreign exchange rate movements	**(1,249)**	2,192	1,510
Other movements[3]	**(4)**	110	88
Carrying amount at 30 June/31 December	**129,461**	137,662	135,409

1 Other movements recognised as an expense relate primarily to recognition of additional reserves related to with-profits legacy guarantees. The movement during full year 2020 relates primarily to recognition of additional reserves related to with-profits legacy guarantees. Additional contributions in full year 2020 were from a special bonus distribution to with-profits policyholders and provisions for legacy unclaimed assets broadly offset by model changes in UK Life, Ireland and Singapore.
2 The movement relates to the disposal of Aviva Vita while 2020 includes the disposal of FPI, Hong Kong and Singapore businesses.
3 Other movements during 2020 include the reclassification in the UK from participating investment contracts to insurance contracts of £97 million.

For many types of long-term business, including unit-linked and participating insurance liabilities, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The variance between actual and expected experience of £1.3 billion in the period to 30 June 2021 is primarily the result of higher than expected equity returns in the UK and France. Economic assumption changes of £(3.9) billion are driven by an increase in valuation interest rates in response to increasing interest rates, primarily in respect of annuity and participating insurance contracts in the UK.

For participating insurance liabilities, a movement in liabilities is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes impact profit, these are included in the effect of changes in assumptions and estimates during the year (see note B13), together with the impact of movements in related non-financial assets.

(c) Movements in general insurance and health liabilities

The following changes have occurred in the general insurance and health claims liabilities during the period:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**12,384**	11,503	11,503
Impact of changes in assumptions	**(36)**	135	184
Claim losses and expenses incurred in the current period	**2,960**	3,779	6,909
Increase/(decrease) in estimated claim losses and expenses incurred in prior periods	**73**	(56)	(122)
Incurred claims losses and expenses	**2,997**	3,858	6,971
Less:			
Payments made on claims incurred in the current period	**(1,039)**	(1,245)	(3,315)
Payments made on claims incurred in prior periods	**(1,990)**	(2,049)	(3,137)
Recoveries on claim payments	**167**	174	322
Claims payments made in the period, net of recoveries	**(2,862)**	(3,120)	(6,130)
Unwind of discounting	**1**	5	11
Changes in claims reserve recognised as an expense (note B9(b))	**136**	743	852
Effect of portfolio transfers, acquisitions and disposals[1]	**—**	—	(72)
Foreign exchange rate movements	**(64)**	300	101
Carrying amount at 30 June/31 December	**12,456**	12,546	12,384

1 The movement in 2020 relates to the disposal of the Singapore business.

B11 – Liability for investment contracts

This note analyses our gross liabilities for investment contracts by type of product and describes the calculation of these liabilities.

(a) Carrying amount

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

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Long-term business			
Liabilities for participating investment contracts	**85,675**	95,486	97,073
Liabilities for non-participating investment contracts	**144,885**	134,749	138,183
Total	**230,560**	230,235	235,256
Less: Liabilities classified as held for sale	**(65,225)**	(8,123)	(12,425)
	165,335	222,112	222,831

(b) Group practice

Investment contracts are those that do not transfer significant insurance risk from the contract holder to the issuer and are therefore treated as financial instruments under IFRS.

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 for long-term business liabilities. They are not measured at fair value as there is currently no agreed definition of fair valuation for discretionary participation features under IFRS. In the absence of such a definition, it is not possible to provide a range of estimates within which a fair value is likely to fall. The IASB deferred consideration of participating contracts to the IFRS 17 insurance standard, which is expected to apply to annual reporting periods beginning on or after 1 January 2023.

Of the non-participating investment contracts measured at fair value, £144,741 million at 30 June 2021 (HY20: £134,016 million, 2020: £138,044 million) are unit-linked in structure and the fair value liability is equal to the current 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 participating investment contracts

The following movements have occurred in the gross provisions for participating investment contracts during the period:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**97,073**	92,762	92,762
Liabilities in respect of new business	**2,374**	2,404	4,691
Expected change in existing business	**(2,944)**	(2,867)	(5,127)
Variance between actual and expected experience	**1,855**	(2,282)	343
Impact of operating assumption changes	**(1)**	—	92
Impact of economic assumption changes	**(294)**	447	330
Other movements recognised as an expense[1]	**(42)**	(4)	76
Change in liability recognised as an expense[2]	**948**	(2,302)	405
Effect of portfolio transfers, acquisitions and disposals[3]	**(9,429)**	—	—
Foreign exchange rate movements	**(2,917)**	5,124	4,003
Other movements[4]	**—**	(98)	(97)
Carrying amount at 30 June/31 December	**85,675**	95,486	97,073

1 Other movements recognised as an expense relate to a special bonus distribution to with-profits policyholders in UK Life in full year 2020.
2 Total interest expense for participating investment contracts recognised in profit or loss is £878 million (HY20: £(1,933) million, 2020: £1,311 million).
3 This relates to disposal of Aviva Vita.
4 Other movements in 2020 included the reclassification in the UK from participating investment contracts to insurance contracts (HY20: £(97) million, 2020: £(97) million).

The variance between actual and expected experience of £1.9 billion in the period to 30 June 2021 is primarily due to positive global equity performance.

The impact of assumption changes in the analysis shows the resulting movement in the carrying value of participating investment contract liabilities. For participating business, a movement in liabilities is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes do impact profit, these are included in the effect of changes in assumptions and estimates during the year shown in note B13, together with the impact of movements in related non-financial assets.

(d) Movements in non-participating investment contracts

The following movements have occurred in the gross provisions for non-participating investment contracts during the period:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**138,183**	137,689	137,689
Liabilities in respect of new business	**2,203**	1,760	4,187
Expected change in existing business	**(2,155)**	(3,223)	(3,231)
Variance between actual and expected experience	**9,865**	(2,294)	6,970
Impact of operating assumption changes	**—**	—	19
Impact of economic assumption changes	**21**	—	6
Other movements recognised as an expense	**—**	63	—
Change in liability	**9,934**	(3,694)	7,951
Effect of portfolio transfers, acquisitions and disposals[1]	**(2,814)**	—	(8,038)
Foreign exchange rate movements	**(418)**	734	583
Other movements[2]	**—**	20	(2)
Carrying amount at 30 June/31 December	**144,885**	134,749	138,183

1 The movement relates to disposal of Aviva Vita in 2021 while movement during 2020 relates to the disposal of FPI.
2 Other movements during the period to 30 June 2020 primarily related to a reclassification from outstanding claims reserves to non-participating investment contracts in Ireland.

For unit-linked investment contracts, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit. The variance between actual and expected experience of £9.9 billion in the period to 30 June 2021 is primarily due to positive global equity performance.

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of non-participating investment contract liabilities. The impacts of assumption changes on profit are included in the effect of changes in assumptions and estimates during the year shown in note B13, which combines participating and non-participating investment contracts together with the impact of movements in related non-financial assets.

B12 – Reinsurance assets

This note details the reinsurance assets on our insurance and investment contract liabilities.

(a) Carrying amount

The reinsurance assets at 30 June/31 December comprised:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Long-term business			
Insurance contracts	**6,765**	7,930	7,176
Participating investment contracts	**—**	—	1
Non-participating investment contracts[1]	**4,567**	3,021	3,860
	11,332	10,951	11,037
Outstanding claims provisions	**86**	111	87
	11,418	11,062	11,124
General insurance and health			
Outstanding claims provisions	**801**	690	794
Provisions for claims incurred but not reported	**1,017**	1,306	1,139
	1,818	1,996	1,933
Provisions for unearned premiums	**324**	293	299
	2,142	2,289	2,232
	13,560	13,351	13,356
Less: Assets classified as held for held for sale	**(371)**	(44)	(18)
Total	**13,189**	13,307	13,338

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

(b) Movements in long-term business liabilities

The following movements have occurred in the reinsurance assets on our long-term business insurance and investment contract liabilities during the period:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**11,037**	10,376	10,376
Assets in respect of new business	**181**	865	1,539
Expected change in existing business assets	**(279)**	(155)	(335)
Variance between actual and expected experience	**518**	(192)	763
Impact of non-economic assumption changes	**(45)**	140	(150)
Impact of economic assumption changes	**(341)**	535	503
Other movements recognised as an expense[1]	**8**	(733)	(998)
Change in assets[2]	**42**	460	1,322
Effect of portfolio transfers, acquisitions and disposals[3]	**(16)**	—	(731)
Foreign exchange rate movements	**(39)**	103	63
Other movements[4]	**308**	12	7
Carrying amount at 30 June/31 December	**11,332**	10,951	11,037

1 Other movements recognised as an expense during 2020 primarily related to the reclassification of collective investments in unit-linked funds in the UK following a restructure of a reinsurance treaty.
2 Change in assets does not reconcile with values in note B10(b) due to the inclusion of reinsurance assets classified as non-participating investment contracts where, for such contracts, deposit accounting is applied on the income statement.
3 Movement relates to the disposal of Aviva Vita while 2020 relates to the disposals of the FPI, Hong Kong and Singapore businesses.
4 Other movements at HY21 relates to £308 million of assets reclassified from Unit Trusts / OEICs to reinsurance assets following a review of the classification.

The impact of assumption changes in the above analysis shows the resulting movement in the carrying value of reinsurance assets, with corresponding movements in gross insurance contract liabilities. For participating businesses, a movement in reinsurance assets is generally offset by a corresponding adjustment to the unallocated divisible surplus and does not impact profit. Where assumption changes impact profit, these are included in the effect of changes in assumptions and estimates during the year (see note B13), together with the impact of movements in related liabilities and other non-financial assets.

(c) Movements in general insurance and health claims liabilities

The following movements have occurred in the reinsurance assets on our general insurance and health claims liabilities during the period:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**1,933**	1,687	1,687
Impact of changes in assumptions	**(58)**	90	81
Reinsurers' share of claim losses and expenses			
Incurred in current year	**77**	406	521
Incurred in prior years	**14**	(22)	(43)
Reinsurers' share of incurred claim losses and expenses	**91**	384	478
Less:			
Reinsurance recoveries received on claims			
Incurred in current year	**(6)**	(91)	(145)
Incurred in prior years	**(135)**	(107)	(163)
Reinsurance recoveries received in the year	**(141)**	(198)	(308)
Unwind of discounting	**—**	4	8
Change in reinsurance asset recognised as income (note B10(b))	**(108)**	280	259
Effect of portfolio transfers, acquisitions and disposals[1]	**—**	—	(9)
Foreign exchange rate movements	**(7)**	29	(4)
Carrying amount at 30 June/31 December	**1,818**	1,996	1,933

1 The movement in 2020 relates to the disposal of the Singapore business.

B13 – Effect of changes in assumptions and estimates during the period

This note analyses the impact of changes in estimates and assumptions over the period, on liabilities for insurance and investment contracts, and related assets and liabilities, such as unallocated divisible surplus, reinsurance, deferred acquisition costs and acquired value of in-force business and does not allow for offsetting movements in the value of backing financial assets.

	Effect on profit 6 months 2021 £m	Effect on profit 6 months 2020 £m	Effect on profit Full year 2020 £m
Assumptions			
Long-term insurance business			
Interest rates	**2,425**	(2,184)	(3,831)
Expenses	**1**	—	111
Persistency rates	**—**	—	(31)
Mortality and morbidity for assurance contracts	**—**	—	81
Mortality for annuity contracts	**—**	—	384
Tax and other assumptions	**—**	(25)	14
Long-term investment business			
Expenses	**2**	—	3
General insurance and health business			
Change in discount rate assumptions	**(23)**	(45)	(104)
Total	**2,405**	(2,254)	(3,373)

The impact of interest rates on long-term insurance business relates primarily to annuities in the UK (including any change in credit default and reinvestment risk provisions), where an increase in the valuation interest rate, in response to increasing interest rates, has decreased liabilities. The changes to default assumptions also reflect the consequential impact of changes to the future property growth rate assumptions on UK commercial and residential property and tenant default assumptions on commercial mortgages.

In the general insurance and health business, an impact of £(23) million (HY20: £(45) million, 2020: £(104) million) has arisen primarily as a result of an increase in the estimated future inflation rate used to value periodic payment orders (PPOs), partly offset by an increase in the interest rates used to discount claim reserves for both PPOs and latent claims.

B14 – Unallocated divisible surplus

An unallocated divisible surplus (UDS) is established where the nature of policy benefits is such that the division between shareholder reserves and policyholder liabilities is uncertain at the reporting date. Therefore, the expected duration for settlement of the UDS is undefined.

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

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Carrying amount at 1 January	**10,970**	9,597	9,597
Change in participating fund assets	**(2,399)**	47	2,925
Change in participating fund liabilities	**539**	(1,605)	(1,244)
Other movements[1]	**(8)**	224	8
Change in liability recognised as an expense	**(1,868)**	(1,334)	1,689
Effect of portfolio transfers, acquisition and disposals[2]	**(1,003)**	—	(730)
Foreign exchange rate movements	**(336)**	485	414
	7,763	8,748	10,970
Less: Amounts classified as held for sale	**(5,975)**	—	(1,234)
Carrying amount at 30 June/31 December	**1,788**	8,748	9,736

1 Other movements relates to the additional liabilities arising from the liability adequacy test for France that was established at FY20 (HY20: additional liability of £224 million, FY20: £8 million)
2 The movement relates to disposal of Aviva Vita while 2020 relates to the disposal of the Singapore business.

The amount of UDS at 30 June 2021 has decreased to £1.8 billion (HY20: £8.7 billion, 2020: £9.7 billion) primarily due to the France, Italy and Poland markets now being classified as held for sale. The residual movement in UDS is mainly due to market movements across Europe as a result of increasing interest rates and a reduction from the disposal of the Aviva Vita business.

Where the aggregate amount of participating assets is less than the participating liabilities within a fund then the shortfall may be held as negative UDS, subject to recoverability testing as part of the liability adequacy requirements of IFRS 4. There are no material negative UDS balances at the participating fund-level within each life entity in the current period (HY20: £nil, 2020: £nil).

B15 – 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 2021 £m	30 June 2020 £m	31 December 2020 £m
Core structural borrowings, at amortised cost	**6,195**	8,822	8,253
Operational borrowings, at amortised cost	**303**	371	308
Operational borrowings, at fair value	**1,214**	1,189	1,166
	1,517	1,560	1,474
	7,712	10,382	9,727
Less: Liabilities classified as held for sale	**(75)**	(26)	(43)
	7,637	10,356	9,684

(b) Core structural borrowings

The carrying amounts of these borrowings are:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Subordinated debt			
6.125% £700 million subordinated notes 2036	**696**	695	695
6.125% £800 million undated subordinated notes	**501**	798	798
6.875% £600 million subordinated notes 2058	**595**	595	595
12.000% £162 million subordinated notes 2021	**—**	173	166
8.250% £500 million subordinated notes 2022	**516**	536	526
6.625% £450 million subordinated notes 2041	**—**	449	450
6.125% €650 million subordinated notes 2043	**258**	589	581
3.875% €700 million subordinated notes 2044	**599**	634	624
5.125% £400 million subordinated notes 2050	**396**	395	396
3.375% €900 million subordinated notes 2045	**768**	811	799
4.500% C$450 million subordinated notes 2021	**—**	267	258
4.375% £400 million subordinated notes 2049	**395**	395	395
4.000% £500 million subordinated notes 2055	**493**	492	493
4.000% C$450 million subordinated notes 2030	**261**	—	257
5.9021% £500 million direct capital instrument[1]	**—**	499	—
	5,478	7,328	7,033
Senior notes			
0.625% €500 million senior notes 2023	**270**	453	446
1.875% €750 million senior notes 2027	**395**	676	666
	665	1,129	1,112
Commercial paper	**52**	365	108
Total	**6,195**	8,822	8,253

1 On 23 June 2020 notification was given that the Group would redeem the 5.9021% £500 million direct capital instrument (DCI). At that date, the instrument was reclassified as a financial liability of £499 million, representing its fair value at that date. The difference of £1 million between the carrying amount of £500 million and fair value of £499 million has been charged to retained earnings. The DCI was redeemed in full on 27 July 2020 at a cost of £500 million.

The Group has redeemed £1.9 billion of subordinated debt and senior notes during the first half of 2021.

- On 16 March 2021 the Group completed a £1.0 billion tender offer and redeemed the following:
  - €185 million of the Group's 0.625% €500 million senior notes
  - €286 million of the Group's 1.875% €750 million senior notes
  - €349 million of the Group's 6.125% €650 million Tier 2 subordinated debt
  - £298 million of the Group's 6.125% £800 million restricted Tier 1 subordinated debt
- On 10 May 2021 the Group's 4.500% C$450 million Tier 3 subordinated notes reached their final maturity and were redeemed.
- On 21 May 2021 the Group's 12.000% £162 million Tier 2 subordinated notes reached their final maturity and were redeemed.
- On 3 June 2021 the Group redeemed its 6.625% £450 million Tier 2 subordinated notes in full at the first call date.

(c) Operational borrowings

The carrying amounts of these borrowings are:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Amounts owed to financial institutions			
Loans	**303**	371	308
Securitised mortgage loan notes			
UK lifetime mortgage business[1]	**1,214**	1,189	1,166
Total	**1,517**	1,560	1,474

1 The fair value of these loan notes is calculated using similar techniques to the related securitised mortgage assets discussed in note C5.

B16 – Pension obligations and other provisions

(a) Carrying amounts

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

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

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Total IAS 19 obligations to main staff pension schemes	**559**	605	746
Deficits in other staff pension schemes	**75**	72	77
Total IAS 19 obligations to staff pension schemes	**634**	677	823
Restructuring provisions	**43**	33	48
Other provisions	**520**	696	565
Total Provisions	**1,197**	1,406	1,436
Less: Liabilities classified as held for sale	**(136)**	(1)	(1)
Total	**1,061**	1,405	1,435

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 as at 30 June/31 December are shown below.

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Total fair value of scheme assets	**18,989**	20,383	20,125
Present value of defined benefit obligation	**(16,801)**	(17,581)	(18,091)
Net IAS 19 surplus in the schemes	**2,188**	2,802	2,034
Surpluses included in other assets[1]	**2,747**	3,407	2,780
Deficits included in provisions	**(559)**	(605)	(746)
Net IAS 19 surplus in the schemes	**2,188**	2,802	2,034

1 Pension surpluses and other assets on the condensed consolidated statement of financial position totalling £2,801 million (HY20: £3,467 million, 2020: £2,834 million) includes pension surpluses of £2,747 million (HY20: £3,407 million, 2020: £2,780 million) and other assets of £54 million (HY20: £60 million, 2020: £54 million).

(b) Movements in the schemes' surpluses and deficits

Movements in the pension schemes' surpluses and deficits since 31 December comprise:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Net IAS 19 surplus in the schemes at 1 January	**2,034**	1,976	1,976
Past service costs - amendments	**—**	—	(18)
Administrative expenses	**(9)**	(8)	(17)
Total pension cost charged to net operating expenses	**(9)**	(8)	(35)
Net interest credited to investment income/(finance costs)[1]	**14**	20	41
Total recognised in income statement	**5**	12	6
Remeasurements:			
Actual return on these assets	**(906)**	1,758	1,746
Less: Interest income on scheme assets	**(131)**	(176)	(350)
Return on scheme assets excluding amounts in interest income	**(1,037)**	1,582	1,396
Gains/(losses) from change in financial assumptions	**1,022**	(850)	(1,769)
Gains/(losses) from change in demographic assumptions	**17**	(21)	43
Experience gains	**25**	2	182
Total remeasurements recognised in other comprehensive income[2]	**27**	713	(148)
Employer contributions	**117**	116	211
Foreign exchange rate movements	**5**	(15)	(11)
Net IAS 19 surplus in the schemes at 30 June/31 December	**2,188**	2,802	2,034

1 Net interest income of £20 million (HY20: £28 million, 2020 £58 million) has been credited to investment income and net interest expense of £6 million (HY20: £8 million, 2020: £17 million) has been charged to finance costs in HY21.
2 Net remeasurements of pension schemes recorded in the condensed consolidated statement of comprehensive income of £26 million gain (HY20: £711 million gain, 2020: £150 million loss) includes £27 million of remeasurement gains (HY20: £713 million gain, 2020: £148 million loss) on the main pension schemes and £1 million losses in relation to other schemes (HY20: £2 million, 2020: £2 million).

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 of refund to 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 Aviva Staff Pension Scheme (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), 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.

The increase in the surplus in the period to 30 June 2021 is primarily due to employer contributions into the schemes and remeasurements recognised in other comprehensive income. The remeasurements recognised are principally net actuarial gains resulting from economic movements, largely offset by a reduction in the ASPS surplus due to carrying out a 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.

A similar bulk annuity buy-in transaction occurred during the year ended 31 December 2020. The impact of the transaction was recognised as an actuarial loss in the actual return on assets within other comprehensive income. This was offset by remeasurements relating to economic movements, as well as an update to the corporate bond portfolio used to derive the discount rate which was recognised as a gain from change in financial assumptions within other comprehensive income.

B17 – 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 2020 Annual Report and Accounts.

In October 2020, the Aviva Staff Pension Scheme (ASPS) completed a bulk annuity buy-in transaction with Aviva Life & Pensions UK Limited (AVLAP), a Group company. A premium of £873 million was paid by the scheme to AVLAP, with AVLAP recognising gross liabilities of £737 million. The difference between the premium and the gross liabilities implied a profit of £136 million, which did not include costs incurred by the Group associated with the transaction, and was driven primarily by differences between the measurement bases used to calculate the premium and the accounting value of the associated gross liabilities. The ASPS recognised a plan asst of £579 million, with the difference between the plan asset recognised and the premium paid being recognised as an actuarial loss through Other Comprehensive Income.

In May 2021, the ASPS completed a further bulk annuity buy-in transaction with AVLAP. A premium of £703 million was paid by the scheme to AVLAP, with AVLAP recognising gross liabilities of £637 million. The difference between the premium and the gross liabilities implies a profit of £66 million, which does not include costs incurred by the Group associated with the transaction, and is driven primarily by differences between the measurement bases used to calculate the premium and the accounting value of the associated gross liabilities. The ASPS recognised a plan asset of £517 million, with the difference between the plan asset recognised and the premium paid being recognised as an actuarial loss through Other Comprehensive Income. As at 30 June 2021, AVLAP recognised technical provision of £2,646 million (2020: £2,147 million) in relation to buy-in transactions with the ASPS which have been included within the Group's gross insurance liabilities, and the ASPS held a transferable plan asset of £2,253 million (2020: £1,858 million) which does not eliminate on consolidation.

B18 – Fair value

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

(a) Basis for determining fair value hierarchy

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

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

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

- Quoted prices for similar assets and liabilities in active markets;
- Quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads); 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 16.8% (HY20: 17.4%, 2020: 16.7%) of assets and 1.1% (HY20: 3.1%, 2020: 1.2%) 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 2020 Annual Report and Accounts.

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

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

	30 June 2021		30 June 2020		31 December 2020	
	Fair value £m	**Carrying amount £m**	Fair value £m	Carrying amount £m	Fair value £m	Carrying amount £m
Financial assets						
Loans[1]	**40,065**	**40,070**	40,090	40,109	43,672	43,679
Financial investments	**253,637**	**253,637**	353,583	353,583	351,378	351,378
Fixed maturity securities	**123,282**	**123,282**	211,264	211,264	202,837	202,837
Equity securities	**93,044**	**93,044**	91,308	91,308	100,404	100,404
Other investments (including derivatives)	**37,311**	**37,311**	51,011	51,011	48,137	48,137
Financial liabilities						
Non-participating investment contracts	**143,894**	**143,894**	126,626	126,626	135,347	135,347
Net asset value attributable to unitholders	**18,020**	**18,020**	18,669	18,669	20,301	20,301
Borrowings[1]	**8,856**	**7,637**	11,366	10,356	11,141	9,684
Derivative liabilities	**5,922**	**5,922**	9,563	9,563	7,562	7,562

1 Within the fair value total, the estimated fair value has been provided for the portion of the loans and borrowings that are carried at amortised cost.

Fair value of the following assets and 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.

At 30 June 2021	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property	—	—	6,787	6,787	—	6,787
Loans	—	—	29,625	29,625	10,445	40,070
Financial investments measured at fair value						
Fixed maturity securities	26,614	87,742	8,926	123,282	—	123,282
Equity securities	92,682	—	362	93,044	—	93,044
Other investments (including derivatives)	29,357	6,488	1,466	37,311	—	37,311
Financial assets classified as held for sale	45,304	41,096	19,291	105,691	1,085	106,776
Total	193,957	135,326	66,457	395,740	11,530	407,270
Financial liabilities measured at fair value						
Non-participating investment contracts[1]	143,894	—	—	143,894	—	143,894
Net asset value attributable to unit holders	17,765	—	255	18,020	—	18,020
Borrowings	—	—	1,214	1,214	6,423	7,637
Derivative liabilities	398	5,026	498	5,922	—	5,922
Financial liabilities classified as held for sale	3,866	328	2	4,196	75	4,271
Total	165,923	5,354	1,969	173,246	6,498	179,744

1 In addition to the balances in this table, included within reinsurance assets in the condensed statement of financial position and note B12 are £4,567 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

At 30 June 2021	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	159	159
Total	—	—	159	159
Less: Assets classified as held for sale	—	—	(145)	(145)
Total (excluding assets held for sale)	—	—	14	14

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 2021 was £159 million (HY20: £353 million, 2020: £335 million), stated at their revalued amounts in line with the requirements of IAS 16 *Property, Plant and Equipment*.

At 30 June 2020	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property	—	—	11,306	11,306	—	11,306
Loans	—	—	29,330	29,330	10,779	40,109
Financial investments measured at fair value						
Fixed maturity securities	58,068	132,987	20,209	211,264	—	211,264
Equity securities	90,572	—	736	91,308	—	91,308
Other investments (including derivatives)	35,164	9,487	6,360	51,011	—	51,011
Financial assets classified as held for sale	5,567	199	1,868	7,634	1	7,635
Total	189,371	142,673	69,809	401,853	10,780	412,633
Financial liabilities measured at fair value						
Non-participating investment contracts[1]	126,586	40	—	126,626	—	126,626
Net asset value attributable to unit holders	18,546	—	123	18,669	—	18,669
Borrowings	—	—	1,189	1,189	9,167	10,356
Derivative liabilities	422	8,369	772	9,563	—	9,563
Financial liabilities classified as held for sale	5,174	21	2,928	8,123	26	8,149
Total	150,728	8,430	5,012	164,170	9,193	173,363

1 In addition to the balances in this table, included within reinsurance assets in the condensed statement of financial position and note B12 are £3,021 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

Notes to the condensed consolidated financial statements continued

At 30 June 2020	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	353	353
Total	—	—	353	353
Less: Assets classified as held for sale	—	—	(4)	(4)
Total (excluding assets held for sale)	—	—	349	349

At 31 December 2020	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Sub-total Fair value £m	Amortised cost £m	Total carrying value £m
Recurring fair value measurements						
Investment property	—	—	11,369	11,369	—	11,369
Loans	—	—	29,839	29,839	13,840	43,679
Financial investments measured at fair value						
Fixed maturity securities	53,880	129,904	19,053	202,837	—	202,837
Equity securities	99,997	—	407	100,404	—	100,404
Other investments (including derivatives)	31,481	9,997	6,659	48,137	—	48,137
Financial assets classified as held for sale	9,696	6,178	1,033	16,907	—	16,907
Total	195,054	146,079	68,360	409,493	13,840	423,333
Financial liabilities measured at fair value						
Non-participating investment contracts[1]	135,308	39	—	135,347	—	135,347
Net asset value attributable to unit holders	20,151	—	150	20,301	—	20,301
Borrowings	—	—	1,166	1,166	8,518	9,684
Derivative liabilities	421	6,570	571	7,562	—	7,562
Financial liabilities classified as held for sale	2,837	—	98	2,935	43	2,978
Total	158,717	6,609	1,985	167,311	8,561	175,872

1 In addition to the balances in this table, included within reinsurance assets in the condensed statement of financial position and note B12 are £3,860 million of non-participating investment contracts, which are legally reinsurance but do not meet the definition of a reinsurance contract under IFRS. These assets are financial instruments measured at fair value through profit and loss and are classified as Level 1 assets.

At 31 December 2020	Fair value hierarchy Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Non-recurring fair value measurement				
Properties occupied by group companies	—	—	335	335
Total	—	—	335	335
Less: Assets classified as held for sale	—	—	(69)	(69)
Total (excluding assets held for sale)	—	—	266	266

(e) Transfers between levels of the fair value hierarchy

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

Transfers between Level 1 and Level 2

There were no significant transfers between Level 1 and Level 2 (HY20: no significant transfers; 2020: £1.0 billion of assets transferred from Level 1 to Level 2).

Transfers to/from Level 3

£844 million (HY20: £1,742 million, 2020: £810 million) of assets transferred into Level 3 and £1,645 million (HY20: £590 million, 2020: £1,042 million) of assets transferred out of Level 3 relate principally to fixed maturity securities held by our businesses in the UK and France. 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.

There were no significant transfers of liabilities into and out of Level 3 during the six month period ended 30 June 2021.

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

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

	Assets								Liabilities		
At 30 June 2021	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets classified as held for sale £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Financial liabilities classified as held for sale £m
Opening balance at 1 January 2021	**11,369**	**29,839**	**19,053**	**407**	**6,659**	**1,033**	**—**	**(150)**	**(571)**	**(1,166)**	**(98)**
Total net gains/(losses) recognised in the income statement[1]	344	(862)	(1,323)	32	(37)	17	—	—	59	(94)	44
Total net (losses)/gains recognised in other comprehensive income	(5)	—	—	—	1	—	—	—	—	—	—
Purchases	1,059	1,508	1,735	10	1,116	(972)	—	(72)	(5)	—	—
Issuances	—	91	—	—	—	—	—	(45)	—	—	—
Disposals	(470)	(941)	(1,020)	(15)	(439)	(58)	—	12	—	—	52
Settlements	—	—	—	—	—	—	—	—	17	46	—
Transfers into Level 3	—	—	837	7	—	—	—	—	—	—	—
Transfers out of Level 3	—	—	(1,642)	(3)	—	—	—	—	—	—	—
Reclassification to held for sale	(5,273)	—	(8,328)	(73)	(5,617)	19,291	—	—	2	—	(2)
Foreign exchange rate movements	(237)	(10)	(386)	(3)	(217)	(20)	—	—	—	—	2
Balance at 30 June 2021	**6,787**	**29,625**	**8,926**	**362**	**1,466**	**19,291**	**—**	**(255)**	**(498)**	**(1,214)**	**(2)**

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

	Assets								Liabilities		
At 30 June 2020	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets classified as held for sale £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Financial liabilities classified as held for sale £m
Opening balance at 1 January 2020	11,203	28,319	17,595	720	5,673	1,986	—	(112)	(655)	(1,233)	(3,045)
Total net (losses)/gains recognised in the income statement[1]	(396)	507	145	(37)	93	(170)	—	—	(197)	34	170
Total net (losses)/gains recognised in other comprehensive income	(3)	—	—	—	2	—	—	—	—	—	—
Purchases	624	753	1,486	122	585	146	(63)	(11)	(13)	—	(147)
Issuances	—	46	—	—	—	—	—	—	—	—	—
Disposals	(476)	(311)	(836)	(107)	(296)	(75)	63	—	84	10	75
Settlements	—	—	—	—	—	—	—	—	18	—	—
Transfers into Level 3	—	—	1,700	11	—	31	—	—	—	—	(31)
Transfers out of Level 3	—	—	(540)	—	—	(50)	—	—	—	—	50
Reclassification to held for sale	—	—	—	—	—	—	—	—	—	—	—
Foreign exchange rate movements	354	16	659	27	303	—	—	—	(9)	—	—
Balance at 30 June 2020	11,306	29,330	20,209	736	6,360	1,868	—	(123)	(772)	(1,189)	(2,928)

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

	Assets								Liabilities		
At 31 December 2020	Investment Property £m	Loans £m	Fixed maturity securities £m	Equity securities £m	Other investments (including derivatives) £m	Financial assets classified as held for sale £m	Non participating investment contracts £m	Net asset value attributable to unitholders £m	Derivative liabilities £m	Borrowings £m	Financial liabilities classified as held for sale £m
Opening balance at 1 January 2020	11,203	28,319	17,595	720	5,673	1,986	—	(112)	(655)	(1,233)	(3,045)
Total net (losses)/gains recognised in the income statement[1]	(399)	831	393	(52)	88	(280)	—	—	(47)	18	170
Purchases	1,263	2,611	4,640	74	1,798	177	—	(38)	(1)	(1)	(146)
Issuances	—	177	106	—	137	—	—	—	—	—	—
Disposals	(971)	(2,111)	(3,776)	(124)	(653)	(1,876)	—	—	21	50	3,002
Settlements	—	—	—	—	1	—	—	—	18	—	—
Transfers into Level 3	—	—	768	1	35	6	—	—	—	—	(31)
Transfers out of Level 3	—	—	(692)	(218)	(119)	(13)	—	—	—	—	50
Reclassification to held for sale	—	—	(487)	(8)	(538)	1,033	—	—	98	—	(98)
Foreign exchange rate movements	273	12	506	14	237	—	—	—	(5)	—	—
Balance at 31 December 2020	11,369	29,839	19,053	407	6,659	1,033	—	(150)	(571)	(1,166)	(98)

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 first half of 2021 in respect of Level 3 assets measured at fair value amounted to £1,829 million (HY20: net gains of £142 million) with net gains in respect of liabilities of £9 million (HY20: net gains of £7 million). Net losses of £1,902 million (HY20: net gains of £220 million) attributable to assets and net losses of £35 million (HY20: net gains of £76 million) attributable to liabilities relate to those still held at 30 June 2021.

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. 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. Tenant risk arising as a result of COVID-19 has reduced during 2021, leading to a corresponding reduction in the capital deductions applied to valuations of properties in the retail and leisure sectors.

(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, taking into account the term dependent gilt yield curve and global assumptions for the liquidity premium. Loans valued using this model have been classified as Level 3 as the liquidity premium is deemed to be non-market observable. The liquidity premium used in the discount rate ranges between 70 bps to 125 bps (2020: 80 bps to 110 bps).
- 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 2021 the illiquidity premium used in the discount rate was 160 bps (2020: 190 bps).
- The 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 market observable regional house price indices. 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% which equates to a long-term average growth rate of 4.3% pa at 30 June 2021 (2020: 4.0%). After applying the cost of capital charge, dilapidations and the stochastic distribution, the effective net long-term growth rate equates to 0.9% pa (2020: 0.6%).
- 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.

(iii) Fixed maturity securities

- Non-standard debt products and privately placed bonds held by our businesses in the UK do not trade in an active market. These fixed maturity securities are valued using discounted cash flow models, 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.
- 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;
  - External hedge funds held principally by business in the UK; 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) Financial assets of operations classified as held for sale

- Financial assets of operations classified as held for sale are held by our businesses in France, Italy, Poland and Vietnam (HY20: business in Asia; 2020: businesses in Italy and Asia) and consist primarily of fixed maturity securities which are not traded in an active market and have been valued using third-party or counterparty valuations of £8,328 million (HY20: £309 million, 2020: £487 million), discretionary managed funds of £5,617 million (HY20: £1,401 million, 2020: £538 million) and investment property of £5,182 million (HY20: £nil, 2020: £nil). These assets are included within the relevant asset category within the sensitivity table below.

(vii) 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.
- Where these valuations are at a date other than the balance sheet date, as in the case of some private equity funds, adjustments are made to reflect items such as subsequent drawdowns and distributions and the fund manager's carried interest.

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.

Valuation uncertainty on assets which rely on either unobservable long-term assumptions or comparable market transactions as valuation inputs has been impacted by the economic disruption resulting from the COVID-19 pandemic during 2020. During 2021 the level of comparable market evidence available has increased and market views around long-term economic assumptions such as residential and commercial property growth rate assumptions have stabilised, reducing the impacts on valuation uncertainty caused by the pandemic. Material uncertainty declarations previously included in valuation reports on certain of the Group's properties have now been removed.

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:

				Sensitivities	
30 June 2021	Fair value £bn	Most significant unobservable input	Reasonable alternative	Positive impact £bn	Negative impact £bn
Investment property	**12.1**	Equivalent rental yields	+/-5-10%	**0.9**	**(0.9)**
Loans					
Commercial mortgage loans and Primary Healthcare loans	**12.1**	Illiquidity premium	+/-20 bps	**0.1**	**(0.1)**
		Base property growth rate	+/-100 bps p.a.	**0.1**	**(0.1)**
Equity release mortgage loans	**11.8**	Base property growth rate	+/-40 bps p.a.	**0.2**	**(0.2)**
		Current property market values	+/-10%	**0.3**	**(0.4)**
Infrastructure and Private Finance Initiative (PFI) loans	**5.2**	Illiquidity premium	+/-25 bps[1]	**0.1**	**(0.1)**
Other	**0.5**	Illiquidity premium	+/-25 bps[1]	—	—
Fixed maturity securities					
Structured bond-type and non-standard debt products	**6.5**	Market spread (credit, liquidity and other)	+/-25 bps	**0.1**	**(0.1)**
Privately placed notes	**1.8**	Credit spreads	+/-25 bps[1]	**0.1**	**(0.1)**
Other debt securities	**9.0**	Credit and liquidity spreads	+/-20-25 bps	**0.3**	**(0.3)**
Equity securities	**0.4**	Market spread (credit, liquidity and other)	+/-25 bps	**0.1**	**(0.1)**
Other investments					
Property Funds	**1.5**	Market multiples applied to net asset values	+/-15-20%	**0.3**	**(0.3)**
Other investments (including derivatives)	**5.6**	Market multiples applied to net asset values	+/-10-40%[2]	**0.3**	**(0.2)**
Liabilities					
Non-participating investment contract liabilities	—	Fair value of the underlying unit funds	+/-20-25%	—	—
Borrowings	**(1.2)**	Illiquidity premium	+/-50 bps	—	—
Other liabilities (including derivatives)	**(0.8)**	Independent valuation vs counterparty	N/A	—	—
Total Level 3 investments	**64.5**			**2.9**	**(2.9)**

1 On discount rate spreads.
2 Dependent on investment category.

Notes to the condensed consolidated financial statements continued

30 June 2020	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities Positive impact £bn	Sensitivities Negative impact £bn
Investment property	11.3	Equivalent rental yields	+/-5-10%	0.9	(0.9)
Loans					
Commercial mortgage loans and Primary Healthcare loans	12.9	Illiquidity premium	+/-20 bps	0.2	(0.2)
		Base property growth rate	+/-100 bps p.a.	0.1	(0.1)
Equity release mortgage loans	11.5	Base property growth rate	+/-40 bps p.a.	0.2	(0.2)
		Current property market values	+/-10%	0.4	(0.4)
Infrastructure and Private Finance Initiative (PFI) loans	4.6	Illiquidity premium	+/-25 bps[1]	0.2	(0.2)
Other	0.4	Illiquidity premium	+/-25 bps[1]	—	—
Fixed maturity securities					
Structured bond-type and non-standard debt products	6.3	Market spread (credit, liquidity and other)	+/-25 bps	0.1	(0.1)
Privately placed notes	1.7	Credit spreads	+/-25 bps[1]	0.1	(0.1)
Other debt securities	12.5	Credit and liquidity spreads	+/-20-25 bps	0.5	(0.5)
Equity securities	0.8	Market spread (credit, liquidity and other)	+/-25 bps	0.1	(0.1)
Other investments					
Property Funds	0.8	Market multiples applied to net asset values	+/-15-20%	0.1	(0.1)
Other investments (including derivatives)	7.0	Market multiples applied to net asset values	+/-10-40%[2]	0.8	(0.7)
Liabilities					
Non-participating investment contract liabilities	(2.9)	Fair value of the underlying unit funds	+/-20-25%	0.4	(0.4)
Borrowings	(1.2)	Illiquidity premium	+/-50 bps	—	—
Other liabilities (including derivatives)	(0.9)	Independent valuation vs counterparty	N/A	—	—
Total Level 3 investments	64.8			4.1	(4.0)

1 On discount rate spreads.
2 Dependent on investment category.

31 December 2020	Fair value £bn	Most significant unobservable input	Reasonable alternative	Sensitivities Positive impact £bn	Sensitivities Negative impact £bn
Investment property	11.4	Equivalent rental yields	+/-5-10%	0.8	(0.8)
Loans					
Commercial mortgage loans and Primary Healthcare loans	12.6	Illiquidity premium	+/-20 bps	0.2	(0.2)
		Base property growth rate	+/-100 bps p.a.	0.1	(0.1)
Equity release mortgage loans	11.8	Base property growth rate	+/-40 bps p.a.	0.2	(0.2)
		Current property market values	+/-10%	0.3	(0.4)
Infrastructure and Private Finance Initiative (PFI) loans	4.9	Illiquidity premium	+/-25 bps[1]	0.2	(0.2)
Other	0.5	Illiquidity premium	+/-25 bps[1]	—	—
Fixed maturity securities					
Structured bond-type and non-standard debt products	7.6	Market spread (credit, liquidity and other)	+/-25 bps	0.1	(0.1)
Privately placed notes	1.9	Credit spreads	+/-25 bps[1]	0.1	(0.1)
Other debt securities	10.0	Credit and liquidity spreads	+/-20-25 bps	0.5	(0.5)
Equity securities	0.4	Market spread (credit, liquidity and other)	+/-25 bps	—	—
Other investments					
Property Funds	1.8	Market multiples applied to net asset values	+/-15-20%	0.3	(0.4)
Other investments (including derivatives)	5.4	Market multiples applied to net asset values	+/-10-40%[2]	0.4	(0.3)
Liabilities					
Non-participating investment contract liabilities	—	Fair value of the underlying unit funds	+/-20-25%	—	—
Borrowings	(1.2)	Illiquidity premium	+/-50 bps	—	—
Other liabilities (including derivatives)	(0.7)	Independent valuation vs counterparty	N/A	—	—
Total Level 3 investments	66.4			3.2	(3.3)

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.

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 have a preference for 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) capital and regulatory capital.

The key elements of our risk management framework comprise our risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles 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.

The Group's overarching risk management and internal control system is actively responding to the challenges of the COVID-19 outbreak and remains intact. We are focused on ensuring that the control environment remains robust in the current operating environment.

Risk environment

Economies continued to recover from the impacts of COVID-19 in the first half of 2021, supported by fiscal measures, robust economic activity, the vaccine roll-out and continuing accommodative central banks' policies. This backdrop, along with reducing concerns about inflation, was supportive for risk assets (equities and credit) and sovereign bonds which generally recorded a positive performance in the first half of 2021. Notwithstanding this positive environment, we have continued to take actions to reduce our exposure to credit spread and counterparty default risk in vulnerable sectors and the Group's balance sheet exposure is continually monitored and, where necessary, actions are taken to reduce the sensitivity to economic shocks.

The biggest immediate threat to the Group's capital and liquidity positions remains the macroeconomic implications of the COVID-19 pandemic. Areas of uncertainty include credit downgrades, interest rate reductions, falls in commercial and residential property prices and defaults on the commercial mortgage portfolio. We continue to closely track these developments in our businesses and take appropriate actions to ensure that the impact on our businesses and our customers is limited. The Group continues to maintain strong solvency and liquidity positions through a range of scenarios and stress testing. These scenarios allow for the potential impacts of COVID-19 both directly on operations of the Group and also the wider macroeconomic environment, and the Group has considerable resilience to external shocks, even in severe downside scenarios.

Despite the EU-UK Trade Agreement and the EU's recent positive data adequacy decision in respect of the UK, there remain medium-term risks to the Group's operations which could arise as the UK-EU relationship evolves and as a result of the UK's 3rd country relationship with the EU. In particular, the possibility of future EU restrictions on asset management delegation back to the UK, limitations on outsourcing arrangements with EU subsidiaries and restrictions on use by EU insurers (including Aviva's Irish subsidiary) of UK branches for passporting.

Our businesses continue to make progress on the transition to a new risk-free rate ahead of the December 2021 deadline set by the Bank of England for the discontinuation of LIBOR.

Climate change continues to gain increasing focus from regulators and government bodies. 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. Within our sustainability ambition, our plan is to become a Net Zero company by 2040.

The Group is in the process of implementing the new international accounting standard for insurance contracts. The adoption of IFRS 17 significantly impacts the measurement and presentation of the contracts in scope of the standard. It is expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023.

Risk profile

We continue to manage our risk profile to reflect Aviva's objective of maintaining financial strength and reducing capital volatility, and reallocating capital in line with the Group's strategy. At Group and business unit level, there is a capital risk appetite which requires that sufficient capital resources be maintained to cover a stress scenario. In the period, the Group position remained within appetite. Measures to maintain the resilience of the Group's capital position include putting in place a number of foreign exchange, credit and equity hedges. These are used to mitigate the Group's foreign exchange, credit and equity risk exposure, and enable the Group to accept other credit risks offering better risk adjusted returns while remaining within risk appetite. In addition, we renewed our Group-wide catastrophe reinsurance programme to reduce the Group's potential loss to an extreme insurance loss event.

Aviva has announced the sale of a number of our businesses as part of the rationalisation of the business. As part of the activity to complete these disposals, we are carefully monitoring and managing the risks associated with this divestment programme.

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 59 of the Group's 2020 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.

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 ensure detailed reporting and monitoring 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 continues to hold a series of macro credit hedges to reduce the overall credit risk exposure.

As a result of the financial market impact of COVID-19 we have taken a number of actions to reduce our exposure to credit spread and counterparty default risk across our major markets. We continue to monitor credit quality in our commercial mortgage and equity release mortgage portfolios. Specific de-risking actions include phased sales and a focus on high credit quality bond purchases.

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 2021	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	9.8%	35.7%	22.5%	20.1%	6.1%	5.8%	194,420	(71,138)	123,282
Reinsurance assets	—	72.8%	26.1%	—	—	1.1%	13,560	(371)	13,189
Other investments	—	0.2%	0.2%	—	—	99.6%	52,972	(15,661)	37,311
Loans	5.3%	10.9%	7.2%	0.4%	—	76.2%	41,156	(1,086)	40,070
Total							302,108	(88,256)	213,852

As at 31 December 2020	AAA	AA	A	BBB	Below BBB	Not rated	Carrying value including held for sale £m	Less: Assets classified as held for sale £m	Carrying value £m
Fixed maturity securities	9.7%	34.0%	21.4%	23.2%	7.3%	4.4%	216,154	(13,317)	202,837
Reinsurance assets	—	77.4%	21.0%	—	—	1.6%	13,356	(18)	13,338
Other investments	—	0.1%	0.3%	—	—	99.6%	51,627	(3,490)	48,137
Loans	9.0%	10.2%	7.9%	0.4%	—	72.5%	43,679	—	43,679
Total							324,816	(16,825)	307,991

At 30 June 2021, a significant proportion of assets remain investment grade in line with 2020. 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. The impact of exposure to sustained low interest rates is considered within our scenario testing.

Some of the Group's products, principally participating contracts, expose us to the risk that changes in interest rates will impact on profits through a change in the interest spread (the difference between the amounts that we are required to pay under the contracts and the investment income we are able to earn on the investments supporting our obligations under those contracts). Markets where Aviva is primarily exposed to this risk are the UK, France and Italy.

As a result of the significant financial market impact of COVID-19, we are exposed to the potential impact of increased defaults and downgrades on our commercial mortgage loans although we maintain conservative loan-to-value across this portfolio. Our capital position includes an allowance for the expected potential impacts from downgrades and defaults.

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. Planned foreign currency remittances from subsidiaries and disposal proceeds are often hedged using foreign exchange forwards to provide certainty regarding the sterling value to be received by the Group, while foreign exchange swaps are in place to hedge certain non-sterling borrowings. Hedges may also be used to protect the Group's capital against a significant depreciation in local currency versus sterling. At 30 June 2021, hedges with notional values of £5,436 million (Canadian dollar £885 million, Euro £3,832 million and US dollar £719 million) were in place.

(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 ensure that it maintains 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 2021: £1.70 billion) from a range of leading international banks to further mitigate this risk.

Consistent with our dividend policy and capital framework, we aim to deliver significant cash remittances from our key markets over the next three years, which combined with reduced centre debt interest and other costs will drive strong growth in excess cash flows to fund targeted investment in our business and growing returns to shareholders.

(d) Life insurance risk

The overall impact of COVID-19 on the profile of our life insurance risks, primarily longevity, persistency, mortality and expense risk, has been limited during the first half of 2021. In particular, increased protection claims as a result of COVID-19 have been materially offset by technical provision releases due to additional mortality in our annuity portfolio.

In all of our markets, underwriting procedures on Individual Life Protection products limit our exposure to cohorts of the population at the highest risk of COVID-19. In UK Individual Protection we have also introduced a number of additional underwriting questions, adjusted pricing and have referred more cases to manual underwriting. Going forward, as the mortality threat from the UK outbreak subsides, steps are being taken to relax these additional underwriting measures in a controlled way.

We have reinsurance in place across all our markets to reduce our net exposure to potential losses. In the UK we have extensive quota share reinsurance in place on Individual Protection business and for UK Group Life Protection we use surplus reinsurance for very large individual claims. While we have greater potential net exposure to COVID-19 through Group Life Protection, we have also taken pricing actions to limit our potential exposure from new business.

Longevity risk remains the Group's most significant life insurance risk due to the Group's annuity portfolio and is amplified by the current low level of interest rates. 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 currently approximately £5 billion of pensioner in-payment scheme liabilities. We purchase reinsurance for longevity risk for our annuity business and this also includes the bulk annuity buy-in transactions with the Aviva Staff Pension Scheme carried out in 2019, 2020 and in the first six months of 2021.

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

(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/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 to ensure we are resilient to such CAT scenarios.

We continue to closely monitor the impact of COVID-19 on our general insurance and health insurance business and the continuing nature of the event means that our final exposure is subject to a significant degree of uncertainty. Our exposures, together with mitigants, are:

Business Interruption: For the significant majority of the Group's UK General Insurance commercial policies, where policy wordings are determined by the Company, cover is based on a specified list of diseases. These policies exclude business interruption due to new and emerging diseases, like COVID-19. Business interruption losses stemming from the COVID-19 outbreak are therefore not covered under the significant majority of policies. The FCA test case sought to provide legal clarity in terms of the events and the cover provided by a variety of policy wordings, including broker determined policy wordings where we are the lead or follow insurer. Following the judgement received on 15 September 2020 and the subsequent Supreme Court appeal on 15 January 2021, the legal uncertainty in the UK around gross losses has been significantly reduced. In order to provide clarity to policyholders and mitigate exposure to future events of a similar nature, exclusions have been added to relevant policy wordings at renewal. In Canada, we are party to a number of 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. In Ireland, the vast majority of commercial insurance products do not respond to business interruption losses arising from the COVID-19 pandemic. No material change to our assessment of potential exposure has resulted following clarification provided by test case litigation in the UK and Ireland, but where relevant policy wordings and exclusions have been amended to mitigate the risk from future events.

Travel Insurance: We are potentially exposed to claims due to travel cancellation, disruption and sickness where this is insured by the Group, primarily in the UK. We are only exposed to losses after recoveries have been made from travel providers (e.g. tour operators or airlines) and agents. Travel disruption is not part of our Aviva UK Direct cover but is included as standard in the majority of the added value accounts with our banking partners. COVID-19 wording has been clarified to eliminate ambiguity, pricing adjusted to ensure risk is appropriately priced and further reinsurance cover has been purchased. These costs are offset by reduced claims frequency as a result of the current low levels of international travel, and are also partially mitigated through profit commission and future pricing agreements with distribution partners.

Other: There have also been impacts in other product lines as a result of reduced economic activity, for example there has been a reduction in claims frequency and a change in the severity of claims on motor insurance. Private health insurance claims have also continued to be lower than expected as a result of the disruption caused by the COVID-19 pandemic, and in the UK we provided a fair value pledge to policyholders to recognise the ongoing uncertainty around the ability to access treatment.

Reinsurance: The Group purchases reinsurance protections on its property portfolio that includes coverage for business interruption and will seek reinsurance recoveries of those of its business interruption losses that are covered by reinsurance.

(f) 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 with issues escalated to the Aviva Investors Risk Management Committee and ultimately to the Aviva Investors Holdings Limited Board Risk Committee.

(g) Operational risk

Aviva's ongoing ambition is for its Board, colleagues, customers, regulators and other external stakeholders to continue to have full confidence in the way that it manages risk across all areas of its business. 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.

We are also currently investing in a risk improvement programme which will further simplify and strengthen the risk management capabilities across the organisation, allowing us to operate a stronger control environment, better support the business to understand and embed risk accountabilities, reduce the complexity of how the business thinks about and manages risks and create greater collaboration across the first and second lines to provide higher quality advice and challenge. The programme is moving at pace and changes will continue to be delivered and embedded throughout 2021 and into 2022.

Since the onset of the COVID-19 pandemic the Group has remained operationally resilient, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that we are there to support our customers when they need us most. Aviva has continued to strengthen its processes and controls to ensure that operational risks relating to continued extensive working from home remain at an acceptable level. Aviva has seen no material increase in the volume of cyber incidents/attacks as a result of the pandemic but has seen external threat actors exploit the global situation through COVID-19 inspired phishing emails, texts and phone calls.

In response to this Aviva has put in place a programme of communications to ensure Aviva employees are aware of such scams, published safe homeworking guides and run online training for its employees and their families.

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 have been 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 LIBOR rates existed within the UK insurance business and Aviva Investors, where Aviva has been reviewing all financial instruments, engaging with counterparties to either transition to alternative risk-free rates or exiting positions where required. Significant progress has been made, with a substantive majority of Aviva's original LIBOR exposure already resolved, and the outstanding transition work is on track to complete by year-end. A hard restriction has been implemented for new asset positions, preventing new investment in assets that reference LIBOR unless robust automatic switch language is included in the documentation. All discretionary and standalone non-discretionary vanilla swap positions that reference GBP LIBOR have been transitioned and Aviva has adhered to the ISDA Fallback Protocol, meaning the risk of not transitioning the remaining derivatives positions is minimal. Aviva is working closely with UK regulators, impacted clients, industry experts and industry associations to ensure a smooth and transparent transition of the outstanding exposure. The programme is addressing all risks posed by the transition, including the risk of non-transition. Aviva do not expect there to be any change in the Company's risk management strategy in response to the transition. At 30 June 2021, £1,602 million of non-derivative financial assets, £549 million of derivative financial assets, £1,003 million of non-derivative financial liabilities and £563 million of derivative financial liabilities had yet to transition to an alternative risk-free rate.

Aviva has announced the sale of a number of our businesses as part of the rationalisation of the Group as communicated in the second half of 2020 and in early 2021. As part of the activity to complete these disposals, we have agreed an approach which ensures that all operational risks continue to be managed effectively up until the point of completion and we are also carefully monitoring and managing the risks associated with this divestment programme itself. These risks include:

- Execution risk: including failure to achieve necessary regulatory approvals, other legal obligations and clean and appropriate separation of the business in the required time;
- Data leakage or loss as a result of ongoing access to Aviva information by divested entities post-sale, or the security of email communications with divested markets; and
- Impact on our ongoing operational risk profile: including disruption to customer services, external reporting requirements, loss of key staff/expertise.

(h) Sensitivity test analysis

The Group uses a number of sensitivity tests to understand the volatility of its earnings and capital requirements and to manage its capital more efficiently. Sensitivities to economic and operating experience are regularly produced on the Group's key financial performance metrics to inform the Group's decision-making and planning processes, and as part of the framework for identifying and quantifying the risks to which each of its business units, and the Group as a whole, are exposed.

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

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

Long-term business sensitivities

30 June 2021 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(120)	(85)	(15)	(15)	(15)	(60)	5	(5)
Insurance non-participating	(935)	1,100	(695)	(130)	110	(200)	(145)	(915)
Investment participating	(45)	60	—	(25)	20	(45)	—	—
Investment non-participating	(5)	5	—	5	(5)	(10)	—	—
Assets backing life shareholders' funds	(125)	140	(50)	(20)	20	—	—	—
Total	(1,230)	1,220	(760)	(185)	130	(315)	(140)	(920)

30 June 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	(120)	(85)	(15)	(15)	(15)	(60)	5	(5)
Insurance non-participating	(935)	1,100	(695)	(130)	110	(200)	(145)	(915)
Investment participating	(45)	60	—	(25)	20	(45)	—	—
Investment non-participating	(5)	5	—	5	(5)	(10)	—	—
Assets backing life shareholders' funds	(165)	175	(50)	(20)	15	—	—	—
Total	(1,270)	1,255	(760)	(185)	125	(315)	(140)	(920)

31 December 2020 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	10	(375)	(80)	(20)	(40)	(65)	20	(5)
Insurance non-participating	(965)	1,215	(735)	(115)	100	(215)	(155)	(1,020)
Investment participating	(60)	75	—	(20)	20	(50)	—	—
Investment non-participating	(5)	5	—	5	(10)	(5)	—	—
Assets backing life shareholders' funds	(145)	180	(45)	(25)	25	—	—	—
Total	(1,165)	1,100	(860)	(175)	95	(335)	(135)	(1,025)

31 December 2020 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality -5%
Insurance participating	10	(375)	(80)	(20)	(40)	(65)	20	(5)
Insurance non-participating	(965)	1,215	(735)	(115)	100	(215)	(155)	(1,020)
Investment participating	(60)	75	—	(20)	20	(50)	—	—
Investment non-participating	(5)	5	—	5	(10)	(5)	—	—
Assets backing life shareholders' funds	(195)	220	(50)	(25)	25	—	—	—
Total	(1,215)	1,140	(865)	(175)	95	(335)	(135)	(1,025)

Changes in sensitivities between 31 December 2020 and 30 June 2021 reflect underlying movements in the value of assets and liabilities, the relative duration of assets and liabilities and asset liability management actions. The sensitivities to economic and demographic movements relate mainly to business in the UK.

General insurance and health business sensitivities

30 June 2021 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(365)	410	(110)	90	(90)	(80)	(125)
Net of reinsurance	(400)	435	(110)	90	(90)	(80)	(125)

30 June 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(365)	410	(110)	90	(90)	(25)	(125)
Net of reinsurance	(400)	435	(110)	90	(90)	(25)	(125)

31 December 2020 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(380)	445	(110)	100	(100)	(145)	(325)
Net of reinsurance	(435)	490	(110)	100	(100)	(145)	(305)

31 December 2020 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%	Expenses +10%	Gross loss ratios +5%
Gross of reinsurance	(380)	445	(110)	100	(100)	(25)	(325)
Net of reinsurance	(435)	490	(110)	100	(100)	(25)	(305)

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

Fund management and non-insurance business sensitivities

30 June 2021 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	**40**	—	—

30 June 2021 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	**40**	—	—

31 December 2020 Impact on profit before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	50	(10)	20

31 December 2020 Impact on shareholders' equity before tax £m	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/ property +10%	Equity/ property -10%
Total	—	—	50	(10)	15

Limitations of sensitivity analysis

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

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

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

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

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

B20 – Cash and cash equivalents

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

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Cash and cash equivalents	**10,654**	19,125	16,900
Cash and cash equivalents of operations classified as held for sale	**2,931**	862	190
Bank overdrafts	**(652)**	(712)	(908)
Bank overdrafts of operations classified as held for sale	**(191)**	—	—
Net cash and cash equivalents	**12,742**	19,275	16,182

B21 – 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 55 of the Group's 2020 Annual Report and Accounts. An update on material risks is provided in note B19.

B22 – Subsequent events

On 3 June 2021, the PRA set out proposals for the Solvency II technical information to transition from being based on the London Interbank Offered Rate (LIBOR) to being based on the Sterling Overnight Index Average (SONIA), effective from 31 July 2021. Where IFRS insurance liabilities are based on LIBOR (primarily UK with-profits business), these will also transition to SONIA from this date. The estimated impact of this transition will be a reduction in the Group's profit before tax of £115 million. This transition will not result in any change to the Group adjusted operating profit.

On 12 August 2021 Aviva plc announced a share buyback programme of its ordinary shares for up to a maximum aggregate consideration of £750 million, commencing on 13 August 2021, and expected to complete over the period to 17 February 2022. The maximum number of shares to be acquired under the programme is 300 million.

Directors' responsibility statement

The directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the UK and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

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

By order of the Board

Amanda Blanc
Group Chief Executive Officer

Jason Windsor
Group Chief Financial Officer

11 August 2021

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 of Aviva plc for the 6 month period ended 30 June 2021 (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.

What we have reviewed

The interim financial statements comprise:

- the condensed consolidated statement of financial position as at 30 June 2021;
- 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 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.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half year report, 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 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Half year report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the Disclosure 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.

What a review of interim financial statements involves

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

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

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

PricewaterhouseCoopers LLP
Chartered Accountants
London

11 August 2021

Analysis of assets

In this section		Page

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

30 June 2021	Policyholder assets £m	Participating fund assets £m	Shareholder assets £m	Total assets analysed £m	Less: Assets classified as held for sale £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	—	3,998	3,998	(133)	3,865
Interests in joint ventures and associates	201	767	961	1,929	(77)	1,852
Property and equipment	—	178	471	649	(181)	468
Investment property	7,048	4,315	697	12,060	(5,273)	6,787
Loans	2,250	5,909	32,996	41,155	(1,085)	40,070
Financial investments						
Debt securities	46,608	86,310	61,502	194,420	(71,138)	123,282
Equity securities	93,486	12,562	615	106,663	(13,619)	93,044
Other investments	36,802	12,228	3,942	52,972	(15,661)	37,311
Reinsurance assets	4,589	448	8,523	13,560	(371)	13,189
Deferred tax assets	—	—	161	161	(27)	134
Current tax assets	—	—	281	281	(72)	209
Receivables and other financial assets	752	1,183	7,599	9,534	(728)	8,806
Deferred acquisition costs and other assets	11	1,174	4,681	5,866	(353)	5,513
Prepayments and accrued income	487	1,049	1,357	2,893	(892)	2,001
Cash and cash equivalents	5,483	2,234	5,868	13,585	(2,931)	10,654
Assets classified as held for sale	—	—	—	—	112,541	112,541
Total	**197,717**	**128,357**	**133,652**	**459,726**	**—**	**459,726**
Total %	**43.0%**	**27.9%**	**29.1%**	**100.0%**	**—**	**100.0%**
2020 Total	187,985	149,932	141,940	479,857	—	479,857
2020 Total %	39.2%	31.2%	29.6%	100.0%	—	100.0%

C2 – Summary of valuation bases for total shareholder assets

30 June 2021	Fair value £m	Amortised cost £m	Equity accounted/ tax assets[1] £m	Total £m
Goodwill and acquired value of in-force business and intangible assets	—	3,998	—	3,998
Interests in joint ventures and associates	—	—	961	961
Property and equipment	64	407	—	471
Investment property	697	—	—	697
Loans	29,289	3,707	—	32,996
Financial investments				
Debt securities	61,502	—	—	61,502
Equity securities	615	—	—	615
Other investments	3,942	—	—	3,942
Reinsurance assets	—	8,523	—	8,523
Deferred tax assets	—	—	161	161
Current tax assets	—	—	281	281
Receivables and other financial assets	—	7,599	—	7,599
Deferred acquisition costs and other assets	—	4,681	—	4,681
Prepayments and accrued income	—	1,357	—	1,357
Cash and cash equivalents	5,868	—	—	5,868
Total	**101,977**	**30,272**	**1,403**	**133,652**
Total %	**76.4%**	**22.6%**	**1.0%**	**100.0%**
Less: Assets classified as held for sale	(6,794)	(1,489)	(99)	(8,382)
Total (excluding assets held for sale)	**95,183**	**28,783**	**1,304**	**125,270**
Total % (excluding assets held for sale)	**76.0%**	**23.0%**	**1.0%**	**100.0%**
2020 Total	107,520	33,109	1,311	141,940
2020 Total %	75.8%	23.3%	0.9%	100.0%

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

C3 – Analysis of financial investments by fund

The asset allocation as at 30 June 2021 across the Group, split according to the type of the liability the assets are backing, is shown in the table below.

30 June 2021	Shareholder business assets				Participating fund assets				
	General insurance & health & other[1] £m	Annuity and non-profit £m	Total Shareholder assets £m	Policyholder (unit-linked assets) £m	UK style with-profits £m	Continental European-style participating funds £m	Total assets analysed £m	Less: Assets classified as held for sale £m	Carrying value in the statement of financial position £m
Debt securities (note C4)									
Government bonds	6,253	19,892	26,145	17,989	9,392	27,527	81,053	(33,665)	47,388
Corporate bonds	4,708	21,618	26,326	19,382	11,060	28,754	85,522	(33,558)	51,964
Other	4,044	4,987	9,031	9,237	6,834	2,743	27,845	(3,915)	23,930
	15,005	46,497	61,502	46,608	27,286	59,024	194,420	(71,138)	123,282
Loans (note C5)									
Mortgage loans	—	21,684	21,684	—	38	—	21,722	—	21,722
Other loans	2,121	9,191	11,312	2,250	4,800	1,071	19,433	(1,085)	18,348
	2,121	30,875	32,996	2,250	4,838	1,071	41,155	(1,085)	40,070
Equity securities (note C6)	389	226	615	93,486	9,270	3,292	106,663	(13,619)	93,044
Investment property (note C7)	540	157	697	7,048	1,748	2,567	12,060	(5,273)	6,787
Other investments (note C8)	1,380	2,562	3,942	36,802	5,617	6,611	52,972	(15,661)	37,311
Total	**19,435**	**80,317**	**99,752**	**186,194**	**48,759**	**72,565**	**407,270**	**(106,776)**	**300,494**
2020 Total	20,600	85,423	106,023	176,500	49,864	90,946	423,333	(16,907)	406,426

1 Of the £19,435 million of assets 40% relates to other shareholder business assets.

C4 – Analysis of shareholder debt 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; and
- 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 2021	Fair value hierarchy			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
UK Government	10,939	1,495	348	12,782
Non-UK government	2,250	8,485	2,628	13,363
Europe	1,532	4,150	1,780	7,462
North America	683	3,610	545	4,838
Asia Pacific & Other	35	725	303	1,063
Corporate bonds - Public utilities	—	3,182	1,908	5,090
Other corporate bonds	—	18,227	3,009	21,236
Other	—	8,709	322	9,031
Total	**13,189**	**40,098**	**8,215**	**61,502**
Total %	**21.4%**	**65.2%**	**13.4%**	**100.0%**
Less: Assets classified as held for sale	(1,445)	(3,260)	(186)	(4,891)
Total (excluding assets held for sale)	**11,744**	**36,838**	**8,029**	**56,611**
Total % (excluding assets held for sale)	**20.7%**	**65.1%**	**14.2%**	**100.0%**
2020 Total	14,649	40,970	9,077	64,696
2020 Total %	22.7%	63.3%	14.0%	100.0%

Analysis of assets continued

(b) External ratings

30 June 2021	AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Non-rated £m	Total £m
				External ratings			
Government							
UK Government	—	12,269	225	—	—	98	12,592
UK local authorities	—	—	134	—	—	56	190
Non-UK Government	6,234	4,171	1,762	241	13	942	13,363
	6,234	16,440	2,121	241	13	1,096	26,145
Corporate							
Public utilities	—	138	1,375	2,237	14	1,326	5,090
Other corporate bonds	2,023	3,260	8,496	5,165	289	2,003	21,236
	2,023	3,398	9,871	7,402	303	3,329	26,326
Certificates of deposit	52	4,167	2,651	37	—	127	7,034
Structured							
Residential mortgage backed security - non-agency prime	1	—	79	1	—	—	81
	1	—	79	1	—	—	81
Commercial mortgage backed security	386	55	149	52	—	23	665
Asset backed security	111	301	29	138	24	47	650
	497	356	178	190	24	70	1,315
Wrapped credit	—	12	362	88	5	10	477
Other	—	2	22	44	56	—	124
Total	8,807	24,375	15,284	8,003	401	4,632	61,502
Total %	14.3%	39.6%	24.9%	13.0%	0.7%	7.5%	100.0%
Less: Assets classified as held for sale	(224)	(1,557)	(1,579)	(1,138)	(310)	(83)	(4,891)
Total (excluding assets held for sale)	8,583	22,818	13,705	6,865	91	4,549	56,611
Total % (excluding assets held for sale)	15.2%	40.3%	24.2%	12.1%	0.2%	8.0%	100.0%
2020 Total	9,050	25,750	15,955	8,440	430	5,071	64,696
2020 Total %	14.0%	39.8%	24.7%	13.0%	0.7%	7.8%	100.0%

C5 – Analysis of loans

(a) Overview

The Group's loan portfolio of £40,070 million (2020: £43,679 million) is principally made up of the following:

- Policy loans of £17 million (2020: £637 million), which are generally collateralised by a lien or charge over the underlying policy;
- Loans and advances to banks of £10,127 million (2020: £12,330 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 £21,721 million (2020: £22,073 million); and
- Healthcare, infrastructure and private financial initiative (PFI) loans of £7,430 million (2020: £7,283 million).

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

For certain mortgage loans, the Group has taken advantage of the fair value option under IAS 39 *Financial Instruments: Recognition Measurement* to present the mortgages, associated borrowings, other liabilities and derivative financial instruments at fair value, since they are managed together on a fair value basis. 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, 54.2% (2020: 50.5%) 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 £7,430 million (2020: £7,283 million). These loans are secured against the income from healthcare and education premises and as such are not considered further in this section.

(b) Analysis of shareholder mortgage loans

Mortgage loans included within shareholder assets are £21,684 million (2020: £22,034 million) and are almost entirely held in the UK. The narrative below focuses on explaining the risks arising as a result of these exposures.

30 June 2021	Total £m
Non-securitised mortgage loans	
– Residential (Equity release)	**9,502**
– Commercial	**7,251**
– Healthcare, Infrastructure and PFI mortgage loans	**2,618**
	19,371
Securitised mortgage loans	**2,313**
Total	**21,684**
Less: Assets classified as held for sale	—
Total (excluding assets held for sale)	**21,684**
2020 Total	22,034

Non-securitised mortgage loans

Residential

The UK non-securitised residential mortgage portfolio has a total value as at 30 June 2021 of £9,502 million (2020: £9,360 million). The movement in the year is due to £364 million of new lending offset by a decrease in the fair value of £78 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 28.8% (2020: 28.2%).

Commercial

Gross exposure by loan to value and arrears of UK non-securitised commercial mortgages is shown in the table below.

30 June 2021	>120% £m	115–120% £m	110–115% £m	105–110% £m	100–105% £m	95–100% £m	90–95% £m	80–90% £m	70–80% £m	<70% £m	Total £m
Not in arrears	**31**	—	—	—	—	**331**	—	**203**	**1,014**	**4,840**	**6,419**
0 – 3 months	—	—	—	—	—	—	—	—	—	**832**	**832**
Total	**31**	—	—	—	—	**331**	—	**203**	**1,014**	**5,672**	**7,251**

All of the £7,251 million (2020: £7,479 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, improved to 2.38x (2020: 2.37x). 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, reduced to 2.73x (2020: 2.74x). Average mortgage LTV decreased from 61.0% in 2020 to 58.2%. As at 30 June 2021, loans with a value of £832 million have a balance in arrears of £5 million (2020: loans with a value of £34 million had a balance in arrears of £1 million). At 31 July 2021 there were no loans with balances in arrears.

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. £16,806 million of shareholder loan assets are backing annuity liabilities and comprise of commercial mortgage loans (£7,251 million), Healthcare, Infrastructure and PFI mortgage loans (£2,618 million) and Healthcare, Infrastructure and PFI other loans (£6,937 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 £2,618 million (2020: £2,804 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 72.4% (2020: 73.7%), 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 2021, the Group has £2,313 million (2020: £2,391 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 £207 million (2020: £230 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 51.1% (2020: 49.6%).

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 £1.2 billion (2020: £1.4 billion) over the remaining term of the portfolio at 30 June 2021. The total valuation allowance in respect of mortgages, including healthcare mortgages but excluding equity release, was £0.5 billion at 30 June 2021 (2020: £0.6 billion). The total valuation allowance in respect of equity release mortgages was £1.3 billion at 30 June 2021 (2020: £1.7 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 43 bps, 30 bps, and 99 bps respectively at 30 June 2021 (2020: 46 bps, 35 bps and 118 bps respectively).

C6 – Analysis of shareholder equity securities

	30 June 2021				31 December 2020			
	Fair value hierarchy				Fair value hierarchy			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Public utilities	7	—	—	7	10	—	—	10
Banks, trusts and insurance companies	56	—	149	205	81	—	101	182
Industrial miscellaneous and all other	206	—	18	224	315	—	18	333
Non-redeemable preference shares	179	—	—	179	195	—	—	195
Total	448	—	167	615	601	—	119	720
Total %	72.8%	—	27.2%	100.0%	83.5%	—	16.5%	100.0%
Less: Assets classified as held for sale	(49)	—	(22)	(71)	—	—	—	—
Total (excluding assets held for sale)	399	—	145	544	601	—	119	720
Total % (excluding assets held for sale)	73.3%	—	26.7%	100.0%	83.5%	—	16.5%	100.0%

C7 – Analysis of shareholder investment property

	30 June 2021				31 December 2020			
	Fair value hierarchy				Fair value hierarchy			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Leased to third parties under operating leases	—	—	697	697	—	—	642	642
Total	—	—	697	697	—	—	642	642
Total %	—	—	100.0%	100.0%	—	—	100.0%	100.0%
Less: Assets classified as held for sale	—	—	—	—	—	—	—	—
Total (excluding assets held for sale)	—	—	697	697	—	—	642	642
Total % (excluding assets held for sale)	—	—	100.0%	100.0%	—	—	100.0%	100.0%

C8 – Analysis of shareholder other financial investments

	30 June 2021				31 December 2020			
	Fair value hierarchy				Fair value hierarchy			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Unit trusts and other investment vehicles	520	203	433	1,156	431	204	284	919
Derivative financial instruments	21	2,034	400	2,455	54	3,216	478	3,748
Deposits with credit institutions	6	1	—	7	—	—	—	—
Minority holdings in property management undertakings	—	20	213	233	—	48	224	272
Other	2	—	89	91	2	—	100	102
Total	549	2,258	1,135	3,942	487	3,468	1,086	5,041
Total %	13.9%	57.3%	28.8%	100.0%	9.7%	68.8%	21.5%	100.0%
Less: Assets classified as held for sale	(534)	(21)	(293)	(848)	—	—	—	—
Total (excluding assets held for sale)	15	2,237	842	3,094	487	3,468	1,086	5,041
Total % (excluding assets held for sale)	0.5%	72.3%	27.2%	100.0%	9.7%	68.8%	21.5%	100.0%

Other information

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 figures 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.

At our 6 months 2020 interim results announcement on 6 August 2020, we announced our strategic priorities to focus on building and extending leadership in the UK, Ireland and Canada, and managing international businesses for long-term shareholder value (Strategic investments). The 2020 comparative results for our APMs have been restated from those previously published to reclassify operations on this basis.

In addition, the 2020 comparative amounts have been re-presented from those previously published to reclassify the amounts relating to Aviva Singapore, Friends Provident International Limited (FPI), Hong Kong, Indonesia, Vietnam, France, Italy, Poland and Turkey as discontinued operations.

At 31 December 2020, the estimated Solvency II shareholder cover ratio APM was amended to no longer make adjustments for planned acquisitions and disposals when deriving the shareholder view. This change in approach is considered more relevant because prior to completion there is uncertainty in relation to the progression and final terms of such transactions. Comparative amounts have not been restated for this change as the impacts were not material at 30 June 2020.

On 4 March 2021, as part of our annual results we announced a new metric to measure our profitable growth in Aviva Investors (AI) to meet our key strategic initiatives. Consequently, we have added a new APM in 2021: cost income ratio (CIR). This measure provides useful information 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.

Following the review of the measures used to assess the trading performance of our investment management business, VNB and PVNBP are no longer reported for Aviva Investors as these measures are more relevant to the Group's life insurance business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to VNB and PVNBP.

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
- Combined operating ratio
- Claims, commission, and expense ratios
- Operating earnings per share
- Controllable costs
- IFRS return on equity
- IFRS net asset value per share
- Assets Under Management and Assets Under Administration
- Net flows
- Aviva Investors revenue
- Cost income ratio

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 adjusted 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, economic assumption changes and short-term fluctuation in return on investments

Group adjusted operating profit for the life insurance 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. 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. Where such securities are classified as available for sale the expected return comprises interest or dividend payments and amortisation of the premium or discount at purchase. 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. 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.

Group adjusted operating profit for the non-life insurance business is based on expected investment returns on financial investments backing shareholder funds over the period. Expected investment returns are calculated for equities and properties by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the long-term rate of return. This rate of return is the same as that applied for the long-term business expected returns. The long-term return for other investments (including debt securities) is the actual income receivable for the period. Actual income and long-term investment return both contain the amortisation of the discounts/premium arising on the acquisition of fixed income securities.

Changes due to market value movements and interest rate changes, which give rise to variances between actual and expected investment returns, are disclosed separately outside Group adjusted operating profit. The impact of changes in the discount rate applied to claims provisions is also disclosed outside Group adjusted operating profit.

The exclusion of short-term 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; and the profit or loss on disposal and remeasurement of subsidiaries, joint ventures and associates. These items principally relate to merger, acquisition and disposal 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 in 2021 comprises:

- A charge of £51 million relating to the redemption payment in excess of the market value of debt repaid as part of the Group's deleveraging strategy. This is disclosed outside of Group Adjusted Operating Profit as the costs arise from a strategic decision relating to the financing of the Group as a whole and not to the operating performance of the Group or its operating segments;
- A charge of £7 million relating to the cost of voluntary amendments to a small proportion of ground rent leases held by the Aviva Investor REaLM Ground Rent Fund; and
- A net release of £3 million of certain provisions assumed as part of historic acquisition activities.

Other items in 2020 comprised:

- A charge of £16 million relating to costs on contracts that have become onerous following the disposals of FPI, Singapore, Indonesia and Hong Kong. This was disclosed outside of Group adjusted operating profit as the onerous contracts arise as a result of disposal transactions which we consider to be strategic in nature; and
- A charge of £18 million relating to the estimated additional liability arising in the UK defined benefit pension schemes as a result of the requirement to equalise members' benefits for the effects of Guaranteed Minimum Pension (GMP) for former members. This was disclosed outside of Group adjusted operating profit as the additional liability arose as a consequence of a further High Court judgement in November 2020 in the case involving Lloyds Banking Group, and does not reflect the financial performance of the Group for the year.

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 year 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 2021 £m	Restated[1] 6 months 2020 £m	Restated[1] Full year 2020 £m
UK & Ireland Life	**545**	822	1,907
UK & Ireland General Insurance	**191**	(50)	213
Canada	**229**	129	287
Aviva Investors	**19**	9	25
UK, Ireland, Canada and Aviva Investors	**984**	910	2,432
Strategic investments	**55**	17	26
	1,039	927	2,458
Corporate centre costs and Other operations	**(134)**	(127)	(282)
Group debt costs and other interest	**(180)**	(179)	(370)
Group adjusted operating profit before tax attributable to shareholders' profits from continuing operations	**725**	621	1,806
Group adjusted operating profit before tax attributable to shareholders' profits from discontinued operations[2]	**407**	604	1,355
Group adjusted operating profit before tax attributable to shareholders' profits	**1,132**	1,225	3,161
Adjusted for the following:			
Life business: Investment variances and economic assumption changes	**(259)**	305	174
Non-life business: Short-term fluctuation in return on investments	**(155)**	(171)	(64)
General insurance and health business: Economic assumption changes	**(23)**	(45)	(104)
Impairment of goodwill, associates and joint ventures and other amounts expensed	**—**	(17)	(30)
Amortisation and impairment of intangibles acquired in business combinations	**(30)**	(44)	(76)
Amortisation and impairment of acquired value of in-force business	**(100)**	(165)	(278)
(Loss)/profit on the disposal and remeasurement of subsidiaries, joint ventures and associates	**(513)**	(12)	725
Other	**(55)**	—	(34)
Adjusting items before tax	**(1,135)**	(149)	313
IFRS (loss)/profit before tax attributable to shareholders' profits	**(3)**	1,076	3,474
Tax on Group adjusted operating profit	**(263)**	(224)	(634)
Tax on other activities	**68**	22	70
	(195)	(202)	(564)
IFRS (loss)/profit for the period	**(198)**	874	2,910

1. The 2020 comparative results have been restated from those previously published due to the change in presentation of segmental information and to reclassify the amounts relating to discontinued operations as described in note B2.
2. Discontinued operations at HY21 include the results of France, Italy, Poland, Turkey, Aviva Investors France and Aviva Investors Poland, see note B2(a) for discontinued operations at HY20 and full year 2020. For a reconciliation between operating profit and profit before tax for discontinued operations see note B4(d).

Combined operating ratio (COR)

COR is a useful financial measure of general insurance underwriting profitability calculated as total underwriting costs in our insurance entities expressed as a percentage of net earned premiums. It is used to monitor the profitability of lines of business. A COR below 100% indicates profitable underwriting. The Group COR is shown below.

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Continuing operations			
Incurred claims – GI & Health (as per note B5)[1]	**(2,343)**	(2,715)	(5,044)
Adjusted for the following:			
Incurred claims – Health	**166**	129	278
Change in discount rate assumptions	**38**	38	84
Total incurred claims (included in COR)[2]	**(2,139)**	(2,548)	(4,682)
Commission and expenses – GI & Health (as per note B5)[3]	**(1,451)**	(1,501)	(3,016)
Adjusted for the following:			
Amortisation and impairment of intangibles acquired in business combinations	**5**	11	19
Foreign exchange gains/losses	**(33)**	55	47
Commission income	**9**	6	14
Other	**15**	7	16
Commission and Expenses – Health & Other Non GI	**97**	107	211
Total commission and expenses (included in COR)[4]	**(1,358)**	(1,315)	(2,709)
Total underwriting costs from continuing operations	**(3,497)**	(3,863)	(7,391)
Total underwriting costs from discontinued operations	**(796)**	(742)	(1,549)
Total underwriting costs	**(4,293)**	(4,605)	(8,940)
Net earned premiums – GI & Health	**4,055**	4,006	8,062
Adjusted for:			
Net earned premiums – Health	**(238)**	(198)	(430)
Net earned premiums (included in COR) from continuing operations	**3,817**	3,808	7,632
Net earned premiums (included in COR) from discontinued operations	**833**	806	1,656
Net earned premiums (included in COR)	**4,650**	4,614	9,288
Combined operating ratio - continuing operations	**91.6%**	101.4 %	96.8%
Combined operating ratio	**92.3%**	99.8 %	96.2%

1 Incurred claims - GI & Health corresponds to the sum of claims and benefits paid, net of recoveries from reinsurers and the change in insurance liabilities, net of reinsurance per note B5.
2 Incurred claims (included in COR) includes Aviva Re amounts in 2020.
3 Commission and expenses - GI & Health corresponds to the sum of fee and commission expense and other expenses per note B5.
4 Commission and expenses (included in COR) is comprised of £(883) million earned commission (HY20: £(815) million, 2020: £(1,703) million) and £(475) million earned expenses (HY20: £(500) million, 2020: £(1,006) million).

Claims, commission, and expense ratios

Financial measures of the performance of our general insurance business which are calculated as incurred claims, earned commissions or earned expenses expressed as a percentage of net earned premiums, 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 B7.

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 exclude:

- 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 such as GI instalment income and charges reported as 'Other' outside of Group adjusted operating profit.

A reconciliation of other expenses in the IFRS condensed consolidated income statement to controllable costs is set out below:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Continuing operations			
Other expenses (IFRS income statement)	**1,013**	1,279	2,530
Add: other acquisition costs	**440**	375	836
Add: claims handling costs	**136**	173	297
Less: impairment of goodwill, associates and joint ventures and other amounts expensed	**—**	(16)	(16)
Less: amortisation and impairment of intangibles acquired in business combinations	**(27)**	(35)	(62)
Less: amortisation and impairment of acquired value of in-force business	**(94)**	(106)	(212)
Less: foreign exchange gains/(losses)	**135**	(138)	(107)
Less: product governance and mis-selling costs	**(19)**	(16)	(38)
Less: premium based income taxes, fees and levies	**(107)**	(103)	(192)
(Less)/add: other costs	**(30)**	30	(5)
Controllable costs from continuing operations	**1,447**	1,443	3,031
Controllable costs from discontinued operations[1]	**375**	469	904
Controllable costs	**1,822**	1,912	3,935

1 The 2020 comparative results have been re-presented from those previously published to reclassify the amounts relating to discontinued operations as described in note B2.

IFRS Return on Equity (IFRS RoE)

The IFRS RoE calculation is based on annualised Group adjusted operating profit after tax attributable to ordinary shareholders expressed as a percentage of weighted average ordinary shareholders' equity (excluding non-controlling interests, preference share capital and direct capital instrument). 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 A13.

IFRS net asset value per share (IFRS NAV per share)

IFRS NAV per share is calculated as the equity attributable to shareholders of Aviva plc, less preference share capital (both within the condensed consolidated statement of financial position), divided by the actual number of shares in issue at the balance sheet date. IFRS NAV 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.

	30 June 2021	30 June 2020	31 December 2020
Equity attributable to shareholders of Aviva plc at 30 June/31 December[1] (£m)	**17,979**	18,576	19,354
Number of shares in issue at 30 June/31 December (in millions)	**3,930**	3,928	3,928
IFRS NAV per share	**457p**	**473p**	**493p**

1 Excluding preference shares of £200 million (30 June 2020: £200 million, 31 December 2020: £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, including those assets managed by Aviva Investors and by third parties. AUM include 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 £43 billion (2020: £40 billion) 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 2021 £bn	30 June 2020 £bn	31 December 2020 £bn
AUM managed on behalf of Group companies			
Assets included in statement of financial position[1]			
Financial investments	**354**	361	369
Investment properties	**12**	11	11
Loans	**41**	40	44
Cash and cash equivalents	**14**	20	17
Other	**7**	4	5
	428	436	446
Less: third-party funds and UK Platform included above	**(27)**	(24)	(26)
	401	412	420
Assets managed on behalf of third parties[2]			
Aviva Investors	**74**	72	74
UK Platform[3]	**39**	30	34
Other	**8**	8	7
	121	110	115
Total AUM[4]	**522**	522	535

1 Includes assets classified as held for sale.
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 UK Savings & Retirement business.
4 Includes AUM of £260 billion (HY20: £249 billion, 2020: £262 billion) managed by Aviva Investors continuing operations, and a further £98 billion (HY20: £106 billion, 2020: £104 billion) within Aviva Investors discontinued operations.

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 Savings & Retirement business within UK & Ireland Life.

It is the net position of inflows and outflows. Inflows include IFRS net written premiums, deposits made under investment contracts, and other funds received from customers into AUM which are not included in the Group's statement of financial position. Outflows include IFRS net claims paid, redemptions and surrenders under investment contracts, and other funds withdrawn by customers from AUM which are not included in the Group's statement of financial position.

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 fee and commission expense.

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' controllable costs excluding cost reduction implementation and IFRS 17 costs divided by Aviva Investors revenue.

			Aviva Investors
	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Aviva Investors revenue	**192**	180	381
Controllable costs excluding cost reduction implementation and IFRS 17 costs	**168**	171	356
Cost income ratio	**87 %**	95 %	93 %

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
- Solvency II operating capital generation
- Solvency II operating own funds generation
- Solvency II return on capital
- Solvency II return on equity
- Solvency II net asset value 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 key differences between the two bases are as follows

- Elimination of goodwill and other intangible assets
- Valuation adjustments to reflect insurance assets and liabilities valued on a best estimate basis using market-implied assumptions
- Valuation adjustments and the impact of the difference between consolidation methodologies under Solvency II and IFRS
- Tax effect of all other reconciling items in the table below which are shown gross of tax
- Recognition of subordinated debt capital, non-controlling interests and adjustments for ring-fenced funds restrictions

The reconciliation from total Group equity on an IFRS basis to Solvency II regulatory own funds is presented below.

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Total Group equity on an IFRS basis	**19,063**	19,788	20,560
Elimination of goodwill and other intangible assets			
Goodwill	**(1,767)**	(1,850)	(1,805)
Acquired value of in-force business	**(1,638)**	(2,299)	(1,742)
Deferred acquisition costs (net of deferred income)	**(2,595)**	(3,337)	(3,154)
Other intangibles	**(460)**	(797)	(704)
Liability valuation differences (net of transitional deductions)	**16,286**	18,363	16,159
Inclusion of risk margin (net of transitional deductions)	**(2,743)**	(4,196)	(3,245)
Revaluation of subordinated liabilities	**(531)**	(859)	(795)
Other accounting differences	**(458)**	53	(69)
Net deferred tax	**(1,446)**	(910)	(1,191)
Estimated Solvency II net assets (gross of non-controlling interests)	**23,711**	23,956	24,014
Difference between Solvency II net assets and regulatory own funds	**3,418**	4,420	5,248
Estimated Solvency II regulatory own funds	**27,129**	28,376	29,262

Solvency II shareholder cover ratio

The estimated Solvency II shareholder cover ratio, which is derived from own funds divided by the SCR using a 'shareholder view', is one of the indicators of the Group's balance sheet strength. The shareholder view 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 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 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 transitional measure on technical provisions (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 2021, 30 June 2020 and 31 December 2020 positions include a notional reset;
- French insurers are permitted to place a part of the Provision pour Participation aux Excédents (PPE) into Solvency II own funds. PPE is included within Group regulatory own funds but remains excluded from the shareholder position as agreed with the regulator;
- Pro forma 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; and
- In a change to previous practice applying from 31 December 2020, pro forma adjustments are no longer made for planned acquisitions and disposals. This change in approach is considered more relevant because prior to completion there is uncertainty in relation to the progression and final terms of such transactions. Comparative amounts have not been restated for this change as the impacts were not material at 30 June 2020.

A reconciliation of the Solvency II regulatory surplus to the Solvency II shareholder surplus is provided below:

	30 June 2021			30 June 2020			31 December 2020		
	Own funds £m	**SCR £m**	**Surplus £m**	Own funds £m	SCR £m	Surplus £m	Own funds £m	SCR £m	Surplus £m
Estimated Solvency II regulatory surplus	**27,129**	**(14,975)**	**12,154**	28,376	(16,039)	12,337	29,262	(16,441)	12,821
Adjustments for:									
Fully ring-fenced with-profit funds	**(2,266)**	**2,266**	**—**	(2,430)	2,430	—	(2,492)	2,492	—
Staff pension schemes in surplus	**(1,151)**	**1,151**	**—**	(1,085)	1,085	—	(1,179)	1,179	—
Notional reset of TMTP	**280**	**—**	**280**	211	—	211	564	—	564
PPE	**(305)**	**—**	**(305)**	(369)	—	(369)	(385)	—	(385)
Pro forma adjustments[1,2,3]	**(92)**	**(43)**	**(135)**	(77)	(150)	(227)	—	—	—
Estimated Solvency II shareholder surplus	**23,595**	**(11,601)**	**11,994**	24,626	(12,674)	11,952	25,770	(12,770)	13,000

1 The 30 June 2021 Solvency II position includes a pro forma adjustment (including TMTP) for the impact of a forthcoming regulatory change to GBP risk-free rates. From 31 July 2021, these rates will be based on Sterling Overnight Index Average (SONIA) rather than London Inter-Bank Offered Rate (LIBOR). This change was announced on 3 June 2021 in the PRA's Policy Statement PS12/21.
2 The 30 June 2020 Solvency II position includes pro forma adjustments for the disposals of Friends Provident International Limited (FPI), Hong Kong and Indonesia (total impact of £0.1 billion increase in surplus), the potential impact of an expected change to Solvency II regulations on the treatment of equity release mortgages (£0.2 billion decrease in surplus as a result of an increase in SCR), and an adjustment for potential future corporate bond credit rating downgrades reflecting continued uncertainty in the external environment as a result of the COVID-19 pandemic at the time.
3 The 31 December 2020 Solvency II position does not include any pro forma adjustments.

A summary of the shareholder view of the Group's Solvency II position is shown in the table below:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Own Funds	**23,595**	24,626	25,770
Solvency Capital Requirement	**(11,601)**	(12,674)	(12,770)
Estimated Solvency II Surplus	**11,994**	11,952	13,000
Estimated Shareholder Cover Ratio	**203%**	194%	202%

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 and Asia Healthcare, 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.

A reconciliation between VNB and the Solvency II own funds impact of new business is provided below:

6 months 2021	UK & Ireland Life £m	Strategic investments £m	Discontinued operations £m	Group £m
VNB (gross of tax and non-controlling interests)	**265**	**59**	**233**	**557**
Solvency II contract boundary restrictions – new business	**(45)**	**—**	**(130)**	**(175)**
Solvency II contract boundary restrictions – increments / renewals on in-force business	**79**	**—**	**43**	**122**
Businesses which are not in the scope of Solvency II own funds	**(87)**	**—**	**(1)**	**(88)**
Tax and Other[1]	**(52)**	**(11)**	**(91)**	**(154)**
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**160**	**48**	**54**	**262**

6 months 2020	UK & Ireland Life £m	Strategic investments £m	Discontinued operations £m	Group[2] £m
VNB (gross of tax and non-controlling interests)	319	10	265	594
Solvency II contract boundary restrictions – new business	(49)	—	(83)	(132)
Solvency II contract boundary restrictions – increments / renewals on in-force business	70	—	54	124
Businesses which are not in the scope of Solvency II own funds	(51)	—	(3)	(54)
Tax and Other[1]	(63)	(3)	(105)	(171)
Solvency II own funds impact of new business (net of tax and non-controlling interests)	226	7	128	361

Full year 2020	UK & Ireland Life £m	Strategic investments £m	Discontinued operations £m	Group[2] £m
VNB (gross of tax and non-controlling interests)	675	29	547	1,251
Solvency II contract boundary restrictions – new business	(108)	(1)	(208)	(317)
Solvency II contract boundary restrictions – increments / renewals on in-force business	113	—	96	209
Businesses which are not in the scope of Solvency II own funds	(106)	(1)	(4)	(111)
Tax and Other[1]	(125)	(7)	(202)	(334)
Solvency II own funds impact of new business (net of tax and non-controlling interests)	449	20	229	698

1 Other includes the impact of 'look through profits' in service companies (where not included in Solvency II) of £(39) million (HY20: £(37) million, 2020: £(69) million), the reduction in value when moving to a net of non-controlling interests basis of £(20) million (HY20: £(20) million, 2020: £(37) million), the difference between locally applicable capital requirements for the smaller Asian markets (Indonesia, Vietnam, Hong Kong) and the value of new business on an adjusted Solvency II basis of £(16) million (HY20: £(17) million, 2020: £(47) million) and the assumed take up of tax-free lump sum payments at retirement (not included in Solvency II Own Funds) on BPAs of £(2) million (HY20: £(3) million, 2020: £(4) million).

2 VNB for Aviva Investors is no longer reported as this is not an APM used to assess the trading performance of our investment business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to VNB (30 June 2020: £7 million and 31 December 2020: £9 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.

Matching Adjustment (MA)

The MA is an addition to the rate used to discount Solvency II best-estimate liabilities, to reflect the return on the matching assets used. An MA is applied to certain obligations based on the expected allocation of assets backing new business at each year-end date. This allocation may 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 2021 UK new business (where applicable) was 69 bps (HY20: 112 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 sales to IFRS net written premiums:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Present value of new business premiums[1]	**22,735**	20,534	42,092
Investment sales	**2,251**	3,558	5,270
General insurance and health net written premiums	**5,365**	5,216	10,232
Long-term health and collectives business[1]	**(1,671)**	(1,238)	(2,381)
Total sales	**28,680**	28,070	55,213
Effect of capitalisation factor on regular premium long-term business[2]	**(7,945)**	(7,165)	(14,686)
Joint ventures and associates[3]	**(282)**	(144)	(226)
Annualisation impact of regular premium long-term business[4]	**(225)**	(209)	(399)
Deposits[5]	**(6,023)**	(4,710)	(9,936)
Investment sales[6]	**(2,251)**	(3,558)	(5,270)
IFRS gross written premiums from existing long-term business[7]	**1,975**	2,613	5,066
Long-term insurance and savings business premiums ceded to reinsurers	**(1,048)**	(1,673)	(3,101)
Total IFRS net written premiums	**12,881**	13,224	26,661
Analysed as:			
IFRS net written premiums from continuing business	**6,877**	7,587	15,090
IFRS net written premiums from discontinued operations	**6,004**	5,637	11,571
	12,881	13,224	26,661
Analysed as:			
Long-term insurance and savings net written premiums	**7,516**	8,008	16,429
General insurance and health net written premiums	**5,365**	5,216	10,232
	12,881	13,224	26,661

1 PVNBP for Aviva Investors is no longer reported as this is not an APM used to assess the trading performance of our investment business. Comparative amounts have been amended to exclude the contribution of Aviva Investors to PVNBP (HY20: £679 million and 31 December 2020 £1,266 million).
2 Discounted value of regular premiums expected to be received over the term of the new contract, adjusted for expected levels of persistency.
3 Total long-term new business sales include our share of sales from joint ventures and associates. Under IFRS, premiums from these sales are excluded.
4 The impact of annualisation is removed in order to reconcile the non-GAAP new business sales to IFRS premiums.
5 Under IFRS, only the margin earned from non-participating investment contracts is recognised in the IFRS income statement.
6 Investment sales included in total sales represent the cash inflows received from customers investing in mutual fund type products such as unit trusts and OEICs.
7 The non-GAAP measure of sales focuses on new business written in the period under review while the IFRS income statement includes premiums received from all business, both new and existing.

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. Solvency II operating own funds generation is the own funds component of Solvency II OCG and follows the methodology and assumptions outlined in Solvency II OCG.

Solvency II operating capital generation (Solvency II OCG)

Solvency II OCG measures the amount of Solvency II capital the Group generates from operating activities and 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 expected investment returns assumed within Solvency II OCG are consistent with the returns used for Group adjusted operating profit.

Solvency II OCG 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), model changes that are non-economic in nature and the impact of capital actions, for example, strategic changes in asset mix including changes in hedging exposure. Consistent with the Group adjusted operating profit APM, Solvency II OCG is determined on start of period economic assumptions and therefore excludes economic variances and economic assumption changes.

An analysis of the components of Solvency II OCG is presented below, including an analysis of Solvency II operating own funds generation which is the own funds component of Solvency II OCG (see the section above):

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Solvency II own funds impact of new business (net of tax and non-controlling interests)	**262**	361	698
Operating own funds generation from life existing business	**272**	235	721
Operating own funds generation from non-life	**289**	127	562
Other operating own funds generation[1]	**32**	53	6
Group debt costs	**(145)**	(144)	(296)
Solvency II operating own funds generation	**710**	632	1,691
Solvency II operating SCR impact	**(132)**	258	241
Solvency II OCG	**578**	890	1,932

1 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 - 6 months 2021	Own funds £m	SCR £m	Surplus £m
Group Solvency II shareholder surplus at 1 January	**25,770**	**(12,770)**	**13,000**
Operating capital generation	**710**	**(132)**	**578**
Non-operating capital generation	**(744)**	**1,092**	**348**
Dividends[1]	**(568)**	**—**	**(568)**
Hybrid debt	**(1,506)**	**—**	**(1,506)**
Acquisitions and disposals	**(67)**	**209**	**142**
Estimated Solvency II shareholder surplus at 30 June	**23,595**	**(11,601)**	**11,994**

1 Dividends includes £9 million of Aviva plc preference dividends and £10 million of General Accident plc preference dividends, and £549 million for the final dividend in respect of the 2020 financial year.

Shareholder view - 6 months 2020	Own funds £m	SCR £m	Surplus £m
Group Solvency II shareholder surplus at 1 January	24,548	(11,910)	12,638
Opening restatements[1]	78	(202)	(124)
Operating capital generation	632	258	890
Non-operating capital generation	(671)	(823)	(1,494)
Dividends[2]	(19)	—	(19)
Hybrid debt	—	—	—
Acquisitions and disposals	58	3	61
Estimated Solvency II shareholder surplus at 30 June	24,626	(12,674)	11,952

1 Opening restatements allows for differences between the shareholder view presented in the 2019 preliminary announcement and the 2019 SFCR.
2 Dividends includes £9 million of Aviva plc preference dividends and £10 million of General Accident plc preference dividends.

Shareholder view - Full year 2020	Own funds £m	SCR £m	Surplus £m
Group Solvency II shareholder surplus at 1 January	24,548	(11,910)	12,638
Opening restatements[1]	78	(202)	(124)
Operating capital generation	1,691	241	1,932
Non-operating capital generation	(741)	(963)	(1,704)
Dividends[2]	(549)	—	(549)
Hybrid debt	257	—	257
Acquisitions and disposals	486	64	550
Estimated Solvency II shareholder surplus at 31 December	25,770	(12,770)	13,000

1 Opening restatements allows for adjustments to the estimated position presented in the preliminary announcement and the final position in the Solvency and Financial Condition Report (SFCR).
2 Dividends includes £17 million of Aviva plc preference dividends and £21 million of General Accident plc preference dividends, and £511 million for the interim dividends in respect of the 2019 and 2020 financial years.

Solvency II Return on Equity (Solvency II RoE)

Solvency II RoE is calculated as:

- Operating own funds generation less preference dividends and DCI coupons divided by:
- Opening value of unrestricted tier 1 shareholder own funds

Solvency II RoE is calculated on an annualised basis. Unrestricted tier 1 shareholder own funds represents the highest quality tier of capital and includes instruments with principal loss absorbing features such as permanence, subordination, undated, absence of redemption incentives, mandatory costs and encumbrances.

The tables below provide a summary of the Group's regulatory Solvency II own funds by tier and a reconciliation between unrestricted tier 1 regulatory own funds and unrestricted tier 1 shareholder own funds:

Regulatory view	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Unrestricted regulatory tier 1 own funds	**20,556**	20,096	20,850
Restricted Tier 1	**980**	1,335	1,317
Tier 2	**5,477**	6,569	6,740
Tier 3[1]	**116**	376	355
Estimated Solvency II regulatory own funds	**27,129**	28,376	29,262

1. Tier 3 regulatory own funds at 30 June 2021 consists of £116 million net deferred tax assets (HY20: £269 million subordinated debt plus £107 million net deferred tax assets).

Shareholder view	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
Unrestricted regulatory tier 1 own funds	**20,556**	20,096	20,850
Adjustments for:			
Fully ring-fenced with-profit funds	**(2,266)**	(2,430)	(2,492)
Staff pension schemes in surplus	**(1,151)**	(1,085)	(1,179)
Notional reset of TMTP	**280**	211	564
PPE	**(305)**	(369)	(385)
Pro forma adjustments[1]	**(92)**	(77)	—
Unrestricted shareholder tier 1 own funds	**17,022**	16,346	17,358

1. The 30 June 2021 Solvency II position includes a pro forma adjustment (including TMTP) for the impact of a forthcoming regulatory change to GBP risk-free rates. The 30 June 2020 Solvency II position includes pro forma adjustments for the disposals of FPI, Hong Kong and Indonesia and an adjustment for potential future corporate bond credit rating downgrades reflecting continued uncertainty in the external environment as a result of the COVID-19 pandemic at the time.

Solvency II RoE provides useful information as it is used as an economic value measure by the Group to assess growth and performance.

The Solvency II return on equity is shown below:

	6 months 2021 £m	6 months 2020 £m	Full year 2020 £m
Solvency II operating own funds generation	**710**	632	1,691
Less preference share dividends	**(19)**	(19)	(38)
Less DCI	**—**	(27)	(27)
	691	586	1,626
Opening Unrestricted tier 1 shareholder Solvency II own funds	**17,358**	16,578	16,578
Solvency II Return on Equity	**8.0 %**	7.1 %	9.8 %

Solvency II return on capital (Solvency II RoC)

Solvency II return on capital is calculated as Solvency II operating own funds generation excluding the costs of servicing external debt (including direct capital instrument coupons and preference share dividends) divided by opening shareholder Solvency II own funds. It is an unlevered economic value measure as it is used to assess growth and performance in our markets before taking debt into account. Solvency II return on capital is calculated on an annualised basis.

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 capital and Solvency II return on equity measures.

A reconciliation of Solvency II return on capital by market to the Group level Solvency II return on capital and Solvency II return on equity is provided below.

6 months 2021	Solvency II operating own funds generation £m	Opening shareholder own funds £m	Return on capital/equity %
UK & Ireland Life	**217**	**15,073**	**2.9 %**
UK & Ireland General Insurance[2]	**121**	**2,401**	**10.1 %**
Canada	**194**	**1,534**	**25.3 %**
Aviva Investors	**18**	**385**	**9.3 %**
UK, Ireland, Canada and Aviva Investors	**550**	**19,393**	**5.7 %**
Strategic investments	**84**	**909**	**18.5 %**
Discontinued operations	**317**	**6,283**	**10.1 %**
Corporate centre costs and Other[2]	**(96)**	**(815)**	**N/A**
Solvency II return on capital at 30 June	**855**	**25,770**	**6.6 %**
Less: Senior debt	**(9)**	**—**	**—**
Less: Subordinated debt	**(136)**	**(7,866)**	**—**
Solvency II operating own funds generation at 30 June	**710**		
Direct capital instrument	**—**	**—**	**—**
Preference shares[3]	**(19)**	**(450)**	**—**
Net deferred tax assets	**—**	**(96)**	**—**
Solvency II return on equity at 30 June	**691**	**17,358**	**8.0 %**
Less: Management actions and other[1]	**(32)**	**—**	**(0.4)%**
Solvency II return on equity (excluding management actions)	**659**	**17,358**	**7.6 %**

1 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.
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 markets. 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 £10 million of dividends and £250 million of capital in respect of General Accident plc.

6 months 2020	Solvency II operating own funds generation £m	Opening shareholder own funds £m	Return on capital/equity %
UK & Ireland Life	331	14,241	4.7 %
UK & Ireland General Insurance[2]	(10)	2,509	(0.9)%
Canada	132	1,442	18.3 %
Aviva Investors	7	413	3.4 %
UK, Ireland, Canada and Aviva Investors	460	18,605	4.9 %
Strategic investments	35	643	10.9 %
Discontinued operations	369	7,442	9.9 %
Corporate centre costs and Other[2]	(88)	(2,142)	N/A
Solvency II return on capital at 30 June	776	24,548	6.3 %
Less: Senior debt	(6)	—	—
Less: Subordinated debt	(138)	(6,942)	—
Solvency II operating own funds generation at 30 June	632		
Direct capital instrument	(27)	(500)	—
Preference shares[3]	(19)	(450)	—
Net deferred tax assets	—	(78)	—
Solvency II return on equity at 30 June	586	16,578	7.1 %
Less: Management actions and other[1]	(53)	—	(0.6)%
Solvency II return on equity (excluding management actions)	533	16,578	6.5 %

1 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.
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 markets. 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 £10 million of dividends and £250 million of capital in respect of General Accident plc.

Full year 2020	Solvency II operating own funds generation £m	Opening shareholder own funds £m	Return on capital/equity %
UK & Ireland Life	1,057	14,241	7.4 %
UK & Ireland General Insurance[2]	329	2,509	13.1 %
Canada	287	1,442	19.9 %
Aviva Investors	26	413	6.3 %
UK, Ireland, Canada and Aviva Investors	1,699	18,605	9.1 %
Strategic investments	63	643	9.8 %
Discontinued operations	475	7,442	6.4 %
Corporate centre costs and Other[2]	(250)	(2,142)	N/A
Solvency II return on capital at 31 December	1,987	24,548	8.1 %
Less: Senior debt	(12)	—	—
Less: Subordinated debt	(284)	(6,942)	—
Solvency II operating own funds generation at 31 December	1,691		
Direct capital instrument	(27)	(500)	—
Preference shares[3]	(38)	(450)	—
Net deferred tax assets	—	(78)	—
Solvency II return on equity at 31 December	1,626	16,578	9.8 %
Less: Management actions and other[1]	(6)	—	—
Solvency II return on equity (excluding management actions)	1,620	16,578	9.8 %

1 Management actions and other includes the impact of capital actions, non-economic assumption changes and other non-recurring items.
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 markets. 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 2021	30 June 2020	31 December 2020
Unrestricted tier 1 shareholder Solvency II own funds (£m)	**17,022**	16,346	17,358
Number of shares in issue (in millions)	**3,930**	3,928	3,928
Solvency II NAV per share	**433p**	416p	442p

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 2021 £m	30 June 2020 £m	31 December 2020 £m
Solvency II regulatory debt	**6,457**	8,173	8,316
Senior notes	**665**	1,129	1,112
Commercial paper	**52**	365	108
Direct capital instrument	**—**	499	—
Total debt	**7,174**	10,166	9,536
Estimated Solvency II regulatory own funds, senior debt and commercial paper	**27,846**	30,369	30,482
Solvency II debt leverage	**26 %**	33 %	31 %

A reconciliation from IFRS subordinated debt to Solvency II regulatory debt is provided below:

	30 June 2021 £m	30 June 2020 £m	31 December 2020 £m
IFRS borrowings	**7,712**	10,382	9,727
Less: Borrowings not classified as Solvency II regulatory debt			
Senior notes	**(665)**	(1,129)	(1,112)
Commercial paper	**(52)**	(365)	(108)
Operational borrowings	**(1,517)**	(1,560)	(1,474)
IFRS subordinated debt	**5,478**	7,328	7,033
Revaluation of subordinated liabilities	**531**	859	795
Direct capital instrument	**—**	(499)	—
Other movements	**(2)**	35	38
Solvency II subordinated debt	**6,007**	7,723	7,866
Preference share capital	**450**	450	450
Solvency II regulatory debt	**6,457**	8,173	8,316

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 preliminary results announcements, 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 markets. 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 condensed 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.

Annual Premium Equivalent (APE)

APE is a measure of sales in our life insurance business. APE is calculated as the sum of new regular premiums plus 10% of new single premiums written in the period. This provides useful information on sales volumes to inform analysis of the net contribution from new business within the Life new business profit drivers.

Spread margin

The spread margin within the Life business profit drivers analysis represents the return made on the Group's annuity and other non-linked business, based on the expected investment return, less amounts credited to policyholders. The expected investment returns assumed within the spread margin are consistent with the returns used for Group adjusted operating profit. The spread margin is a useful indicator of the expected investment return arising on this business.

Underwriting margin

The underwriting margin represents the release of reserves held to cover claims, surrenders and administrative expenses less the cost of actual claims and surrenders in the period. The release of reserves is a component of the change in insurance liabilities within the IFRS income statement, with actual claims and surrenders shown within IFRS claims and benefits paid. Underwriting margin is a useful measure of the profitability before administration expenses on underwriting activity within the life insurance business.

Unit-linked margin

The unit-linked margin within the Life business profit drivers analysis represents the annual management charges on unit-linked business. This is important in understanding the value of income earned on this business, and is included within fee and commission income within the IFRS income statement.

Shareholder services

2021 Financial Calendar

Ordinary dividend timetable:	Interim
Ordinary ex-dividend date	26 August 2021
Dividend record date	27 August 2021
Last day for Dividend Reinvestment Plan and currency election	16 September 2021
Dividend payment date[1]	7 October 2021
Other key dates:	
Quarter three market update[2]	11 November 2021

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;
- The Global Payment Service provided by our Registrar, Computershare Investor Services PLC (Computershare). This enables shareholders living outside of the UK and the Single Euro Payments Area to elect to receive their dividends or interest payments in a choice of over 125 international currencies; 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 and register your choice by contacting Computershare using the contact details below, online at 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
General information for shareholders.

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
- **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 UK 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
- **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
- **In writing:** Kirstine Cooper, Group Company Secretary, St Helen's, 1 Undershaft, London, EC3P 3DQ