

(iv) UK insurance operations

The effect of changes in economic assumptions of a credit of £289 million for UK insurance operations for half year 2013 comprises the following:

	2013 £m	2012 £m	
	Half year	Half year	Full year
Shareholder-backed annuity business ^{note(a)}			
Effect of change in:			
Expected long-term rates of return, risk discount rates and other changes	(137)	18	140
Tax regime ^{note(b)}	–	–	(46)
	(137)	18	94
With-profits and other business ^{note(c)}			
Effect of changes in expected long-term rates of return	586	(112)	(62)
Effect of changes in risk discount rates	(160)	67	24
Other changes	–	(11)	(8)
	426	(56)	(46)
	289	(38)	48

Notes

- (a) For shareholder-backed annuity business the overall effect of changes in expected long-term rates of return and risk discount rates for the periods shown above reflect the combined effects of the changes in economic assumptions, which incorporate a default allowance for both best estimate defaults and in respect of the additional credit risk provisions (as shown in note 15(iii)).
- (b) In full year 2012, the effect of the change in tax regime of £(46) million reflected the change in pattern of taxable profits for shareholder-backed annuity business arising from the acceleration of tax payments due to the altered timing of relief on regulatory basis provisions.
- (c) For with-profits and other business the total credit in half year 2013 of £426 million (half year 2012: £(56) million; full year 2012: £(46) million) includes the net effect of the changes in fund earned rates and risk discount rate (as shown in note 15(iii)), driven by the 70 basis points increase (half year and full year 2012: a reduction of 20 basis points) in the 15-year gilt rate.

7 Agreement to sell Japan Life business

On 16 July 2013, the Group reached an agreement to sell the life insurance business in Japan, PCA Life Insurance Company Limited, which was closed to new business in 2010, to SBI Holdings Inc. for US\$85 million (£56 million at 30 June closing exchange rate). Completion of the transaction is dependent on regulatory approval.

Consistent with the classification of the business as held for sale for IFRS reporting, the EEV carrying value has been set to £53 million at 30 June 2013, representing the estimated proceeds, net of related expenses.

In order to facilitate comparisons of the Group's retained businesses, the presentation of the Group's EEV basis results have been adjusted to show separately the results for the Japan Life business. Accordingly, the presentation of the comparative results for half year and full year 2012 have been retrospectively adjusted. For half year 2013, the result for the period, including short-term fluctuations in investment returns and the effect of changes in economic assumptions, together with the adjustment to the carrying value have given rise to an aggregate loss of £(47) million. The half year and full year 2012 amounts of £5 million and £21 million respectively, represent the previously reported profits before tax for this business.