

NEWS RELEASE

Old Mutual plc

Interim Results

For the six months ended 30 June 2009

	£m	
Financial Summary	H1 2009	H1 2008
Adjusted operating profit before tax (IFRS basis)*	£538m	£773m
Adjusted operating earnings per share (IFRS basis)**	5.4p	7.7p
Adjusted operating Group MCEV earnings before tax	£755m	£902m
Adjusted operating Group MCEV earnings per share	8.9p	10.1p
Adjusted Group MCEV per share	143.8p	140.3p
Profit before tax (IFRS)	£160m	£853m
Basic earnings per share (IFRS)	(1.8p)	11.2p

Financial Highlights – A credible performance in difficult markets

- Positive Group net client cash flows of £0.2 billion despite lower sales
- OMSA long-term business adjusted operating profit of R1.82 billion (2008: R1.84 billion) demonstrates strength of diverse product offering
- Nordic Life sales up 22% to £134 million (2008: £110 million) due to improved product range and stronger distribution
- UK net client inflows of £0.4 billion driven by growth in platform sales
- US Asset Management net client inflows of \$0.6 billion demonstrates strength of boutique model
- Group pro-forma FGD surplus at 30 June of £1 billion (31 December 2008: £0.7 billion).

Operational and Strategic Highlights – Good progress in delivering on priorities

- Closed Hong Kong office, sold Australian businesses, withdrew from ABN-Amro TEDA Chinese asset management acquisition
- Withdrawal from markets where scale not achievable: Portugal, Hungary, Czech Republic
- Major restructuring of US Life and OMCAP, creating greater focus and lower cost base
- New Group operating model to strengthen central governance
- Long-Term Savings structure introduced to leverage competitive advantages and capabilities.

New Chairman Appointed

- As announced separately today, on Chris Collins' retirement at the end of the year, Patrick O'Sullivan will join the Group as Chairman, bringing strong financial services and corporate restructuring experience to the Board.

Julian Roberts, Group Chief Executive, commented:

"We have delivered a credible performance despite continued volatility in equity markets, and have taken a number of decisive actions in line with the strategic priorities we set out in March.

"Our capital position was reinforced during the second quarter and our Group pro-forma FGD position is now above £1 billion. We have substantially de-risked our US businesses and our new operating model represents a fundamental shift to stronger governance from the centre.

"For the past 12 months, our primary focus has been on fixing our problems and protecting ourselves against the downside. With the actions to do that largely complete, we can start to look past the immediate market challenges and begin to position ourselves for the upside which will come as markets recover."

Old Mutual plc

Interim Results for the six months ended 30 June 2009

Enquiries

Investor Relations

Patrick Bowes	UK	+44 (0)20 7002 7440
Deward Serfontein	SA	+27 (0)82 810 5672

Media

Matthew Gregorowski	UK/SA	+44 (0)20 7002 7133 +44 (0)7748 183 834
Don Hunter (Finsbury)	UK	+44 (0)20 7251 3801

Notes

Unless otherwise stated, wherever the terms asterisked in the Financial Highlights are used, whether in the Financial Highlights, the Group Chief Executive's Statement, the Group Finance Director's Review or the Business Review, the following definitions apply:

- * For long-term business and general insurance businesses, adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments, and is stated net of income tax attributable to policyholder returns. For the US Asset Management business, it includes compensation costs in respect of certain long-term incentive schemes defined as non-controlling interests in accordance with IFRS. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, put revaluations related to long-term incentive schemes, profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments, dividends declared to holders of perpetual preferred callable securities, and fair value (profits)/losses on certain Group debt movements.
- ** Adjusted operating earnings per ordinary share is calculated on the same basis as adjusted operating profit. It is stated after tax attributable to adjusted operating profit and non-controlling interests. It excludes income attributable to Black Economic Empowerment (BEE) trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and BEE trusts.

Cautionary statement

This announcement has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. It should not be relied on by any other party or for any other purpose.

This announcement contains forward-looking statements with respect to certain of Old Mutual plc's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond Old Mutual plc's control, including, among other things, UK domestic and global economic and business conditions, market-related risks such as fluctuations in interest rates and exchange rates, policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing and impact of other uncertainties or of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in territories where Old Mutual plc or its affiliates operate.

As a result, Old Mutual plc's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Old Mutual plc's forward-looking statements. Old Mutual plc undertakes no obligation to update any forward-looking statements contained in this announcement or any other forward-looking statements that it may make.

Notes to Editors:

A webcast of the presentation and Q&A will be broadcast live at 9:00am (BST), 10:00am (CET and South African time) today on the Company's website www.oldmutual.com. Analysts and investors who wish to participate in the call should dial the following numbers:

UK (toll-free)	0500 1016 30
US (toll-free)	+1 877 491 0064
Sweden (toll-free)	0200 8876 51
South Africa (toll-free)	0800 9914 68
International	+44 20 7162 0025

Playback (available for 14 days from 5 August), using pass-code 840789:

UK (toll-free)	0800 358 1860
US (toll-free)	+1 888 365 0240
Sweden (toll-free)	+46 (0) 46 8 5052 0333
International	+44 20 7031 4064

Copies of these Interim Results, together with high-resolution images and biographical details of the Executive Directors of Old Mutual plc, are available in electronic format to download from the Company's website at www.oldmutual.com.

A Financial Disclosure Supplement relating to the Company's Interim Results can be found on the website. This contains key financial data for 2009 and 2008.

Overview

The Group delivered a creditable performance in light of the tough market conditions during the period. Although equity and credit markets have now come off their lows, their average for the period was around two-thirds of their average level in the first half of 2008, and they have continued to be highly volatile. This has affected customer confidence in savings and investments, the bedrock of our business.

In this environment, our focus has been to manage effectively those areas within our control, namely improving our capital position and operational efficiency across our businesses, and we have made good progress in delivering on the strategic priorities we set out in March. Our capital position strengthened during the second quarter, with our Group pro-forma FGD surplus at 30 June standing at £1 billion, and this has further improved to £1.1 billion at 31 July. This is sufficient to cover the overall risks that the Group faces, and our individual business units also remain well capitalised.

Within our newly-formed Long-Term Savings ("LTS") division, we delivered good performances in the markets where we have dominant market positions, namely South Africa and Sweden, and across Europe we delivered strong net client cash flows. We also achieved positive client cash flows in US Asset Management, and have taken significant cost out of our US businesses, with US Life delivering a small profit for the period.

We have made some fundamental changes to our operating model which will strengthen our central governance processes and the Group Executive Committee is now complete. Today we have also separately announced the appointment of Patrick O'Sullivan as Chairman, who will succeed Chris Collins at the end of the year. Patrick's extensive industry and restructuring experience will be a major benefit as we look to re-shape the Group over time. As previously announced, Mike Arnold will join the Board as a non-executive director on 1 September 2009.

Dividends

As outlined in our preliminary results in March, the Board will not be declaring an ordinary dividend for the six months ended 30 June 2009. The Board will consider the position in respect of a final ordinary dividend for 2009 at the appropriate time in light of the then prevailing market and economic conditions and based on the Group's capital, cash flow and earnings with a view to maintaining cover of at least two times.

LTS – South Africa

South Africa delivered a strong performance given the rapid deterioration in economic conditions compared to the corresponding period last year. Sales were robust due to our brand strength and extensive Life and Unit Trust product offering. Long-term business adjusted operating profit was flat at R1.8 billion with lower equity markets significantly affecting asset management performance fees. Market conditions and recession-related job losses have resulted in lower levels of both single and regular premium business, while we have benefited from increased demand for risk-protection products. Net client cash flows were only marginally down excluding the PIC withdrawal announced in March and in our South African asset management business (OMIGSA) we are seeing evidence that clients are recognising the benefits of our boutique model. Old Mutual Life Assurance Company (SA) saw a further strengthening in its capital to a surplus of 3.9 times the required statutory level, the highest in the South African life insurance industry.

Since the period end, we have announced the appointment of Kuseni Dlamini as Chief Executive of Old Mutual South Africa. We are confident that under his leadership our Southern African businesses will continue to thrive. However, the economy has been impacted by the global slowdown and is in a recession. Accordingly, our South African businesses have a cautious outlook for the remainder of this year.

LTS – Europe

Across Europe we delivered good positive client cash flows despite lower overall sales. Nordic produced an especially strong performance, with client inflows of £0.5 billion for the period, 12% of opening funds under management on an annualised basis. Nordic also produced a strong sales performance, with Life sales up 22% on an APE basis to £134 million, driven largely by its enhanced product range and strengthened broker relationships in Sweden, which have remained resilient to the deteriorating global economic environment. Assets under management across Europe held up well in tough market conditions, which at £53 billion is slightly above the position at 31 December 2008. All our Skandia businesses remain well capitalised.

Client inflows in Skandia UK were £0.4 billion, as we continued to strengthen our position in the rapidly evolving platform market. As market leader, we have taken advantage of our scale by undergoing a major re-pricing exercise. While this is having an anticipated negative impact on margins in the short-term, over the longer-term we expect margins to improve in line with volume growth although this will take longer under current market conditions. We also expect to consolidate our market-leading position further as IFAs use fewer, larger platform providers and move in line with the requirements of the Retail Distribution Review.

LTS – US Life

The transformation of US Life is now largely complete, including streamlining its product range and simplifying distribution to top-tier producing agents. We are now running the business from a significantly reduced cost base and are targeting sales for the full year of \$700 million - \$800 million, a third of the level in the prior year to conserve capital. While impairments on investments in the second quarter increased, overall impairment levels for the half year were significantly lower than for the second half of 2008, and there were no defaults on the corporate bond portfolio.

Group Chief Executive's Review

Bermuda

Having closed Bermuda to new business in March, we continued to improve the hedge effectiveness of the book which was 95.5% for the half year, a further improvement on the first quarter position. The business reported a small profit for the half-year and remains well capitalised. We do not currently anticipate that it will require any further capital. Furthermore, we have soft-closed funds that had low hedge effectiveness and strengthened governance, providing greater oversight from the centre. We and continue to look at options to de-risk this business further.

US Asset Management

Our US Asset Management business achieved positive net client inflows of \$0.6 billion during the period, a major achievement given the outflows experienced across the industry generally, which reflects the strength of our multi-boutique model. Funds under management increased by 3% from the year-end position to \$247 billion due to net positive market returns during the second quarter. We have closed Clay Finlay, which resulted in a reduction in FUM of \$1.5 billion, following a significant fall in its assets under management attributed largely to the downturn in global equity markets. Since 30 June we have strengthened the client offering at Dwight Asset Management by acquiring the cash management team of Neuberger Berman. We have already taken considerable cost out of the business, and are restructuring Old Mutual Capital ("OMCAP"), our retail mutual fund business, halving its retail mutual fund range and cost base while introducing a new, more targeted distribution strategy.

Nedbank and Mutual & Federal

In what have been challenging market conditions for South African banks, Nedbank has remained solidly profitable although the reduced endowment from lower interest rates, slower asset growth and increasing impairments resulted in reduced earnings levels compared to the first half of last year. Nedbank has continued its focus on strengthening its capital and asset base and the South African banking system in general remains relatively stable. Nedbank's Tier 1 capital adequacy ratio increased from 9.6% in December 2008 to 10.0% and the total capital adequacy ratio increased from 12.4% to 13.2%.

The first half performance of Mutual & Federal was adversely affected by a number of large claims and a weaker underwriting performance, although this improved during the second quarter. Its international solvency ratio improved to 46% at 30 June 2009 from 41% at the year-end.

Strategy Update

As outlined in our preliminary results in March, following a full review of our businesses, we identified five key priority areas aimed at creating a stronger, leaner, more focused Group. We have already made good progress in delivering on these priorities, while also focusing on improving operational efficiencies across our businesses.

Maintain and strengthen our capital position

As already noted, we have continued to strengthen our regulatory capital position. We also have cash and committed facilities of £0.8 billion available at the holding company level, and our individual businesses remain well capitalised. Further strengthening of capital and liquidity remains a key area of focus.

Streamline the portfolio over time

As we have said consistently, reaching our optimal business structure will take time, especially while markets do not allow for corporate activity which is value enhancing for shareholders. Nevertheless, we have already taken a number of decisive actions during the period and continue to evaluate further opportunities.

We closed our Asia Pacific regional office in Hong Kong, exited Portugal, sold our Australian businesses and withdrew from acquiring Fortis Bank's interest in AATEDA, a Chinese asset management joint venture. We have significantly reduced the product range and cost base in our US Life business and closed Bermuda to new business. We have also closed our US Asset Management boutique, Clay Finlay, and are in the process of streamlining OMCAP.

We remain committed to exiting markets where we do not have scale and where there is limited potential for gaining scale within a reasonable time. We have therefore also decided to withdraw from Hungary and the Czech Republic.

Leverage scale in our long-term savings businesses

The most significant structural change was to bring Skandia, OMSA, US Life and Asia Pacific together into a new LTS division under Paul Hanratty. This was premised on leveraging the competitive advantages and capabilities that we have in these businesses, principally through extracting cost efficiencies and more effective deployment of our technology.

A new LTS structure is being implemented, based around geographic or customer-related market segments. This will see our emerging market businesses, namely Africa, Latin America, India and China being grouped together and our European businesses, outside Scandinavia, being aligned according to their principal customer profiles, namely Retail and Wealth Management.

Our open-architecture platform model, which is specifically aimed at the Wealth Management market where affluent clients are served by independent distributors, gives us a strong competitive advantage. Skandia UK, ELAM's Wealth Management business, Skandia International, Skandia Investment Group and our Institutional Sales business will all sit within the Wealth Management unit. The retail market has significant growth potential and we will look to reduce back-office administration costs in order to improve efficiency and increase profitability as markets recover. As a consequence of these changes, we are closing our ELAM regional office.

Group Chief Executive's Review

We are in the process of identifying specific cost savings and developing a long-term growth strategy for LTS, and will report on these at the year-end results in March 2010.

Drive value creation within, and between, our South African businesses

Nedbank's priority during the first half has been on capital management rather than growth in light of the rapid deterioration in the operating environment. Nedbank has announced major management changes and we have also recently appointed a new Chief Executive at OMSA. With the new management teams in place, and given the good progress made in Nedbank in strengthening its capital base, there will be a renewed focus on implementing closer working practices between our South African businesses during the second half.

Nedbank has also acquired Old Mutual's stake in the Nedlife, Fairbairn Private Bank and BoE Private Client joint ventures. This is another example of how we are working to simplify our organisation. Nedbank is also in negotiations with Imperial Holdings Limited to acquire the remaining 49.9% shareholding in Imperial Bank.

Strengthen governance, risk management and operational efficiency

Our new operating model is a fundamental shift away from the historic decentralised approach. Capital allocation and required returns, as well as risk policies, are now controlled from Group Head Office and we have implemented a new management and board structure to ensure comprehensive oversight from the centre. Our revised risk processes are being fully integrated into the business-planning process, including new risk strategies for each of our businesses. We are also refreshing the non-executive teams of our subsidiary Boards, which will strengthen both our governance and our technical skill base.

Outlook

For the past 12 months, our primary focus has been on addressing our problems and protecting ourselves against the downside. With the actions to do that largely complete, we can start to look past the immediate market challenges and begin to position ourselves for the upside which will come as markets recover.

Julian Roberts

Group Chief Executive
5 August 2009

Group Finance Director's Review

GROUP RESULTS

Overview of H1 2009 results

H1 2009 performance has proved to be resilient given the continuation of generally weak market and operating conditions seen during the second half of last year. H1 2008 was clearly a cyclical peak in market and operating conditions for both our long-term savings and protection business and our banking activities. Adjusted Operating Profit earnings per share were 5.4p for H1 2009 compared to 7.7p for the comparable period of 2008 and 4.5p for H2 2008.

IFRS AOP for H1 2009 of £538 million was £235 million lower than that H1 2008. This was due to reduced new business sales, lower earnings on group capital, increased levels of credit impairment in the banking businesses, and lower asset management profits in SA and the US. Sales trends for the second quarter were worse than those of the first although we did begin to see the first tentative signs of stabilisation in the equity-related products of OMSA and some European operations at the end of the second quarter. Overall the Group delivered results in line with our plans that were drawn up in anticipation of current market conditions.

Adjusted operating Group MCEV earnings per share for the half-year of 8.9p were 1.2p (12%) lower than the 2008 half-year results, restated on to the new MCEV basis. The investment returns earned on the US bond portfolio made a significant contribution to earnings, which was partially offset by lower earnings in both the asset management and banking businesses.

Adjusted Group MCEV per share for H1 2009 increased to 143.8p from 117.6p at the year end. The increase in the MCEV per share over the year end was driven by the substantial reduction over the period in corporate credit spreads in US Life, economic variances (including the impact of the increase in global interest rates medium to long-term which reduced the time value of financial options and guarantees) and an amendment arising from an allocation of assets between covered and non-covered businesses at December 2008. This was partially offset by a lower result in Europe driven by lower expected returns as swap rates reduced significantly over 2008, adverse persistency experience and a low new business contribution.

The Chancellor's Budget announcements on 22 April confirmed that dividends received by UK companies from overseas trading subsidiaries would become exempt from UK corporation tax with effect from 1 July 2009 to ensure compliance with EU Freedom of Establishment principles. As at 30 June 2009, Skandia International's MCEV was net of a tax deduction of £166 million. Under IFRS accounting rules, a change in tax legislation can only be reflected in the financial statements once the new legislation is "substantively enacted". The Finance Bill 2009 became substantively enacted on 21 July 2009 so the gain will be recognised in H2 2009.

The ROEV of 14.8% has increased significantly driven by the lower opening embedded value as at 31 December 2008, and the recovery in US corporate bond spreads.

Management Discussion and Analysis of Results for H1 2009

The principal businesses of the group are the LTS division, Nedbank, Mutual & Federal and US Asset Management. Old Mutual owns 55% of Nedbank and 74% of Mutual & Federal. At 30 June 2009, the market capitalisation of Nedbank was £3.8 billion and of Mutual & Federal was £370 million. The results for Nedbank, Mutual & Federal and US Asset Management are discussed separately in the Business Review which follows this Report. Key performance statistics for the LTS business are as follows:

£m	H1 2009	H1 2008
Life assurance sales (APE)	634	755
Value of new business*	70	87
Adjusted operating profit (IFRS basis) (pre-tax)	317	420
Operating MCEV earnings (post-tax)	409	461

* H1 restated on MCEV basis.

Sales across the LTS division declined, largely as a result of the fall in the UK single premium market, offset by a growth in Nordic sales. There was a small decline in recurring premiums across Europe. The managed reduction in the US Life product range also contributed to the decline in LTS sales. The APE margin of 11% for the half year has held up well relative to the comparative period (H1 2008: 12%) despite the fall in sales, and the PVNBP margin has also remained steady at 1.5%.

The fall in the new business margins in LTS is mainly attributable to the lower margins in Europe. Within Europe, there has been a marked fall in the margins for the UK business as a result of the move to the new platform. ELAM and Nordic margins were also weaker, whereas International remained flat as compared to H1 2008.

On an IFRS AOP basis, the LTS decline is predominantly in Europe and the US. The fall in US earnings is in line with scaling back of the business. The lower European earnings are due to lower sales and reduced funds under management.

Lower operating MCEV earnings are driven by the large decline in European earnings and to a lesser extent in South Africa, offset by a significant increase in the US on the back of increased expected returns.

Further discussion on the drivers for the movements within Europe, OMSA and US Life is given in the Business Review.

Reconciliation of IFRS and AOP profits

In accordance with our AOP policy, a charge for acquisition accounting (£118 million) and short-term fluctuations in investment return (£235 million) represented the key deductions from the adjusted operating profit (pre-tax) to arrive at a profit before tax on an IFRS basis of £160 million.

Underlying sources of profitability

The development of the Group's IFRS operating earnings for H1 2009 versus H1 2008 was caused by flat South African insurance results, lower asset management and Skandia earnings, predominantly based on fee income, and weaker spread income from banking and US Life earnings.

The underlying quality of the underwriting result improved in H1 2009 compared to H2 2008. Earnings from the existing book dominated earnings from new business as there were only small experience variances and small changes in assumptions.

The South African rand strengthened in recent months against sterling and the US dollar weakened against sterling. This had the effect of improving rand-denominated earnings whilst reducing the sterling equivalent of the US Life and Bermuda profits, and the sterling value of dollar-denominated debt.

Key actuarial and MCEV developments in H1 2009

The company now reports its supplementary embedded value information under Market Consistent Embedded Value Principles. Old Mutual's methodology adopts the Market Consistent Embedded Value Principles issued in June 2008 by the CFO Forum ('the Principles') as the basis for the methodology used in preparing the supplementary information. The Principles have been fully complied with at 30 June 2009 for all businesses with the exception of the use of adjusted risk free reference rates to take account of the liquidity component of corporate bond spreads that is evident in the market as at that date for US Life business and Old Mutual South Africa's (OMSA) Retail Affluent Immediate Annuity business.

At 31 December 2008 we adjusted the risk-free reference rates in respect of the US Life business to allow for a liquidity premium of 300 bps, after reviewing relevant literature, including independent data published by Barrie & Hibbert. In June 2009, we have followed the same process to determine the adjustment of 175 bps to the risk-free reference rates for the US Life business. This reduction in the allowance for liquidity premiums partially offset the positive impact on MCEV in H1 2009 resulting from the uplift in the market value of corporate bonds as corporate bond spreads contracted. These economic changes, together with other economic assumption changes and investment variances, resulted in total "economic variances" for US Life of £493 million.

We also introduced an adjustment to the OMSA Retail Affluent Immediate Annuity business in order to recognise a liquidity premium of 50 bps. This adjustment was determined with reference to the spread between bonds issued by state-owned enterprises such as ESKOM, and South African government bonds, and is used as a proxy to the spread that would apply in respect of non-credit default risk of South African corporate bonds. The introduction of this liquidity premium adjustment, together with other economic assumptions changes and investment variances, resulted in total "economic variances" for OMSA of £(66) million.

The Cost of Non-Hedgeable Risks ("CNHR") is derived by projecting the Economic Capital held in respect of these non-hedgeable risks into the future, and calculating the present value after applying a cost of 2% to this capital, at a business unit level, without allowing for group diversification benefits. The Economic Capital projected is based on the figure determined for the prior six month period; thus the December 2008 CNHR is based on the June 2008 Economic Capital, which was calculated with reference to EEV. The June 2009 CNHR is based on the December 2008 Economic Capital, which was based on MCEV for the first time. This has led to a step change in the calculation for all business units. The impact of this step change varies across business units, being smallest in OMSA, and largest in the Skandia business units. This accounted for the bulk of the "other operating variances" for Europe of £(35) million.

Positive mortality variances were experienced in the period, particularly in respect of OMSA and US Life SPIA contracts. The SPIA MCEV mortality basis was weakened marginally in order to align fully with the IFRS mortality basis.

The calculation of the Time Value of Financial Options and Guarantees ("TVOG") in respect of US Life and Bermuda was refined in the period, leading to an increase in VIF at 30 June 2009.

Restatement of June 2008 Embedded Value results for the move to MCEV

As a consequence of the move to the MCEV basis of reporting as at 31 December 2008, we have published the June 2009 results on the MCEV basis, and have included a restatement of the June 2008 comparatives from the published EEV results to the new MCEV basis. The adjusted Group MCEV per share at 30 June 2008 was 140.3p, a reduction of 2.9p from the published EEV of 143.2p. As disclosed in the December 2008 restatement, the difference was primarily due to the non-capitalisation of credit risk spreads in the US Life business. The impact was broadly neutral for the South African and European businesses. The restatement incorporated an addition of 125 bps to the risk-free reference rates, using the same methodology to determine the US Life adjusted risk-free reference rates as at 31 December 2008 and 30 June 2009, and is fully described in the accompanying disclosures.

Group Finance Director's Review

Lapses and Surrenders

We continue to monitor and manage actively the lapse and surrender behaviour of clients and specific agents. Trends in the US were more volatile in the fixed annuity book, similar to industry-wide trends, and terminations have been above assumption levels for several months. A moderation during the second quarter brought about by an active lapse and surrender management programme had the effect of reducing fixed annuity termination rates close to assumption levels. We consider that the unusual market conditions have validated our decision to hold a higher than usual cash weighting in the US Life Investment portfolio. We currently hold around \$1.2 billion of cash in the portfolio, which we estimate will fund a doubling of our lapse assumption for two years without recourse to sales of the assets held in the portfolio. This gives considerable flexibility when considering actions to mitigate against having to realise losses on corporate bonds. Termination experience in variable annuity and life products was below assumed levels.

OMSA saw some indications of deteriorating persistency in certain regular premium Mass Retail products given the economic conditions in H1 2009. Lapse and surrender management programmes in OMSA are well established.

The experience in the UK reflected anxiety around equity-based investments, although this stabilised in the second quarter. Elsewhere in LTS, trends were generally in line with assumptions.

Overall the financial circumstances of our customer base remain the key driver of lapse and surrender behaviour. For example, with rising unemployment in a number of markets we would expect to see temporary deterioration in persistency, which should revert back to long-run assumptions as economic conditions improve.

Capital, liquidity and leverage

Capital

The Group's capital surplus at 30 June 2009 was £1.0 billion. The increase since 31 December was due to the statutory earnings in the period, rand strength and a Nedbank Tier 2 capital raising offset by modest rises in statutory bank capital requirements in South Africa. There was a positive £30 million movement in FGD arising from management actions including the disposal of Australia, closure of Bermuda to new business and a change in the investment mix of OMSA shareholder funds held to back the Capital Adequacy Requirement. The £41 million break fee paid to exit the AATEDA acquisition reduced our FGD surplus but, had the acquisition proceeded, it would have reduced the surplus by a greater amount. We estimate the capital surplus at 31 July was about £1.1 billion.

In line with the Board's announcement in March, no interim ordinary dividend is proposed for 2009. The Board will consider the position in respect of a final ordinary dividend for 2009 at the appropriate time in light of the then prevailing market and economic conditions. Longer term, the Board will look to pay a dividend based on the Group's capital, cash flow and earnings, with a view to maintaining cover of at least two times.

Our subsidiary businesses continue to have strong local statutory capital cover.

Business unit	Ratio
OMLAC(SA)	3.9x
Mutual & Federal	141%
US Life	281%
Nordic	10.8x
UK	3.0x
Nedbank*	Core Tier 1: 8.6% Tier 1: 10.0% Total: 13.2%

* This includes unappropriated profits.

Liquidity

As a Group we concentrate on maintaining effective dialogue and strong commercial relationships with our banks. So far this year we have successfully extended two existing bank facilities of £250 million and have put in place an additional three year bank facility of \$200 million. We have on-going discussions with several other banks within our relationship group and anticipate further improvements on our funding during the second half.

As of today the plc has available cash and commitments to facilities of over £800 million.

In addition to the cash and available resources referred to above at the holding company level, each of the individual businesses also maintains liquidity to support their normal trading operations.

Leverage

£m	H1 2009	H1 2008
Opening Net debt	(2,263)	(2,420)
Inflows from businesses	350	597
Outflows to businesses + expenses	(449)	(157)
Debt and equity movements:		
Ordinary Dividends paid	-	(227)
Share repurchase	-	(174)
Equity issuance	-	4
Other non-cash movements	(13)	(49)
Closing Net debt	(2,375)	(2,426)
Net decrease/(increase) in debt	(112)	(6)

Our reported net debt at 30 June 2009 was 5% up on the year end position at £2.4 billion, but £51 million lower than at H1 2008. During the half year, the business units contributed £350 million of inflows which were offset by £449 million of operational expenses and organic investment including the \$225 million of capital injected into US Life in the first quarter. During the period cash of £41 million was used to exit the AATEDA transaction and £47 million was paid in respect of a market timing litigation which was part of the exposure originating from the sale of American Skandia. We expect that the final settlement of the various American Skandia matters will be covered within our existing provisions.

We remain committed to supporting the US Life capital ratio to around 300%. Although the unrealised loss position has improved, statutory capital is driven primarily by impairments. To maintain this ratio, it is likely that we will make a cash injection into the business in early 2010 as we did at the beginning of this year. This could be in the order of \$200 million to \$300 million depending upon a wide range of factors including our statutory earnings in the second half, market movements, ratings migration and the implementation of possible changes to both US GAAP and NAIC accounting rules which are currently under consideration.

We made no ordinary dividend payments in the period and no new debt or equity was issued. The non-cash movements are largely the negative impact of currency and marking to market certain of our debt liabilities under IFRS. In the second half of the year, we anticipate seasonally higher net operational cash flows, particularly as a result of financing US Life in H1.

Net cash flows from clients

The Group enjoyed positive net client cash flow in H1 2009 with strong inflows in the US asset management businesses and Europe.

Funds under management were down for the year but have been volatile given the substantial market movements in the period. The US and South African equity portfolios showed the greatest volatility. The movement had knock-on impacts on both management fees and performance fees.

US Life and US bond portfolio performance

The cash characteristics of the US Life business are very different than that of the equivalent period of last year. We are not making significant new bond purchases and new premiums have reduced significantly on the prior year due to decision to restrict new business. We are incurring significantly lower new business commissions and have successfully cut office costs. Regular claims continue to be paid out and total lapses and surrenders are lower than the prior year.

On the US Life \$15.4 billion portfolio, the unrealised loss was \$1.6 billion as of 30 June 2009, and has continued to improve to \$1.4 billion as at 31 July 2009. This compares to \$2.8 billion at 31 March 2009 and \$2.3 billion at 31 December 2008. The unrealised loss on the Bermuda fixed income portfolio as at H1 2009 was \$0.1 billion. All of the above are stated net of the impact of reclassification of certain securities permitted by the amendment of IAS 39, the unrealised loss on which amounted to \$283 million at 30 June 2009 and \$387 million at 31 December 2008 (30 June 2008: nil).

The portfolio continues to have approximately 5% in asset-backed and mortgage-backed securities, with approximately 5% in preferred stock and hybrid instruments. Of the portfolio, 49% is rated 'A' and above, 41% is rated 'BBB' or below and 10% is not rated. The ten largest holdings account for \$802 million (4.7 %) of the portfolio (31 December 2008: \$1.1 billion and 6.1%) with an average holding of \$80 million (2008: \$107 million).

There have been no defaults in the portfolio in the half-year and we have noted a number of recapitalisations mainly of financial companies which have benefited the valuation of the bonds we hold. The running yield of the portfolio is 5.83%.

Group Finance Director's Review

Long-term investment return

The reduction in the South African LTIR return is driven by a reduction in the rate from 16.6% in 2008 to 13.3% in 2009 in line with our accounting policy. Additionally this year we have changed the reporting segments of the LTIR to better reflect those assets supporting OMLAC(SA)'s Capital Adequacy Requirement (CAR) and the excess shareholder assets. The reallocation of the return is shown in the table below:

£m	June 2009 as currently reported	June 2008 as previously reported	June 2008 restated
OMSA LTIR	61	120	67
Plc	46	-	53
Total	107	120	120

Within the US Life business, the LTIR methodology has been refined to reflect an expected return for the year offset by a default impairment provision and an investment management expense allowance. Both the investment return rate and default impairment charge are to be applied to an asset base calculated on a 12 month rolling average amortised cost value for the investment portfolio.

Bermuda

In Bermuda the costs of the hedging programme are now to be spread over the life of the programme. This more closely matches the approximately \$2.5 million current monthly cost of protection to shareholders with the period of protection purchased.

Bermuda is now in run-off with hedge effectiveness of over 95% for the six months to 30 June 2009, up from 77.8% for the year to 31 December 2008. Residual risk relates to volatility and produced a profit of \$96 million for the period. Economic hedge effectiveness was achieved through use of derivative instruments. On an economic basis, Bermuda made a profit of \$112 million. This translates to an IFRS AOP profit of \$5 million following the removal of short-term market movements and the inclusion of our long-term expectation of hedge expenses.

Surrender behaviour will determine the speed at which the Bermudan book of business runs-off over time, and the extent and timing of any capital and cash release.

Corporate disposals and acquisitions and related party transactions

As set out in the strategy in March 2009, the Group continues to simplify its structure and reduce its spread of business to focus on areas of key competence and competitive strength, and drive operational improvements.

OMSA sold to Nedbank its share in the Nedbank JVs in exchange for a consideration of 10.2 million Nedbank shares. This transaction will allow clarity of the management of these businesses and increase the non-interest income of Nedbank.

Nedbank is in negotiations with Imperial Holdings Limited to acquire the remaining 49.9% shareholding in the Imperial Bank joint venture.

As we reviewed our strategy and reach in China, we withdrew from the AATEDA acquisition in China at a cost of £41 million.

During the period we completed the disposal of our Australian businesses at a loss of £4 million.

We also commenced SYmmETRY integration process and we expect it to have a positive impact on the high net worth strategy at OMSA in the near term. We completed the ACSIS transaction on 31 July 2009.

Tax and Non-controlling interests

Taxation at 28% of AOP for the first half was comparable to H1 2008. The effects of decreased South African secondary tax on companies (STC) costs and a higher proportion of low taxed income was offset by increased deferred tax assets not recognised and non-deductible costs. We anticipate a broadly similar effective tax rate for the full year.

Non-controlling interests were £42 million lower than last year reflecting lower Nedbank and Mutual & Federal earnings in this half compared to H1 2008.

Risks and Uncertainties

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance and that could cause actual results to differ materially from expected and historical results.

Continued volatility in world economic conditions creates uncertainty in equity markets, currency fluctuations, credit spreads, corporate bond defaults and rating agency actions both on investments owned by the Group and the Group underlying entities. Unemployment conditions continue to deteriorate and could adversely affect termination experience in respect of the life insurance business that could result in realising losses on illiquid assets, particularly in the case of US Life.

Group Finance Director's Review

Economic uncertainty has contributed to reduced consumer confidence, which we have experienced as a consequence of changing product preferences to lower risk investment products and affecting termination experience in respect of existing and new business. These may have an impact on earnings and present both risks and opportunities for the Group.

The Group is continually monitoring these uncertainties and taking appropriate actions wherever feasible. The Group continues to meet Group and individual entity capital requirements and day to day liquidity needs.

The implementation of the new operating model will present challenges and change risk across the Group. The Group continues to strengthen and embed its risk management framework, with increasing importance being placed upon its Risk Appetite framework, for example, in the business planning processes.

The Board of Directors has the expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the interim financial statements contained in this announcement.

Philip Broadley

Group Finance Director

5 August 2009

Business Review

LONG TERM SAVINGS: Old Mutual South Africa (OMSA) and Rest of Africa

Profits resilient as sales are under pressure in tough economic conditions

Highlights (Rm)	H1 2009	H1 2008	% Change
Long-term business adjusted operating profit	1,822	1,842	(1%)
Asset management adjusted operating profit	347	565	(39%)
Long-term investment return (LTIR)	833	1,007	(17%)
Adjusted operating profit (IFRS basis) (pre-tax)	3,002	3,414	(12%)
Return on allocated capital (OMSA only)	26.2%	28.3%	
Operating MCEV earnings (covered business) (post-tax)*	1,511	2,654	(43%)
Return on embedded value (covered business) (post-tax)*	9.8%	14.6%	
Life assurance sales (APE)**	2,191	2,459	(11%)
Unit trust/mutual fund sales***	11,893	10,503	13%
Value of new business*	326	342	(5%)
APE margin*	15%	14%	
PVNBP*	16,660	17,893	(7%)
PVNBP margin*	2.0%	1.9%	
Net client cash flows (NCCF) (bn)	(20.4)	(3.6)	(467%)
Highlights (Rbn)	H1 2009	FY 2008	% Change
SA client funds under management	435	472	(8%)

* H1 2008 restated on MCEV basis

** Life sales now exclude healthcare business

*** OMSA Unit trust/mutual fund sales include Marriott Income Specialists

Summary Review of Business Unit Results

Introduction

The SA economy entered a recession after contracting by an annualised rate of 6.4% in the first quarter. The slow down in the economic growth has led to cumulative reductions of 4.5% in short-term interest rates since December 2008. The South African economy is expected to shrink by about 2% this year.

The rand has managed to recover some of the ground lost in Q3 and Q4 of 2008 closing at R7.75 against the dollar and R12.74 against the pound at the end of Q2 mainly as a result of a narrowing trade deficit.

Although investment markets remain highly volatile, in line with international markets, local equity markets have rebounded strongly from the lows hit in February, with performance for the half year period to 30 June up 3%.

Net client cash flow

As announced in March 2009, OMIGSA experienced a large outflow from PIC as a result of the PIC performing a full review and redistribution of their equity portfolio, significantly increasing their number of managers. As a result of the PIC withdrawal, net client cash outflows were significantly greater than the prior period. In addition to the PIC outflow, there was a termination of a large Corporate segment client in Q1 this year, and the poor economic environment has led to higher numbers of members withdrawing from pension funds. In the Retail space, NCCF was ahead of prior year as a result of increase in inflows mainly in Unit Trusts, as well as lower asset values leading to lower maturity benefits. In OMIGSA our client cash flows have benefited from good non-life sales.

Life assurance sales

Lower equity markets have reduced the attractiveness of the equity-based products to the retail investor and this has particularly affected the single premium market. Lower asset values combined with increased volatility have made customers exercise greater caution before moving

assets. This has been particularly evident in the Corporate segment where the conversion to a completed sale has taken longer. The assets that moved were predominantly invested in money market or cash-type funds, which tend to have very low margins. This has led to the overall lower life sales but higher money market Unit Trust sales as shown by the 11% (2% excluding Nedlife) decline in Life APE and the 13% increase in Unit Trust sales. OMSA has benefited from the wide diversity of product offerings leading to a modest overall increase in sales over 2008 when looking at both Life and Unit Trust sales together. Within the life sales, risk products were down by 30% (11% excluding Nedlife), with the Retail Mass segment sales increasing by 37% on the back of larger sales force and risk sales in the Retail Affluent segment fell by 41% (up by 8% excluding Nedlife).

Sales of recurring premium savings products declined 12% relative to prior year with a 20% decline in the Retail Affluent market as customers were reluctant to commit to long term savings products in light of the higher risk of job losses, lower disposable incomes as well as financial advisors adjusting to the new commission structures brought about by a change in the regulatory environment. In the Retail Mass segment recurring premium savings sales reduced by 9% mainly because of the increase in policy cancellations particularly where premiums are paid by debit order. Single premium savings products offering equity exposure also suffered. Our key non-equity offerings in the Retail Affluent segment, Investment Frontiers Fixed Bonds and annuities, were not as competitive as last year leading to a decline in overall sales compared to 2008. Annuity rates were improved at the end of April. We have launched a new bonus series for the Absolute Growth Portfolios to enhance the attractiveness of the product to Corporate customers.

Unit trust/mutual fund sales

There were signs of a slow down in money market fund sales late in Q2 as short term interest rates fell. We expect to see increased interest in exposure to other asset classes should this trend continue, supported by the modest recovery of equity markets in Q2. We are positioned to compete strongly, especially following the recent improvement in OMIGSA's relative equity investment performance in Q2.

Adjusted IFRS operating profit

In Q1 we reduced the rate of increase in cover on certain risk products in the Retail Mass segment to achieve better alignment between the cost of the benefit and the corresponding premium increase on the policies. The impact of this on the existing book has been a reduction in policy reserves leading to a significant contribution to life operating profit for the half year. Life profits also benefited from an increase in long bond yields during the half-year period leading to an increase in the interest assumption used to value life products from 7.5% at the beginning of the year to 9%. These positive factors were more than offset by:

- impact of lower equity levels on asset-based fees and investment variances,
- mortality and disability profits on Permanent Health Insurance and Group Life Assurance products,
- worse persistency experience as result of the impact of the tough economic environment on our customers, and
- a small charge for share based payments this year compared to a large credit in the prior year.

Asset management operating profit was down 39% as a result of lower asset values due to lower investment markets, lower performance fees especially among funds with CPI (domestic South African inflation) based benchmarks and higher expenses. Expenses were higher, in part, because of a charge for share-based payments costs this year as the Group share price increased compared to a credit in 2008 when the share price reduced over the half year.

The LTIR was 17% lower after a 330bps decrease in the rate applied, reflecting lower investment returns on shareholder funds achieved in 2008 and the expectation of lower returns in 2009 combined with lower average investible asset balances.

Value of new business

The VNB was 5% lower than 2008 level (16% higher excluding Nedlife) despite the decline in new business volumes because of an increase in the new business margin. The margin increased because of a change in product mix (higher proportion of protection product sales) and reduced rate of future cover increases on certain protection products in Retail Mass.

Operating MCEV earnings

The operating Market Consistent Embedded Value (MCEV) earnings declined by 43% from the 2008 level, mainly due to lower expected existing business contribution resulting from a combination of a lower opening MCEV balance and a lower one-year swap rate at the start of 2009 compared to the start of 2008 (the expected existing business contribution under MCEV is derived with reference to the one-year forward swap rate applicable to the currency of the liabilities at the start of the reporting period) and the impact of worse termination experience particularly in the Retail segments as a result of the tough economic environment.

In December 2008 we reached agreement to sell our healthcare business to Lethimvula and on 1 June 2009 we sold our share of the Nedgroup Life and BOE Private Client joint-ventures to Nedbank. As a result we now exclude OM Healthcare from our life sales and embedded value (2008 sales and MCEV numbers have therefore been restated to exclude this). Profits for OM Healthcare and Nedbank joint ventures are included for the first five months to 1 June 2009.

Business Review

Funds under management

Funds under management of R435 billion were down 8% on 31 December 2008 largely as a result of negative net client cash flow. After the period end, we completed the acquisition of 100% of ACSIS which will enable OMSA to gain access to a niche of private and retirement fund clients.

Our alternative asset class boutiques, OMIGPI and Alternative Investments, have shown resilience in performance in the volatile market. At an overall level our relative fund performance has improved over the short and medium term when measured against the benchmark funds and also improved over medium to long term when measured against peer funds as shown in a table below:

OMIGSA performance

Proportion of funds outperforming	June 2009			December 2008		
	1 year	3 years	5 years	1 year	3 years	5 years
Benchmarks	42%	47%	48%	38%	36%	55%
Peer median	53%	55%	56%	57%	40%	54%

Capital position

Highlights (Rbn)	June 2009	Dec 2008	% Change
Admissible Capital	41.7	42.6	(2%)
Statutory Capital Adequacy Requirement (SCAR)	10.8	11.2	(4%)
Statutory Capital Cover	3.9x	3.8x	

Old Mutual South Africa's life company capital position remains strong in spite of turbulent markets. The statutory capital cover has increased marginally to 3.9 times since December 2008.

At 30 June 2009, the statutory capital requirement reduced to R10.8 billion from 31 December 2008's figure of R11.2 billion as a result of a decision to hold more cash and reduce our exposure to equities.

Detailed Review of Business Unit Segments

Retail Affluent (Rm)	H1 2009	H1 2008	% Change
Life sales (APE)			
Savings	536	690	(22%)
Protection	287	483	(41%)
Annuity	100	114	(12%)
Total	923	1,287	(28%)
Single (APE)	367	470	(22%)
Recurring	556	817	(32%)
Unit Trust Flows	9,115	8,266	10%
Value of new business*	26	126	(79%)
APE margin*	2.8%	9.8%	
Net client cash flow (NCCF) (Rbn)	1.9	(1.7)	212%

* H1 2008 restated on MCEV basis

Total Retail Affluent Life APE is 28% lower than 2008 as a result of the challenging economic environment impacting negatively on consumer disposable income and volatile markets leaving many customers unwilling to make long-term savings commitments.

Life single premium sales are down 22% on 2008. Investment Frontiers is the main contributor to this drop, especially the Fixed Bond and market-linked funds. Annuity sales are down 12% from last year, because of less competitive annuity rates this year.

Recurring premium savings sales are 20% lower than 2008, with clients reluctant to commit to long-term savings products in the current economic environment. Recurring premium risk sales excluding Nedlife from 2008 sales are up 9% from last year. Greenlight sales have been boosted by the launch of the new Severe Illness Benefit in June and we expect this to continue.

Unit Trust sales are 10% up on 2008 driven by strong money market flows in the volatile investment markets with Old Mutual Money Market offering very competitive rates.

NCCF is positive, compared with negative flows in H1 2008. This is largely as a result of outflows, in particular surrenders and maturities, being lower than expected due to lower market levels for much of the year and a focus on business retention.

VNB is 79% (61% excluding Nedlife) lower than 2008 due to lower sales volumes while margin is lower because of a lower proportion of profitable life single premium products as well as higher new business strain on the back of lower sales.

Business Review

Retail Mass (Rm)	H1 2009	H1 2008	% Change
Life sales (APE)			
Savings	288	316	(9%)
Protection	335	245	37%
Total	623	561	11%
Value of new business*	160	95	68%
APE margin*	26%	17%	
Net client cash flows (NCCF) (Rbn)	1.2	0.9	33%

* H1 2008 restated on MCEV basis

Sales are up 11% over the equivalent period in 2008, as a result of the larger sales force. This is achieved in spite of continued challenges on retention at early policy durations, especially relating to savings business.

The VNB and APE margin have increased from last year due to a favourable shift in product mix towards more profitable risk products and improved profitability of savings products.

Net client cash flow remains strong as a result of growth in life sales.

Corporate Segment (Rm)	H1 2009	H1 2008	% Change
Life sales (APE)			
Savings	224	198	13%
Annuity	59	75	(21%)
Protection*	87	68	28%
Total	370	341	9%
Single (APE)	230	233	(1%)
Recurring *	140	108	30%
Value of new business**	52	56	(7%)
APE margin*	14%	16%	
Net Client Cash flow (NCCF) (Rbn)	(4.4)	(2.7)	(63%)

* Excluding Healthcare sales

** H1 2008 restated on MCEV basis

Total Corporate life sales (APE) are 9% higher than in 2008, driven by higher recurring premium sales. Risk business has had a better start to the year than in 2008 with a large scheme secured in January 2009. Single premium sales are at a similar level to 2008 despite the turbulence in investment markets.

Despite total sales being 9% higher than in 2008, VNB is 7% lower. This is mainly due to a lower proportion of high margin annuity business in this year's sales compared to the corresponding period last year. A significant proportion of the savings flows have been into very low margin cash products compared to smoothed bonus products last year with the anticipation that this cash will move into the smoothed bonus products later this year. We have a strong sales pipeline, a new bonus series has been launched for the Absolute Growth Portfolios and we expect flows into that product to improve as the year progresses.

Net client cash flows are lower than in H1 of 2008. The termination of a large client (R1.47 billion) took place in February this year. Apart from this, other terminations have been at significantly lower levels than 2008. The worsening economic conditions are leading to higher rates of member withdrawal, impacting net client cash flow negatively.

Old Mutual Investment Group South Africa (OMIGSA)

Rm	H1 2009	H1 2008	% Change
Life sales (APE)	137	142	(4%)
Unit trust/mutual fund sales	1,404	1,374	2%
Value of new business*	18	18	0%
APE margin*	13%	13%	
Net client cash flows (NCCF) (Rbn)	(18.8)	(0.5)	

Sources of FUM (Rbn)	H1 2009	FY 2008	% Change
Life	288	296	(3%)
Unit trusts	47	45	4%
Third party	77	110	(30%)
Total OMIGSA managed assets	412	451	(9%)
Managed by external fund managers	28	29	(3%)
Total OMSA FUM	440	480	(8%)
Less: managed by group companies for OMSA	(34)	(37)	8%
Total OMSA client funds managed in SA	406	443	(8%)

* H1 restated on MCEV basis

Net client cash flows (excluding the PIC) slightly improved from 2008, a result of good non-life sales and lower outflows given sensitivities to markets and a good response to the conservative positioning of Marriott Income Specialists boutique.

As announced at our prelims presentation in March 2009, OMIGSA experienced a large outflow from PIC as a result of the PIC performing a full review and redistribution of their equity portfolio, significantly increasing their number of managers. While we lost significant assets, we were pleased to be awarded a portion of the re-configured portfolio, evidence of their confidence in our capabilities.

As our boutique structure has bedded down, there has been increased stability in our teams. We have set strong foundations in place over the past two years and are slowly seeing improving levels of acceptance and confidence in individual boutique investment philosophies and processes. The merger of the OMIGSA Fixed Income and Futuregrowth teams has proceeded smoothly, with the new combined team operating a single cohesive investment process.

The South Africa equity market (JSE All Share Index) has risen slightly off February lows, with a year to date performance of 3%. The past six months has been extremely volatile, with market sentiment oscillating between pessimism and flight to "safe haven" sectors of gold and cash (particularly in January and February), and improved sentiment leading to rising markets from March onwards, particularly in sectors which had been heavily sold off between October and February. Compelling valuations in late 2008 in the non-gold Resources area, as well as some industrials, meant that a number of OMIGSA Boutiques were overweight in these areas early in the year. This significantly affected performance in January and February, but we saw a strong turnaround from March onwards.

Futuregrowth (now merged with the OMIGSA Fixed Income boutique) continues to deliver good performance across its fund range. SYmmETRY performance has also improved with its Balanced and Defensive CIS funds well positioned relative to peer group. Our alternative asset class boutiques, OMIGPI and Alternative Investments, have shown resilience in performance in this time of market volatility, helping to diversify investor returns. Shorter term performance in the majority of our equity boutiques has improved substantially from the end February 2009 onwards.

Business Review

Rest of Africa

Despite similar challenging markets in Namibia, particularly in the retail sector, sales were ahead of prior year mainly due to strong performance from institutional business. Recurring premium sales continued to show an improving trend to the end of June 2009, with Retail Mass and the Broker Distribution channels delivering a solid sales performance.

The total life sales (on APE basis) were up 6%. Life single premium sales were 38% lower as a result of the tough economic environment. This was offset by a 32% improvement in the recurring premiums sales, driven mainly by strong sales in the Retail Mass segment as a result of the growth in the sales force.

Unit trust sales continued to improve significantly, with total sales for the six months to 30 June 2009 ending up 59% on the comparative period last year. This is mainly due to strong Money Market sales as investors consider money market as a safer option given the volatile equity markets.

LONG-TERM SAVINGS: Europe (UK, International, Nordic, Europe and Latin America (ELAM))

Market share grows and steady NCCF

Highlights (£m)	H1 2009	H1 2008	% Change
Adjusted operating profit (IFRS basis) (pre-tax)	76	148	(49%)
Return on Equity	3.0%	4.6%	
Return on Equity (excluding goodwill)	10.0%	14.9%	
Operating MCEV earnings (covered business) (post-tax)*	40	291	(86%)
Return on embedded value (covered business)*	3.0%	15.7%	
Life assurance sales (APE)	436	529	(18%)
Unit trust/mutual fund sales	1,855	1,942	(4%)
Value of new business*	39	70	(44%)
APE margin*	9%	13%	
PVNBP*	3,111	3,962	(21%)
PVNBP margin*	1.3%	1.8%	
Net client cash flows (£bn)	1.6	1.8	(11%)

Highlights (£bn)	H1 2009	FY 2008	% Change
Funds under management	53.1	52.8	1%

* H1 2008 restated on MCEV basis.

Introduction

The weak economic conditions and lower financial markets have had a significant impact on the European businesses in 2009. There have been much lower sales volumes and customers have favoured more conservative asset mixes. This has put new business margins under pressure and also reduced the margins on existing assets under management. The lower interest rate environment and deteriorating credit experience have resulted in lower interest rates on shareholders funds and lower banking margins. Nevertheless, the Skandia businesses are well positioned for a recovery in markets and volumes, and market shares have generally increased. Operating MCEV earnings have reduced significantly reflecting a reduction in one-year interest rates, lower VNB, an increase in capital held to support non-hedgeable risks and adverse persistency experience. The last 12 months has seen high volatility in stock market levels and foreign exchange rates.

In the UK, the FTSE100 closed at 4,249 at 30 June 2009 (30 June 2008: 5,626). Although this was only a small decline from the opening position of 4,434, it masks a low of 3,512 in March.

The Swedish stock market rose by 19.8% in the 6 months to 30 June 2009, however it is still 12.2% lower than its position at 30 June 2008. The Swedish kronor weakened against sterling moving from 11.45 at 31 December 2008 to 12.70 at 30 June 2009.

The Euro weakened against sterling in the period from 1.04 at 31 December 2008 to 1.17 at 30 June 2009. European equity markets had varied experience in the first half with some increasing from year end positions and others remaining broadly flat compared to the year-end, however they were all still lower than at 30 June 2008. The Italian index (MIBTel) moved up 26% from the year-end position, but remains 16% down on its position at 30 June 2008; the German Dax was broadly flat compared to the year-end, but was 36% lower than at 30 June 2008, and the French CAC 40 was 2% lower than at 31 December 2008, but is 29% lower than at 30 June 2008.

Positive net client cash flows despite low investor confidence

The European business delivered positive net client cash flows for the period with net inflows of £1.6 billion, representing 6% of opening funds under management on an annualised basis. Nordic's net client cash flow for the period was excellent at £0.5 billion (30 June 2008: £0.3 billion), representing 12% of opening funds under management on an annualised basis. The positive performance was largely driven by a combination of strong sales and lower outflows from maturities and surrenders. In ELAM, net client cash flows for the period were also strong at £0.6 million, representing 12% of opening funds under management on an annualised basis. The positive performance included very good sales production in Italy and Latin America as well as ongoing retention programs which have contributed to the positive outcome. The UK business delivered net inflows of £0.4 billion in the first half of 2009. This cash flow was driven by the growth in platform sales (although this was below the planned level) as Skandia UK continues to benefit from net inflows from a number of key competitors in the market. Margins on the platform are lower than on traditional business. Operational leverage is expected to be generated as volumes increase.

Business Review

Despite excellent net client cash flows, poor investment returns in most European markets resulted in only a £0.3 billion increase in funds under management since the beginning of the year. Nordic reported an increase in funds under management to £8.4 billion at 30 June 2009, up 6% (16% on a local currency basis) from the level at 31 December 2008. The growth was driven by strong net client cash flow and the increase in the Swedish stock market in the first half of 2009. UK also reported an increase in funds under management since the end of 2008 at £23 billion, whereas the International business reported lower funds under management at £12 billion reflecting surrenders in the second quarter. In the second half of 2008 there was a switch into cash-based investments but this is showing signs of reversing in the second quarter of 2009 as some confidence returns to the market.

Strong sales performance in Nordic but investment volatility affected other European businesses

Life sales APE declined in line with the market by 18% to £436 million in 2009. Nordic's excellent growth in sales continued during the period despite the financial turmoil. Life sales APE were up 22% on the comparative period, mainly due to strong sales in Sweden. The very strong trend in new sales experienced in 2008 continued in 2009 and so far there are no signs of any negative effects from the volatile markets or worsening economic conditions on sales volumes in Sweden. The broker sales channel accounted for the majority of the increase during H1 2009 as a result of strengthened relationships supported by the investment portfolio product Depå and faster introduction of new funds to the market.

In the UK, life sales APE declined in line with the market. Skandia UK took a strategic decision in late 2008 to grow scale in the platform market by removing the initial charges on its platform product. Within the single premium personal pension market, Skandia UK improved its position as market leader in platform business in the first quarter of 2009. The market changes as a result of the Retail Distribution Review will create costly and significant implementation challenges for all firms in the UK retail sector, requiring all firms to examine the validity of their existing business model. However, Skandia UK's platform model is already clearly aligned to the FSA's desire for greater choice and transparency and hence we are confident that it will benefit from the change in the UK distribution landscape.

International life sales APE are down 34% on the same period last year as a result of the challenging market conditions in the majority of its markets. Customer nervousness and increased appetite for regular premium products have affected production, never-the-less the International business continues to benefit from its geographic diversity, full open-architecture proposition and strong distribution relationships to meet the needs of its high-net-worth customer base and remains the leading player in single premium products to its target markets. We continued to develop products and the e-business customer proposition during the first half of 2009.

In aggregate, ELAM life sales APE were down for the period, with different trends evident in the various countries. Life markets in Europe continue to be oriented towards traditional life, with unit-linked lines showing significant year-on-year decreases. In the predominantly regular premium markets, the negative impacts were felt more strongly as regular savers face increased uncertainty over disposable incomes and constrained savings potential, while guarantee products remain attractive to clients given fears about market risk. In the Mass Retail markets, notably Germany and Poland, the traditional ramp-up around year-end did not materialise last year, affecting pipeline sales in 2009. Single premium business, however, has recovered well from levels seen in the second half of 2008. In the predominantly single premium Affluent business there has been strong production in Italy, as a result of compelling product offerings and good distribution relationships.

Good unit trust performance in difficult markets

Unit trust sales were down 4% on the comparative period at £1,855 million. Nordic's mutual fund sales were down by 6% on the comparative period, whereas ELAM increased by 14% (mainly due to currency movements). Nordic benefited during the first six months of 2009 from a material inflow of customer fund holdings from other banks as a result of a marketing campaign launched in February. The Latin American business in particular did well in the first half of the year, with higher volumes as a result of equity market growth. UK mutual fund sales fell by 19% in the first half of 2009.

Adjusted operating profit (IFRS basis) impacted by market conditions

Adjusted operating profit (IFRS basis) was down 49% to £76 million for the period. All businesses experienced a fall in profits with the UK result down by 32% to £46 million, Nordic decreased by 44% to £22 million, International fell by 53% to £11 million and ELAM was down by 116% to £(3) million over the comparative period.

The UK result was impacted by reduced fees from lower funds under management, reduced investment income from lower interest rates and, as expected, the removal of the initial margin on the platform business. These adverse effects have been partially offset by policyholder tax releases. The beneficial impact of policyholder tax will be diluted as the financial markets improve.

The Nordic result was also affected by lower asset-based revenues due to lower funds under management at the beginning of the year, lower profits from healthcare, a lower interest margin and increased credit losses in SkandiaBanken. Whilst credit losses have increased on 2008 levels, the credit loss ratio remains very low at 0.16% in H1 2009, compared to 0.07% in H1 2008.

International's result was mainly affected by lower new business levels, currency losses and other costs.

The ELAM businesses reported a loss of £3 million (2008: profit of £17 million) largely as a result of lower markets and increased policyholder participation costs in Germany of £8 million.

All of the European businesses have been managing their expense bases tightly throughout the period. We have decided to restructure the various European businesses. ELAM is being split so that the businesses in France, Italy and Spain (Affluent) are managed with the UK and International businesses so that they can benefit from the scale of these similar Wealth Management businesses. The Retail business is being kept separate, while the Latin American businesses will now report into and leverage off the South African businesses. This will allow us to close the ELAM regional office and reduce ongoing running costs, although there are restructuring costs in 2009.

Value of new business affected by lower volumes

VNB fell by 44% to £39 million. Although there were strong results in Nordic from excellent sales production, these were offset by the effect of lower volumes across the rest of the European business which have relatively fixed cost bases in the short term. The life new business APE margin ended the period at 9%, down from 13% in the comparative period.

The value of Nordic's new business increased due to higher life new sales in both Sweden and Denmark whilst strong cost control has been maintained. However, the life new business APE margin of 15% declined from 17% at 30 June 2008 as the strengthened retention assumptions in 2008 fed through to the 2009 results, and due to adverse business mix, as a higher proportion of sales are in lower margin products.

In the UK, the value of new business fell by 69% to £5 million due to lower volumes and the removal of the initial margin on the platform business to capture market share. Some fall in the margin was expected as part of the strategy to promote the new platform business, and the new operating model is designed to grow operating profitability through increased scale. However the extent of market level declines has meant that margins have reduced more than anticipated in our repricing decision taken in 2008.

International has maintained its new business margin at 17% in the first six months, demonstrating the resilience of the franchise. The high margin is driven by a positive business mix impact more than offsetting lower volumes and benefits from the quality of the high-net-worth client base, strong distribution relationships, tight cost control and the breadth of the customer proposition.

Decrease in operating MCEV earnings (covered business) (post tax)

The operating MCEV earnings, on covered business after tax, decreased by 86% to £40 million. Each of the European businesses saw a decline in profits in the period, largely from a combination of worsening economic conditions affecting sales volumes, and lower interest rates in 2008 leading to lower expected return. In addition, there has been adverse persistency experience and an increase in the cost of non-hedgeable risks.

In the UK, there was a fall in operating MCEV earnings to £13 million from £135 million in the comparative period. The 2008 result benefited from positive assumption changes, mainly due to increased recognition of retained rebates from fund managers. The value of new business has also fallen by £9 million as a result of lower volumes and the migration of business to the platform model. Persistency experience worsened and the capital held for non-hedgeable risks increased in the period.

International's MCEV operating earnings reduced to £2 million in 2009, a fall of £51 million, as a result of adverse persistency experience, particularly in the Middle East, lower new business profits (down £9 million) from lower volumes, and an increase in the cost of non-hedgeable risks.

The MCEV operating earnings for Nordic fell by 50% to £42 million compared with the first half of 2008 as a result of lower interest rates, an increase in the cost of non-hedgeable risks, and the effect of a positive assumption change in 2008 for the introduction of currency spreads. Improved persistency experience and higher profits from new business have partially offset these amounts.

ELAM reported an MCEV operating loss of £17 million for the period, compared with a profit of £20 million in the comparative period. The shortfall to last year arises from a combination of factors including lower new business profits (£14 million), lower interest rates, adverse experience variances (including policyholder participation in Germany), and an increase in the cost of non-hedgeable risks.

Continued growth in banking business

SkandiaBanken's liquidity position is strong, largely because the bank's assets are funded by deposits. The capital ratio as at 30 June 2009 was 13.7% (on a Basel II, pillar one basis). SkandiaBanken's retail lending portfolio has been built on sound lending practices with 95% of mortgages having strong creditworthiness (the average loan-to-value in the portfolio at the end of the period was approximately 40%) while the remaining 5% of the lending portfolio relates to car and personal loans. The quality of the lending portfolio is evidenced by the credit loss ratio which has remained at a low level of 0.16% with a deterioration in Norway being largely offset by an improvement in Sweden. Whilst mortgage and savings volumes have increased on the comparative period, the profitability of the bank has been affected by the worsening economic conditions which have caused the net interest margin to fall to 1.4% at 30 June 2009 compared with 1.5% at 30 June 2008.

Capital levels remain strong

The European businesses are well capitalised and the current levels of statutory capital are within or above the target ranges set by management.

Continued investment innovation at Skandia

During 2009, the European businesses continued to invest in improving product propositions and customer service standards to create value for customers and distributors. The work was rewarded by a number of industry awards during the first half of the year.

Business Review

LONG-TERM SAVINGS: US Life

Business transformation and de-risking of the business is continuing

Highlights (\$m)	H1 2009	H1 2008	% Change
Adjusted operating profit (IFRS basis) (pre-tax)	44	104	(58%)
Return on equity	27.4%	7.2%	
Operating MCEV earnings (covered business) (post-tax)*	388	(10)	3978%
Life assurance sales (APE)	57	124	(54%)
Value of new business*	11	(10)	210%
APE margin*	19%	(8%)	
PVNBP*	521	1,076	(52%)
PVNBP margin*	2.1%	(0.9%)	
Net client cash flows (\$bn)**	(0.9)	(0.4)	(125%)

Highlights (\$bn)	H1 2009	FY 2008	% Change
Funds under management**	15.8	15.2***	4%

* H1 2008 restated on MCEV basis

** Stated on a start manager basis as USAM manages funds on behalf of US Life

*** Restated to include the assets reclassified under IAS 39.

Introduction

The US economy contracted by between 1% and 2% during Q2, compared to 6.1% in Q1, with the improvement driven by government programmes to boost liquidity. Unemployment and foreclosure rates continue to increase, and unemployment figures of 9-10% are expected in 2009, which would be the highest rate in 26 years. In response to the increasing unemployment rate the Federal Reserve has pledged to maintain the key interest rate at 0-0.25% for "an extended period". Economists predict that interest rates will stay at record lows through the rest of 2009.

The dollar rate strengthened marginally against sterling during Q1 (closing at \$1.43) but weakened during Q2 to close at \$1.65 against sterling.

Equity market volatility remained high. A rally in the latter part of Q2 resulted in the S&P 500 level increasing by 1.8% year to date, although its 30 June 2009 position is 28% lower than at 30 June 2008.

Initial business transformation actions substantially complete

As outlined at the year-end, the key focus for the management of the US Life business has been to transform and scale back the business. The product profile has been streamlined, eliminating unprofitable product lines. A consequence is that overall volumes are inevitably reduced compared to 2008, although with lower new business strain, the business as a whole is now less capital-intensive than in previous periods. The major transformational actions, covering the reduced product range, the restructuring of distribution with a focus on top-tier producing agents, lower staff numbers and a full review of the company's outsourcing model, are complete.

The streamlining of the product range was accompanied by a reduction in current year sales targets from 2008 levels. Year-to-date sales are ahead of plan in dollar terms, but within the capital budget allocated to new business. Given a continuation of this capital-efficient sales mix, we now anticipate full year 2009 sales in the \$700 million to \$800 million range. In current market conditions annuity products are of greater appeal to clients than indexed life products and provide less capital strain. Our distribution partners have the capacity to sell these products and have supported the change in the product range. A new agreement with a major outsourcer, expected to deliver savings of \$5 million per year, provides added downward pressure on ongoing costs as well as favourably boosting overall service levels. The run-rate of expenses has reduced by nearly 50% from the prior year expense levels.

Sales managed down

As discussed previously, the result of the streamlining of the product range and the focus on top-tier producing agents has been to manage sales downwards. Fixed indexed annuity sales, a key product line, reduced approximately 61% to \$276 million in line with plan and our capital utilisation plan. This line contributed 66% of total APE for the first six months of 2009. Fixed deferred annuity sales reduced by approximately 47%. This product line continues to address the needs of customers who seek fixed interest guarantees during times of market volatility and economic instability. Immediate annuity sales (which do not include any life-contingent products), which remain an important offering since they contribute to capital in the year of sale, declined by 31%.

Total sales on an APE basis in respect of life products were down 54% over the comparative period, with Universal Life APE down approximately 45% to \$15 million and term sales reduced to minimal levels off the back of very low activity levels in the mortgage market.

Adjusted operating profit (IFRS basis) results

Adjusted operating profit (IFRS basis) was \$44 million for the first half of 2009 compared to \$104 million for the first half of 2008. This reflects retrospective DAC unlocking of \$36 million resulting from higher surrender activity and a reduction in the interest margin earned; of the \$50m fall in investment income, \$28 million is driven by the change in the long-term earned rate, and \$22 million is driven by lower net investment income due to a decrease in average assets under management as a result of higher surrenders. These negative impacts were offset by the positive impact of commuting 17 large case Single Premium Immediate Annuity (SPIA) contracts, positive experience variances and small hedging gains.

Value of new business

VNB increased by \$21 million over the comparative period, with the margin ending the period at 19%. The increase in margin was mainly due to higher swap rates and the focus on selling more profitable business. To that end, the traditional business has been shrunk given the unsatisfactory pricing available on an MCEV basis, and management actions to improve margins on fixed index annuities have increased VIF.

MCEV results

Operating MCEV earnings were \$398 million higher than the comparative period. This was mainly due to increased expected returns, which accounted for \$199 million of earnings in this reporting period compared to \$26 million in the comparative period. Under MCEV methodology investment spreads in excess of the adjusted risk free reference rate are not recognised upfront but are left to emerge as they are earned. Where earned rates exceed the contractual minimum guarantees plus our target profit spread, the additional return earned is shared between policyholders and shareholders. Where the earned rate is below this threshold we no longer achieve our spread and therefore if returns increase we aim to regain that spread before crediting a greater proportion to policyholders. At the end of 2008 projected returns under MCEV were below guarantees for many products, largely as a result of the widening of corporate bond spreads in the second half of the year which increased market-to-market losses on the portfolio. At the end of 2007 the comparative returns were much higher. Thus most of the additional expected spread flows directly to profit in the first half of 2009, whereas in the first half of 2008 much of it would have been passed on to policyholders through increased crediting rates.

In addition, there was a positive impact of \$116m arising from an amendment to the calculation of the Time Value of Options and Guarantees ("TVOG") in relation to a particular block of in-force policies. We further benefited from positive experience variances. During the period we commuted a block of our SPIA contracts to the owners through their third party advisors at a similar value to the reserve established for this block after the recent reserve strengthening, giving in fact a positive variance. Although the experience from the total SPIA annuity block can be expected to be volatile, since it is a small book with some large individual contracts, we are confident that the reserve adjustments made in previous periods are adequate to cover the future expected outcomes in respect of this business and the transaction described above supports this view.

The large movements below the line demonstrate the sensitivity of the US Life MCEV to changes in the economic environment, as market consistent methodology means that results move in line with the movements in the market in general. Since assets are marked to market the high unrealised losses in the bond portfolio depressed the MCEV at 31 December 2008; the \$0.7 billion decrease in unrealised losses over the period was the main driver of a positive \$737 million below the line variance.

Credit update

Although the fixed income portfolio continued to be affected by poor economic and financial market conditions, the fair value of the portfolio increased \$0.7 billion from year-end. The impact of the IAS 39 reclassification was \$283 million as at 30 June 2009, compared to \$387 million at 31 December 2008 (30 June 2008: nil), and is excluded from the disclosures that follow. The yield on the book value of the fixed income portfolio has not changed significantly in H1 as no major asset purchases or sales have occurred since year-end. The company retains 8% of its holdings in cash and short term investments (totalling \$1.2 billion). However the net unrealised loss position on the fixed income security portfolio improved to \$1.6 billion at 30 June 2009 (\$2.3 billion at 31 December 2008), reflecting a broad recovery in financial markets in general, and narrowing corporate credit spreads in particular. As at 31 July 2009, the unrealised loss position further improved to \$1.4 billion. Continued government support of the residential mortgage market, and new considerations of increasing such support to the commercial mortgage market, have also led to narrowing spreads across structured securities, which have also been accretive to the portfolio's unrealised loss position. Approximately \$1.7 billion of the fixed income portfolio is classified as Loans and Receivables, which are carried at amortised cost. As a result, \$0.3 billion of unrealised losses on a mark-to-market basis are not reflected in the balance sheet in accordance with IAS 39.

During the period there were no defaults in the corporate bond portfolio and \$199 million of IFRS impairment losses were recognised on 54 securities, which were partially offset by \$40 million of net investment trading gains. Regulatory impairment losses were \$163 million. As of 30 June 2009 compared to 31 December 2008, approximately \$689 million of securities previously rated investment grade are now rated non-investment grade and approximately \$96 million of securities rated non-investment grade have been downgraded further. Impairment losses included \$129 million related to structured securities, with the losses being due to adverse changes in expected future cash flows. The impairment losses were primarily in residential mortgage-backed securities (\$52 million), commercial mortgage-backed securities (\$66 million), preferred stocks and hybrid securities (\$26 million), and three corporate holdings in the financial services sector (\$51 million).

The fixed income portfolio has exposure to approximately \$0.7 billion of preferred stock/hybrid instruments amounting to 5% of the portfolio at 30 June 2009 versus \$1.1 billion (6% of the portfolio) at 30 June 2008, with the bulk of this exposure concentrated in the financial sector. During the first quarter, these holdings came under pressure as concerns about financial institutions continued to mount. In the second quarter,

Business Review

however, these securities have recovered sharply, as results from the Federal Reserve's "stress test" of banks were released and banks and other financial institutions sought to raise capital to bolster their balance sheets. In general, finance-related names were the largest contributors to the improvement in the net unrealised loss position for the fixed income portfolio during the second quarter.

The fair value of the US fixed income investment portfolio at 30 June 2009, after recognition of the impairments, totalled \$14.4 billion (31 December 2008: \$14.0 billion).

Rigorous impairment process

We continue to conduct a rigorous impairment review process and we shall continue to record impairments where we see any actual credit deterioration from the time the bonds first went on our watch list. Impairments of \$199 million were recorded in H1 2009 compared to \$136 million in H1 2008 and \$575 million in H2 2008. Statutory impairments were \$163 million compared to \$101 million in H1 2008 and \$294 million in H2 2008. Total impairments since 2007 amount to \$910 million in IFRS terms of which \$558 million has impacted statutory earnings and capital ratios.

Potential capital strain from migration of the portfolio has been extensively modelled and we had planned for an increase in statutory charges for migration of 43% for H1 which was consistent with actual. 16% is forecasted for the remainder of 2009, compared to 18% in FY 2008. Migration risk is closely monitored and requires a case-by-case analysis rather than a broad sector-based approach. Migration mainly took place within the corporate bond and structured security portfolio.

Increase in funds under management driven by recovery of investment valuations

Funds under management ended the period at \$15.8 billion, up 4% from the opening position primarily due to the \$0.7 billion (5%) increase in the market value of the investment portfolio and investment income for the period. This was partially offset by negative net client cash flows at 12% of opening funds under management on an annualised basis. Net client cash flows were inevitably reduced compared to the prior year due to the decision to reduce new business volumes (total gross sales for the six months to 30 June 2009 were \$419 million compared to \$946 million for the same period in 2008, a reduction of 56%), in addition to an increase in surrender activity. During Q2 2009, a conservation programme was introduced to focus on the reduction of termination activity. The programme, initially focused on conserving fixed annuity assets, encompasses focused surrender activity monitoring, policyholder outreach, and agent communication and monitoring. This has already delivered benefits and surrenders have begun to trend downward in May, June and July. The running 4-week average annuity account value surrendered per week was approximately \$34 million just prior to commencement of the programme and reduced to approximately \$18 million as of the end of Q2.

Liquidity and asset/liability management a key focus

The US portfolio and business operations produced net cash flows of \$260 million in the half year. Cash income from the portfolio in the form of interest and maturities amounted to \$509 million. Maturities were lower than last year, in line with expectation given the profile of the bonds and the planned duration matching against the policy maturities. Net transfers of \$225 million were made to the business from plc. As this business is managed to a reduction in sales level of approximately two-thirds of the 2008 levels, we can expect that the natural cash cycle of maturities will rise as policies mature, are surrendered or lapse, and investment income and expenses contract. The net cash position then rises and the prospect of surplus capital emerges.

The maturity profile follows the historic growth in sales of the business meaning that asset/liability management is taken into account, as well as the impact of impairments on the portfolio. We are relatively well matched with an average asset duration of 5.6 years for assets and average liability duration of 5.1 years for liabilities.

We have continued to maintain strict investment control over the portfolio. We are managing to minimise capital but we have been prepared, on occasion, to selectively trade out of positions at gains and losses in the period. Our new Chief Investment Officer has sought to manage the process of reinvesting net premiums into cash to ensure ample liquidity, but we are likely to be selectively investing in credit a portion of our surplus cash during 2009 to improve yield.

Capital

OM Financial Life Insurance Company regulatory capital increased during the half year driven by strong statutory operating earnings partially offset by investment impairments.

OM Financial Life's regulatory capital requirements increased (at the targeted 300% level) primarily due to ratings downgrades in its fixed income investment portfolio.

The increase in capital and offsetting increase in required capital reduced the risk-based capital ratios from 305% at 31 December 2008 to 281% at 30 June 2009, which is within the targeted range for the interim period.

LONG-TERM SAVINGS: Asia Pacific

Continued focus on existing businesses in India and China

We continue to generate business through our joint ventures in China (Skandia:BSAM) and in India (Kotak Mahindra Life Insurance). Gross written premiums of £118 million in India were 21% lower than the comparative period, whilst gross written premiums of £23 million in China were 22% higher than the comparative period. We continue to maintain and grow our presence in Hong Kong through our Royal Skandia (Skandia International) operation.

Business Review

BANKING: NEDBANK GROUP (NEDBANK)

Resilient performance balance sheet strengthened and strong capital ratios in a challenging environment

The full text of Nedbank's results for the six months ended 30 June 2009, released on 5 August 2009, can be accessed on Nedbank's website <http://www.nedbankgroup.co.za>

	Rm		
Highlights	H1 2009	H1 2008	% Change
Adjusted operating profit (IFRS basis) (pre-tax)**	2,890	5,086	(43%)
Headline earnings*	1,988	2,943	(32%)
Net interest income*	8,185	7,960	3%
Non-interest revenue*	5,377	4,954	9%
Net interest margin*	3.44%	3.83%	
Credit loss ratio*	1.5%	0.96%	
Cost to income ratio*	52.5%	51.5%	
ROE*	11.1%	18.7%	
ROE* (excluding goodwill)	12.6%	21.3%	

* As reported by Nedbank in their report to shareholders as at 30 June 2009

** Prior year AOP included an amount of R726 million in respect of the sale of Visa shares.

The first half of 2009 has been a challenging period for the South African economy. It has been a harsh environment for clients and this has negatively impacted bank earnings. In this environment, Nedbank has focused on the strength of its balance sheet. Capital ratios continued strengthening, liquidity was sound throughout the period and Nedbank increased its net asset value.

Nedbank remained solidly profitable, but the reduced endowment income and margin on current and savings accounts from lower interest rates, together with slower asset growth and increasing impairments, have resulted in reduced earnings levels compared with the period to June 2008. There are, however, signs that the first half of 2009 may have seen the worst of the retail credit cycle.

Throughout this difficult period Nedbank has continued to advance loans to its clients while ensuring affordability criteria are met. Nedbank has shown modest market share growth in most core retail and commercial advances categories. Nedbank continues to seek ways of assisting distressed clients, promoting responsible lending and encouraging savings. Of the large South African banks, Nedbank offers amongst the lowest bank fees for low and middle income earners.

Banking environment

In the first quarter of 2009 the South African economy contracted at its fastest rate since the third quarter of 1984. The deterioration in the South African banking environment, as indicated in Nedbank's first quarter trading update in May 2009, has been more severe than was anticipated at the time of the release of the 2008 financial results in February 2009. The risk remains high that the recovery in economic growth may be slow and protracted, and that retrenchments will increase and house prices will continue to decline into the second half of the year.

While lower interest rates are positive for consumers – as reflected in the slower rate at which retail impairments are increasing – this has a negative impact on bank earnings in the short term due to reduced endowment income and margin on current and savings accounts. Wholesale banking, which has been resilient, even at the peak of the interest rate cycle, is starting to show increased signs of increased credit stress being experienced by some clients.

Review of results

As highlighted in the 2008 annual results announcement, management has focused on maintaining a strong and appropriately liquid statement of financial position (balance sheet) during these difficult market conditions. It is therefore pleasing to report that Nedbank increased net asset value (NAV) by 7.4% to 8,762 cents per share. Nedbank's Tier 1 capital adequacy ratio increased from 9.6% in December 2008 to 10.0% and the total capital adequacy ratio increased from 12.4% to 13.2%. Nedbank's ratio of risk-weighted assets to total assets ratio is 62.8%, above the top end of the peer group, indicating the conservative approach adopted in applying Basel II. The inter-bank funding market has functioned normally and liquidity remains sound.

Headline earnings decreased by 32.4% from R2,943 million for the period to June 2008 to R1,988 million for the six months to June 2009. Diluted headline earnings per share decreased by 34.1% from 719 cents to 474 cents. Basic earnings decreased by 28.7% from R3,597 million to R2,564 million for the current period. Diluted earnings per share decreased by 30.5% from 879 cents to 611 cents.

Overall Nedbank's results were negatively impacted by lower interest rates and the effects of the economic recession. This has resulted in margin compression from the negative endowment effect and margin compression on current and savings accounts and a reduction in transaction volumes. In addition, impairments have increased from December 2008, although some improvement has been noted since March 2009.

Solid client flows, a healthy retail deposit franchise, improved asset margins on new business, strong levels of capital and good cost discipline have created a solid base from which to grow.

Nedbank achieved a return on average ordinary shareholders' equity (ROE) excluding goodwill of 12.6% and an ROE of 11.1% for the period.

Financial performance

Net interest income (NII)

NII grew 2.8% to R8,185 million (June 2008: R7,960 million) as a result of a 14.8% increase in average interest-earning banking assets offset by compression in Nedbank's margin.

The net interest margin for the period was 3.44%, down from 3.83% for the period to June 2008 and the 3.66% for the year ended December 2008.

Margin compression was largely due to the reduced endowment income impact on capital and margin on non-rate sensitive deposits resulting from the faster than expected reduction in interest rates. In addition, margin was impacted by other liability margin compression reflecting the higher cost of term funding; the increased duration in the wholesale deposit book and the cost of holding additional liquidity buffers; the cost of funding increased non performing loans and properties in possession; debits relating to accounting for historic structured-finance transactions with related credits offset in taxation; and interest earning assets repricing more quickly than interest bearing liabilities.

Impairments charge on loans and advances

The credit loss ratio reflects the very tough economic conditions and increased to 1.57% for June 2009 compared with 0.96% for the same period in 2008 and 1.36% for the second half of 2008. It is encouraging that this ratio showed a slight improvement from the 1.67% reflected in Nedbank's first quarter trading update.

Given the recessionary environment, South African businesses are experiencing increased levels of stress which has resulted in higher levels of impairments in the wholesale advances books but still within the through the cycle range for this sector.

Defaulted advances increased by 94.8% (annualised) to R25,437 million from R17,301 million reported in December 2008 and total impairment provisions increased by 32.9% (annualised) to R9,142 million for the same period. Approximately R1 billion of the defaulted advances are technical in nature and the direct result of applying a reduced instalment to historic arrears balances as interest rates fall. Note that, in this context, default means that customers are not fully up to date with repayments but a high percentage of the advances are still recoverable.

Management has maintained a strong focus on managing risk and improving asset quality, particularly in retail home loans. Good progress has been made and average loan-to-value (LTV) ratios for new home loans at grant stage have been reduced to 79.9%. This trend is evident in lower LTV ratios at grant stage and in an improved distribution of the book when measured by balance outstanding to original valuation. Client rates have also increased during the past six months, with a significant reduction in the average concession granted on new business. Similar steps have been taken in other secured loan products with Nedbank Retail. However, because of the lower volumes of new business being written, this will take some time to impact the margin on the overall book, which has also been negatively affected by an increase in the cost of funds.

Non-interest revenue (NIR)

Nedbank's focus on growing non-interest revenue streams is starting to show results. NIR increased 8.5% to R5,377 million (June 2008: R4,954 million). Commission and fee income grew by 8.7%, mainly from increases in transactional banking fees and insurance product pricing in Retail and strong cash handling volumes, increased electronic banking volumes and credit related excess/commitment fees in Business Banking. The migration of Corporate Banking clients onto the NetBank electronic banking system will commence later in the year and is expected to contribute to the acquisition of transactional banking corporate clients.

Trading income was up by 14.2% from R813 million at June 2008 to R928 million, driven primarily by favourable trading opportunities in treasury and the global markets businesses.

NIR from the private equity portfolios declined in line with markets by R80 million compared to June 2008, in line with markets.

NIR includes an amount of R85 million (June 2008: R21 million) from the credit related fair value adjustment of the bank's own sub-debt. This is low quality earnings and has not been attributed to capital.

Expenses

Nedbank's expenses increased by 7.1% to R7,121 million (June 2008: R6,651 million) and are in line with expectations. Expenses remain tightly controlled with staff expenses having increased by 7.1%, resulting from the 1.5% growth in staff numbers compared with June 2008, marketing

Business Review

and public relations costs decreased by 3.4%; information technology costs grew by 7.4%, largely attributable to ongoing investment in systems development for client businesses and risk-related projects; fees and insurance increased by 18.4% as a result of increased fraud levels; and Nedbank's black economic empowerment (BEE) transaction expenses decreased from R108 million to R66 million mainly through movements in the share price.

In line with expectations, as NII growth slowed predominantly from lower endowment income and margin on current and savings accounts, Nedbank's efficiency ratio deteriorated marginally from 51.5% to 52.5%.

Associate income

Associate income decreased from R84 million in June 2008 to R55 million largely as a result of lower earnings in the Nedbank Retail Bancassurance and Wealth joint ventures and the fact that these were consolidated for the last month of the current period.

Taxation

The taxation charge (excluding taxation on non-trading and capital items) decreased by 36.7% from R1,014 million in June 2008 to R642 million primarily as a result of lower profits in the period.

Capital

Nedbank and its subsidiaries are well capitalised with all capital adequacy ratios well above minimum regulatory levels, and Nedbank's ratios are now at the top end or slightly above Nedbank's internal target ranges which were increased in December 2008 in response to the deteriorating environment.

Nedbank has been proactive in managing the efficiency of its capital structure, and in the first quarter of 2009 successfully placed a 13 year (non-call 8 year) \$100 million listed lower Tier 2 subordinated unsecured floating rate note with an international investor. Nedbank's core Tier 1 capital adequacy ratio (calculated on Tier 1 capital excluding perpetual preference share capital and hybrid debt capital instruments) increased to 8.6% from 8.2% in December 2008 and the Tier 1 capital adequacy ratio increased to 10.0% from 9.6%. The total capital adequacy increased to 13.2% from 12.4% in December 2008 and is now above Nedbank's increased total capital adequacy target range of 11.5% to 13.0%.

In accordance with its prudent capital management strategy, Nedbank increased its levels of surplus capital, and currently holds a surplus of R10.6 billion relative to its calculated economic capital requirements, calibrated to an A- debt rating (including a 10% buffer), and a surplus of R10.7 billion relative to its regulatory capital adequacy requirements.

Following the conservative approach when implementing Basel II in 2008, Nedbank has adopted a prudent risk-weighted asset optimisation programme. Since December 2008, this programme has resulted in a decrease in risk-weighted assets, held for credit risk, and the risk-weighted assets to total assets ratio is 62.8%. This is still above the top end of the peer group, highlighting further optimisation opportunities. Nedbank's leverage ratio (total assets to ordinary shareholders' equity) at 14.8 times remains conservative by both international and local standards, and has declined from 16.2 times (December 2008), evidencing focus on balance sheet strength in the current economic climate.

To strengthen capital further Nedbank intends, subject to regulatory approval and market conditions, issuing non-redeemable, non-cumulative preference shares amounting to approximately R500 million during August 2009.

Funding and liquidity

Nedbank maintains a conservative funding structure, in line with the domestic market and its liquidity remains sound. There is no Tier 2 refinancing required in the capital markets for 2009. Nedbank remains appropriately liquid with a loan-to-deposit ratio of 93.8%.

Given Nedbank's domestic focus, international funding represents a small portion of Nedbank's funding base at around 1.5% and the increased cost of international funding as a result of the reduction in international liquidity has had a minimal effect on the Nedbank.

Total assets

Total assets decreased marginally by 3.5% (annualised) to R557 billion (December 2008: R567 billion) as a result of decreasing overnight loans and foreign correspondents, as well as the maturing of R6 billion of additional liquid assets that were accumulated prior to the 2008 year end and repayment of the associated repo funding. Growth in average interest-earning banking assets slowed to 14.8% (June 2008 growth: 22.9%).

Advances and Deposits

Advances are 1.1% (annualised) lower than at December 2008, reducing from R434 billion to R432 billion at June 2009 with the reduction being mainly attributable to lower levels of trading assets flowing from a more cautious approach to risk appetite. Overall, growth has slowed down as result of subdued demand as well as Nedbank's focus on more selective advances growth and improving margins.

Nedbank reduced its exposure to foreign correspondents, overnight loans and trading advances. Excluding these categories core banking advances grew by 4.2% (annualised) from December 2008. Home loans grew by 6.2% (annualised) and vehicle and asset finance loans by a more muted 1.9% (annualised) with market share increasing in both of these categories.

Nedbank grew its market share of deposits, but deposits declined by 2.8% (annualised) from R467 billion at the year end to R460 billion at June 2009 driven mostly by a reduction in repurchase trading activity referred to above. Retail deposit growth was broadly flat in a highly competitive market that has started to experience declining demand for savings and investment products given lower interest rates.

Nedbank is focused on maintaining and building its strong deposit franchise. Optimising its funding mix and funding profile by growing the Retail and Business Banking portion of the deposit base remains key, as is the competitive pricing of term deposits.

Update on acquisitions

In May 2009, Nedbank announced the acquisition of NedLife, BoE Private Clients and Fairbairn Private Bank from OMSA. These acquisitions were approved by shareholders and have been consolidated by Nedbank with effect from 1 June 2009.

On 29 May 2009, Nedbank advised that it was in negotiations with Imperial Holdings Limited to acquire the remaining 49.9% shareholding in Imperial Bank. The negotiations are progressing well and Nedbank hopes to announce the details shortly.

Outlook

Initially the domestic economy was resilient during the early stages of the international financial crisis but has increasingly succumbed to the effects of the global recession. Consequently we believe the recovery will be more protracted than previously anticipated, with gross domestic product (GDP) growth currently forecast by Nedbank to decrease by 2.0% during 2009 with a modest expansion of 1.7% forecast in 2010.

Volumes of new business in retail remain constrained by low levels of consumer confidence and consumer concerns around falling asset prices and increasing unemployment. Lower local demand, international trade activity and commodity prices together with the strong Rand have increased the pressure on businesses and led to declining corporate demand and confidence.

In addition to the 400 basis point cut in interest rates this year to date, a further 100 basis point cut is currently anticipated for the remainder of 2009. The effect of reduced endowment and lower margin on current and savings accounts will have on banking interest margins will increase during the second half, while a reversal in the impairment trend is currently only anticipated to begin to positively impact bank earnings growth in the next 12 to 18 months.

Prospects

Nedbank remains cautious in its outlook for the remainder of 2009 and performance is currently expected to reflect the following: advances growth in the mid-single digits; margin compression, on the 2008 margin, of around 30 to 35 basis points; the credit loss ratio is currently forecast to improve marginally from the 1.57% for the period to June 2009; NIR growth for the year in upper single digits; expense growth for the year in early double digits, partially driven by the full consolidation of the joint ventures purchased from Old Mutual which will, when combined with the endowment pressure in NII, lead to a deterioration in the cost to income ratio from the 52.5% for the period; and a focus on improving capital adequacy ratios and optimising funding and liquidity.

Nedbank has revised its outlook for the full 2009 year and continues to be cautious about prospects for the rest of the year. Forecast risk remains high in this environment.

Nedbank remains disciplined and firmly focused on the basics of good banking, ensuring that the fundamentals of the Nedbank group remain solid. Nedbank is well capitalised, with conservative funding, good liquidity, a focus on risk management and strong cost management.

Business Review

GENERAL INSURANCE: MUTUAL & FEDERAL

Challenging trading conditions

Mutual & Federal's results for the six months ended 30 June 2009, released on 29 July 2009, can be accessed on Mutual & Federal's website <http://www.mf.co.za>

Highlights (Rm)	H1 2009	H1 2008	% Change
Underwriting result	(96)	(23)	(317%)
Long term investment return (LTIR)	388	450	(14%)
Adjusted operating profit (IFRS basis) (pre-tax)	292	427	(32%)
Gross premiums*	4,358	4,689	(7%)
Earned premiums*	3,550	3,914	(9%)
Claims ratio*	73.1%	71.4%	-
Combined ratio*	102.7%	100.6%	-
Solvency ratio*	46%	43%	-
Return on capital* (3 year average)	17.1%	25.5%	-

* As reported by Mutual & Federal in their report to shareholders as at 30 June 2009

Profits impacted by adverse insurance environment

Adjusted operating profit for the six months declined following a significant deterioration in the underwriting result despite the cancellation of certain unprofitable blocks of business in 2008. These blocks of business were cancelled as there were no reasonable expectations of them returning to profitability. The deterioration in profit in 2009 is a result of a number of large commercial and industrial claims in the first quarter. There were also substantial personal lines claims following the widespread rains, whilst the difficult economic environment resulted in significant underwriting losses for Credit Guarantee. The overall situation did however improve subsequently and acceptable levels of underwriting profits were achieved in the second quarter.

The AOP was furthermore impacted by a reduction in the long term rate of return from 16.6% to 13.3%. This change in rate decreased operating income by R98 million in 2009 and the profit attributable to equity shareholders accordingly declined by 6.8%.

Gross premium income declined by 7.1%, largely due to a 39% reduction in personal scheme premiums following the cancellation of unprofitable business. Risk finance premiums declined by 41% due to a reduction in reinsurance received from the furniture retail sector as a consequence of lower consumer spending.

Investment income declined during the period mainly as a result of a reduction in equity gains. Whilst dividend income reduced in line with lower equity holdings, interest income increased as a result of higher levels of cash holdings during the period, notwithstanding the reduction in interest rates.

Improvement in solvency

As a result of the surplus for the period, the net asset value per share improved by 5% to R11.44 at 30 June 2009 compared to R10.92 at 31 December 2008. The international solvency margin (being the ratio of net assets to net premiums on the international basis) correspondingly increased to 46% at 30 June 2009 and remains in the target range of 45% to 50% adopted by Mutual & Federal. In light of the need to build solvency levels and conserve capital, an interim dividend has not been declared.

Other

Despite difficult trading conditions in the first half, the company has started to benefit from the reorganisation to a regionalised business model which is expected to deliver improved service levels to clients and intermediaries.

US ASSET MANAGEMENT

Solid results given continued difficult market conditions

Highlights (\$m)	H1 2009	H1 2008	% Change
Adjusted operating profit (IFRS basis) (pre-tax)	46	139	(67%)
Return on Capital	2.1%	8.5%	
Operating margin	15%	26%	
Unit trust/mutual fund sales	660	1,179	(44%)
Net client cash flows (\$bn)	0.6	1.9	(68%)

Highlights (\$bn)	H1 2009	FY 2008	% Change
Funds under management	247.1	240.3	3%

Market volatility

Investment market dislocation both in bonds and equities resulted in large numbers of withdrawals and reallocation. The business reacted with robust and early cost action and a tough assessment of the portfolio's performance.

Investment performance solid through a continued difficult investing environment

In the context of this market, aggregate long-term investment performance from our member firms remained strong. At 30 June 2009, 55% of assets had outperformed their benchmarks over the trailing three-year period and 56% of assets were ranked above the median of their peer group over the trailing three year period. As of the trailing five-year period, 77% of assets outperformed their respective benchmarks and 63% of assets were ranked above the median of their peer group. These numbers represent both an improvement from the first quarter, and demonstrate that our affiliates continue to deliver strong investment returns for our clients.

Positive net cash flows and resilient multi-asset model

Net client cash inflows for the period were \$0.6 billion, compared to \$1.9 billion for the last half year. Given the level of net outflows experienced across the industry over this challenging period, achieving positive net flows was encouraging, and reflects the longevity of the asset base given the specific investment styles available to clients through the boutique model. The net positive result was driven in particular by strong flows at Heitman, Barrow Hanley and Rogge.

Funds under management ended the period at \$247.1 billion, a 3% increase from 31 December 2008. \$7.6 billion (3%) of the increase was due to positive market returns, with the market recovery in the second quarter more than erasing the declines experienced in the first quarter. The decline in unit trust sales also reflected weak market conditions. We made the decision to close one of our affiliates, Clay Finlay, which resulted in a \$1.5 billion reduction in funds under management during the period.

Adjusted operating profit (IFRS basis) down 67%

Adjusted operating profit for the period was down 67% over the comparative period. This was a result of a 29% decrease in average funds under management (41% decrease in equity assets and 14% decrease in fixed income and other assets) compared to H1 2008, which drove down management fee revenue, as well as a reduction in performance fees and transaction fees to 4% of total revenue, down from 6% in H1 2008. Also contributing to the decline were lower seed capital investment returns and the absence of revenue from securities lending, which was suspended in the second half of 2008. The interim 2009 result was also negatively impacted by approximately \$6 million of costs associated with the closure of Clay Finlay. The operating margin, which is calculated inclusive of non-controlling interest expense, declined as revenues fell, offset in part however by expense savings. The RoC performance reflected similar factors. Expenses are down 32% relative to the comparative period, reflecting significant action taken by management to control costs in the current economic climate as well as lower variable compensation. At current market levels we expect increased revenues, operating margins, and profit in the second half of 2009 relative to the first half.

Business Review

Positioning the business for growth

Cash management team added at Dwight

A lift-out of Neuberger Berman's cash management team to Dwight Asset Management has been completed, and will be effective from 1 July. Cash management complements Dwight's current capabilities as a stable value manager, and provides the business with an opportunity to offer a complete investment solution to current and prospective clients. We anticipate subsequent positive development of new clients and client cash flow as the team becomes established.

Equity plans

Five additional equity plans have been implemented during 2009, bringing the total number of affiliates with equity to fourteen. We anticipate completing the rollout of equity plans across the business within the next twelve months. Aligning the interests of affiliate management and shareholders as regards revenue and cost management is considered a vital component of our long-term strategy, and key to talent retention and for positioning the business for sustainable long-term growth.

Evolution in retail strategy

Building on the long-term success of our institutional asset management business, we plan to streamline our mutual fund offerings, pending board and shareholder approval. The resulting fund line-up is expected to include primarily single-manager, single-strategy funds, which offer style purity, economies of scale, and leverage the firm's strengths as an institutional asset manager. In addition we will adopt a more focused, investment-oriented distribution model. To meet the needs of intermediary partners who increasingly demand in-depth mutual fund research and information, Old Mutual has aligned its distribution structure to offer a higher degree of technical investment expertise.

As a result of offering fewer products and introducing a new distribution strategy, OMCAP will eliminate certain administrative and sales positions over the next eight months and leverage specific core competencies of the broader USAM organization. In 2009, cost savings from these actions are expected to be offset by one-time restructuring costs. The expected run-rate cost savings are \$10-15 million per annum starting in 2010.

BERMUDA

Continuing Actions to De-risk the Business

Highlights (\$m)	H1 2009	H1 2008	% Change
Adjusted operating profit (IFRS basis) (pre-tax)	5	(92)	105%
Life assurance sales (APE)	2	222	(99%)
Value of new business*	-	(5)	100%
APE margin	0%	(2%)	
PVNB ^P *	23	2,225	(99%)
PVNB ^P margin	0%	(0.2%)	

Highlights (\$bn)	H1 2009	FY 2008	% Change
Funds under management**	5.5	5.8	(5%)

* H1 2008 restated on MCEV basis

** Stated on a start manager basis as USAM manages funds on behalf of Bermuda.

Improved Hedge Effectiveness

Following the completion of a strategic review of the business in March 2009 with subsequent closure of Old Mutual (Bermuda) Ltd (OMB) to new business on 18 March 2009, we have continued our action programme to further de-risk the business whilst focusing on significantly reducing the business expense base. We have also strengthened our governance and risk management practices.

The results of the de-risking programme continue to be successful. Hedge effectiveness for the six months ended 30 June 2009 further improved to 95.5% (from 91.6% for the three months ended 31 December 2008) in respect of hedged components of risk. We have not hedged volatility in the period and benefited from gains as a result of this position. The soft-close strategy, which prevents policyholders from transferring money into funds that are illiquid and/or volatile, was effected on 30 April 2009, and fund mappings have been updated to reflect fund returns and new indices.

IFRS AOP of \$5 million is \$97 million higher than the prior period primarily due to a lower hedge losses and expenses.

OMB remains firmly committed to all existing policy obligations and remains well capitalised, with statutory capital of \$476 million as at 30 June 2009. No further capital injection is anticipated.

Credit Update

The improvement in corporate spreads and the relatively short duration of the OMB portfolio has resulted in a net improvement in the unrealised loss position of the portfolio. The net unrealised loss position was \$0.1 billion at 30 June 2009 compared to \$0.3 billion at 31 December 2008. Impairment charges of \$21 million have been recorded for the six months ended 30 June 2009. There were no defaults in the period.

Actions for the remainder of the year will be focused on further de-risking the OMB fixed income portfolio through selective sales, whilst reinvesting proceeds into assets that will be accretive to investment returns and the aggregate portfolio risk profile.

Index to the financial Information

Statement of directors' responsibilities in respect of the half-yearly financial statements	35
Independent review report by KPMG Audit Plc to Old Mutual plc	36
Consolidated income statement	37
Consolidated statement of comprehensive income	38
Reconciliation of adjusted operating profit to profit after tax	39
Consolidated statement of financial position	40
Condensed consolidated statement of cash flows	41
Consolidated statement of changes in equity	42
Notes to the consolidated financial statements	48
1 Accounting policies	48
2 Foreign currencies	49
3 Segment information	49
4 Operating profit adjusting items	66
5 Income tax expense/(credit)	75
6 (Losses)/earnings and (loss)/earnings per share	76
7 Goodwill	78
8 Borrowed funds	78
9 Dividends	82
10 Contingent liabilities	82
Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information	86
1 Basis of preparation	86
2 Methodology	87
3 Assumptions	88
4 (i) Adjusted Group Market Consistent Embedded Value presented per business line	93
5 Adjustments applied in determining total Group MCEV earnings before tax	106
6 Other movements in net equity impacting Group MCEV	107
7 Reconciliation of MCEV adjusted net worth to IFRS net asset value for the covered business	108
8 Value of new business (after tax)	109
9 Product analysis of new covered business premiums	111
10 Drivers of new business value*	112
11 Sensitivity tests	113
12 Key changes in MCEV methodology and assumptions	115
13 Restatement of adjusted Group Embedded Value per share	115
14 Restatement of adjusted Group MCEV operating earnings per share	115
15 Restatement of Embedded Value of covered business	116
16 Comparison of components of Embedded Value on EEV and MCEV bases	118
17 Restatement of value of new business (after tax) of covered business	119
18 Restatement of Return on Embedded Value of covered business	120

Statement of directors' responsibilities in respect of the half-yearly financial statements

For the six months ended 30 June 2009

We confirm that to the best of our knowledge:

- the consolidated financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards adopted by the EU and in accordance with the requirements of IAS34 'Interim Financial Reporting'
- the interim management report includes a fair review of the information required by:
 - (a) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year 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 year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Julian Roberts
Group Chief Executive

5 August 2009

Philip Broadley
Group Finance Director

5 August 2009

Independent review report by KPMG Audit Plc to Old Mutual plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated consolidated statement of cash flows, the Consolidated statement of changes in equity and the related explanatory notes. We have also reviewed the reconciliation of adjusted operating profit to profit after tax which has been prepared on the basis as set out on page 39.

We have also been engaged by the company to review the Old Mutual Market Consistent Embedded Value ("Old Mutual MCEV") basis supplementary information for the six months ended 30 June 2009 as set out on pages 83 to 120 ("the supplementary information") including the conversion of its comparative supplementary information for six months ended 30 June 2008, previously prepared on the European Embedded Value ("EEV") basis, to an Old Mutual MCEV basis.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements or the supplementary information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA") and also to provide a review conclusion to the company on the supplementary information. Our review of the condensed set of financial statements has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. Our review of the supplementary information has been undertaken so that we might state to the company those matters we have been engaged to state in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA. The directors have accepted responsibility for preparing the supplementary information contained in the half-yearly financial report in accordance with the basis of preparation as set out on page 86.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

The supplementary information has been prepared in accordance with the basis of preparation as set out on page 86, using the methodology and assumptions set out in notes 2 and 3 to the supplementary information. The supplementary information should be read in conjunction with the group's condensed financial statements which are set out on pages 37 to 82.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements and the supplementary information in the half-yearly financial report based on our review.

Scope of review

We conducted our reviews 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 UK. A review of interim financial information and supplementary 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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Based on our review, nothing has come to our attention that causes us to believe that the Old Mutual MCEV basis supplementary information for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with the basis of preparation as set out on page 86, using the methodology and assumptions set out in notes 2 and 3 to the supplementary information.

Alastair W S Barbour
for and on behalf of KPMG Audit Plc

Chartered Accountants
8 Salisbury Square
London EC4Y 8BB
5 August 2009

Consolidated income statement

For the six months ended 30 June 2009

		£m		
	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008 Restated*	Year ended 31 December 2008
Revenue				
Gross earned premiums	3(iii)	1,817	2,861	5,156
Outward reinsurance		(180)	(164)	(335)
Net earned premiums		1,637	2,697	4,821
Investment return (non-banking)		1,553	(4,074)	(11,578)
Banking interest and similar income		2,112	1,894	4,059
Banking trading, investment and similar income		73	70	162
Fee and commission income, and income from service activities		1,119	1,189	2,313
Other income		61	190	270
Total revenues		6,555	1,966	47
Expenses				
Claims and benefits (including change in insurance contract provisions)		(1,377)	(2,023)	(3,610)
Reinsurance recoveries		176	149	262
Net claims and benefits incurred		(1,201)	(1,874)	(3,348)
Change in investment contract liabilities		(1,142)	3,842	10,051
Losses on loans and advances		(253)	(126)	(319)
Finance costs		(19)	(9)	392
Banking interest payable and similar expenses		(1,437)	(1,302)	(2,853)
Fee and commission expenses, and other acquisition costs		(406)	(389)	(937)
Other operating and administrative expenses		(1,446)	(1,349)	(2,834)
Goodwill impairment	4(ii)	-	-	(74)
Change in third party interest in consolidated funds		(282)	210	779
Amortisation of PVIF and other acquired intangibles	4(ii)	(164)	(176)	(361)
Total expenses		(6,350)	(1,173)	496
Share of associated undertakings' loss after tax		-	(2)	(1)
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	4(iii)	(45)	62	53
Profit before tax		160	853	595
Income tax (expense)/credit	5(i)	(133)	(168)	88
Profit after tax for the financial period		27	685	683
(Loss)/profit for the financial period attributable to:				
Equity holders of the parent		(70)	549	441
Non-controlling interests				
Ordinary shares		63	110	188
Preferred securities		34	26	54
Profit after tax for the financial period		27	685	683
(Loss)/earnings per share				
Basic (loss)/earnings per ordinary share (pence)	6(i)	(1.8)	11.2	8.6
Diluted (loss)/earnings per ordinary share (pence)	6(i)	(1.7)	10.5	8.1
Weighted average number of shares – millions		4,757	4,771	4,755

* Interim 2008 results have been restated to include Mutual & Federal as a continuing operation.

Consolidated statement of comprehensive income

For the six months ended 30 June 2009

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Profit after tax for the financial period	27	685	683
Other comprehensive income			
Fair value gains/(losses):			
Property revaluation	2	6	16
Net investment hedge	2	5	281
Available-for-sale investments:			
Fair value gains/(losses)	453	(528)	(1,635)
Recycled to the income statement	117	85	414
Shadow accounting	(63)	227	26
Currency translation differences/exchange differences on translating foreign operations	(248)	(269)	429
Other movements	47	(14)	68
Income tax relating to components of other comprehensive income	(149)	67	366
Total comprehensive income	188	264	648
Equity holders of the parent	1	245	305
Non-controlling interests			
Ordinary shares	151	(7)	299
Preferred securities	36	26	44
Total comprehensive income	188	264	648

Reconciliation of adjusted operating profit to profit after tax

For the six months ended 30 June 2009

	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008 Restated*	Year ended 31 December 2008
Long Term Savings	3(ii)	317	420	452
Nedbank	3(ii)	211	337	575
M&F	3(ii)	20	28	76
USAM	3(ii)	30	70	97
Bermuda	3(ii)	4	(47)	(137)
		582	808	1,063
Finance costs		(47)	(71)	(140)
Long term investment return on excess assets		46	53	108
Other shareholders' expenses		(43)	(17)	(32)
Adjusted operating profit before tax		538	773	999
Adjusting items	4(i)	(403)	146	(168)
Profit for the financial period before tax (excluding policyholder tax)		135	919	831
Income tax attributable to policyholder returns	3(ii)	25	(66)	(236)
Profit for the financial period before tax		160	853	595
Total income tax (expense)/credit	5(i)	(133)	(168)	88
Profit after tax for the financial period		27	685	683

* Interim 2008 results have been restated to include Mutual & Federal as a continuing operation

Adjusted operating profit after tax attributable to ordinary equity holders

	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008*	Year ended 31 December 2008
Adjusted operating profit before tax		538	773	999
Tax on adjusted operating profit	5(iii)	(149)	(220)	(86)
Adjusted operating profit after tax		389	553	913
Non-controlling interest – ordinary shares		(72)	(122)	(218)
Non-controlling interest – preferred securities		(34)	(26)	(54)
Adjusted operating profit after tax attributable to ordinary equity holders		283	405	641
Adjusted weighted average number of shares (millions)	6(i)	5,232	5,245	5,230
Adjusted operating earnings per share (pence)	6(ii)	5.4	7.7	12.2

* Interim 2008 results have been restated to include Mutual & Federal as a continuing operation

Basis of preparation

The reconciliation of adjusted operating profit to profit after tax has been prepared so as to reflect the Directors' view of the underlying long-term performance of the Group. The statement reconciles adjusted operating profit to profit after tax as reported under IFRS as adopted by the EU.

For long-term business and general insurance businesses, adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments, and is stated net of income tax attributable to policyholder returns. For the US Asset Management business it includes compensation costs in respect of certain long-term incentive schemes defined as non-controlling interests in accordance with IFRS. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, revaluations of put options related to long-term incentive schemes, the impact of closure of unclaimed shares trusts, profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments, dividends declared to holders of perpetual preferred callable securities, and fair value profits/(losses) on certain Group debt movements.

Adjusted operating earnings per ordinary share is calculated on the same basis as adjusted operating profit. It is stated after tax attributable to adjusted operating profit and non-controlling interests. It excludes income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

Consolidated statement of financial position

At 30 June 2009

	£m			
		At	At	At
Notes	30 June 2009	30 June 2008	31 December 2008*	2008*
Assets				
Goodwill and other intangible assets	5,397	5,453		5,882
Mandatory reserve deposits with central banks	856	610		734
Property, plant and equipment	763	549		682
Investment property	1,578	1,265		1,478
Deferred tax assets	1,434	764		1,590
Investments in associated undertakings and joint ventures	115	69		111
Deferred acquisition costs	2,933	2,728		3,199
Reinsurers' share of long-term business policyholder liabilities	1,162	1,411		1,148
Reinsurers' share of general insurance liabilities	130	-		115
Deposits held with reinsurers	137	185		164
Loans and advances	37,835	29,890		35,745
Investments and securities	84,493	83,789		83,522
Current tax receivable	149	47		118
Client indebtedness for acceptances	146	201		220
Other assets	3,229	3,244		3,137
Derivative financial instruments – assets	2,486	3,149		3,228
Cash and cash equivalents	2,672	3,129		2,862
Non-current assets held-for-sale	-	571		7
Total assets	145,515	137,054		143,942
Liabilities				
Long-term business policyholder liabilities	80,801	78,954		81,269
General insurance liabilities	403	-		344
Third party interests in consolidated funds	2,610	2,674		2,591
Borrowed funds	2,515	2,236	8	2,295
Provisions	409	429		477
Deferred revenue	604	521		598
Deferred tax liabilities	1,466	1,389		1,452
Current tax payable	195	206		219
Other liabilities	3,947	5,622		3,733
Liabilities under acceptances	146	201		220
Amounts owed to bank depositors	40,590	32,033		38,171
Derivative financial instruments – liabilities	2,109	3,062		2,990
Non-current liabilities held-for-sale	-	373		6
Total liabilities	135,795	127,700		134,365
Net assets	9,720	9,354		9,577
Shareholders' equity				
Equity attributable to equity holders of the parent	7,731	7,802		7,737
Non-controlling interests				
Ordinary shares	1,293	849		1,147
Preferred securities	696	703		693
Total non-controlling interests	1,989	1,552		1,840
Total equity	9,720	9,354		9,577

* The 31 December 2008 financial position has been restated by an amount of £1,405 million for both derivative financial instruments assets and liabilities on a consistent basis to 30 June 2009. There was no impact on the consolidated net assets at 31 December 2008 as a result of the restatement.

Condensed consolidated statement of cash flows

For the six months ended 30 June 2009

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Cash flows from operating activities			
Profit before tax	160	853	595
Non-cash movements in profit before tax	1,851	1,083	14,656
Changes in working capital	(2,275)	811	(13,249)
Taxation paid	(160)	(262)	(458)
Net cash (outflow)/inflow from operating activities	(424)	2,485	1,544
Cash flows from investing activities			
Net disposal/(acquisitions) of financial investments	477	(2,388)	(1,170)
Net acquisition of investment properties	(22)	(19)	(7)
Net acquisition of property, plant and equipment	(98)	(64)	(110)
Net acquisition of intangible assets	(12)	(2)	(18)
Acquisition of interests in subsidiaries	(2)	(65)	(93)
Disposal of interests in subsidiaries, associated undertakings and strategic investments	16	1,133	1,138
Net cash inflow/(outflow) from investing activities	359	(1,405)	(260)
Cash flows from financing activities			
Dividends paid to:			
Equity holders of the Company	-	(227)	(352)
Equity non-controlling interests and preferred security interests	(103)	(109)	(208)
Interest paid (excluding banking interest paid)	(120)	(61)	(87)
Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests)	46	(226)	31
Net sale of treasury shares	4	-	5
Shares repurchased in buyback programme	-	-	(175)
Issue of subordinated and other debt	290	76	374
Other debt repaid	(33)	(13)	(225)
Net cash inflow/(outflow) from financing activities	84	(560)	(637)
Net increase in cash and cash equivalents	19	520	647
Effects of exchange rate changes on cash and cash equivalents	(175)	(235)	399
Cash and cash equivalents at beginning of the year	4,642	3,596	3,596
Cash and cash equivalents at end of the period	4,486	3,881	4,642
Consisting of:			
Cash and cash equivalents	2,672	3,129	2,862
Mandatory reserve deposits with central banks	856	610	734
Short term cash balances held in policyholder funds	1,744	1,084	2,043
Cash and cash equivalents subject to consolidation of funds	(785)	(942)	(997)
Total	4,486	3,881	4,642

Cash flows presented in this statement include all cash flows relating to policyholders' funds for the long-term business.

Cash and cash equivalents subject to consolidation of funds are not included in the cash flow as they relate to the minority holding in the funds.

Management do not consider that there are material amounts of cash and cash equivalents which are not available for use by the Group.

Mandatory reserve deposits with central banks held by Nedbank are included in cash and cash equivalents for the purposes of the statement of cash flows in line with market practice in South Africa.

Consolidated statement of changes in equity

For the six months ended 30 June 2009

	Millions			£m	
	Notes	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total non-controlling interest	Total equity
Six months ended 30 June 2009					
Equity holders' funds at beginning of the period		5,516	7,737	1,840	9,577
(Loss)/profit after tax for the financial period		-	(70)	97	27
Other comprehensive income		-	-	-	-
Fair value gains:					
Property revaluation		-	2	-	2
Net investment hedge		-	2	-	2
Available-for-sale investments:					
Fair value gains		-	453	-	453
Recycled to the income statement		-	117	-	117
Shadow accounting		-	(63)	-	(63)
Currency translation differences/exchange differences on translating foreign operations		-	(327)	79	(248)
Other movements		-	36	11	47
Income tax relating to components of other comprehensive income		-	(149)	-	(149)
Total comprehensive income		-	1	187	188
Dividends for the period	9	-	(22)	(81)	(103)
Net sale of treasury shares		-	5	(1)	4
Change in participation in subsidiaries		-	(4)	42	38
Fair value of equity settled share options		-	14	2	16
Transactions with shareholders		-	(7)	(38)	(45)
Equity holders' funds at end of the period		5,516	7,731	1,989	9,720

							£m	
	Notes	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Perpetual preferred callable securities	Total
Six months ended 30 June 2009								
Attributable to equity holders of the parent at beginning of the period		552	766	2,130	386	3,215	688	7,737
(Loss)/profit for the financial period attributable to equity holders of the parent		-	-	-	-	(86)	16	(70)
Other comprehensive income								
Fair value gains:								
Property revaluation		-	-	2	-	-	-	2
Net investment hedge		-	-	-	2	-	-	2
Available-for-sale investments:								
Fair value gains		-	-	453	-	-	-	453
Recycled to income statement on realisation		-	-	117	-	-	-	117
Shadow accounting		-	-	(63)	-	-	-	(63)
Currency translation differences/exchange differences on translating foreign operations		-	-	-	(327)	-	-	(327)
Other movements		-	3	(6)	2	37	-	36
Income tax relating to components of other comprehensive income		-	-	(150)	-	(5)	6	(149)
Total comprehensive income		-	3	353	(323)	(54)	22	1
Dividends for the period	9	-	-	-	-	-	(22)	(22)
Net sale of treasury shares		-	-	-	-	5	-	5
Change in participation in subsidiaries		-	-	(4)	-	-	-	(4)
Fair value of equity settled share options		-	-	14	-	-	-	14
Transactions with shareholders		-	-	10	-	5	(22)	(7)
Attributable to equity holders of the parent at end of the period		552	769	2,493	63	3,166	688	7,731

	£m
	At 30 June 2009
Other reserves	
Merger reserve	2,716
Available-for-sale reserve	(482)
Property revaluation reserve	83
Share-based payments reserve	179
Other reserves	(3)
Attributable to equity holders of the parent at end of the period	2,493

Retained earnings were reduced by £342 million at 30 June 2009 (£550 million at 30 June 2008, £280 million at 31 December 2008) in respect of own shares held in policyholders' funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

Included within other reserves is the merger reserve for the additional share consideration made in respect of the Skandia acquisition, being the difference between the market value of the shares on the date of issue and the nominal value included as share capital.

Consolidated statement of changes in equity continued

For the six months ended 30 June 2009

	Millions				£m
	Notes	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total non-controlling interest	Total equity
Six months ended 30 June 2008					
Equity holders' funds at beginning of the period		5,510	7,961	1,636	9,597
Profit after tax for the financial period		-	549	136	685
Other comprehensive income					
Fair value gains:					
Property revaluation		-	6	-	6
Net investment hedge		-	5	-	5
Available-for-sale investments:					
Fair value losses		-	(528)	-	(528)
Recycled to the income statement		-	85	-	85
Shadow accounting		-	227	-	227
Currency translation differences/exchange differences on translating foreign operations		-	(150)	(119)	(269)
Other movements		-	(16)	2	(14)
Income tax relating to components of other comprehensive income		-	67	-	67
Total comprehensive income		-	245	19	264
Dividends for the period	9	-	(249)	(87)	(336)
Net sale of treasury shares		-	(5)	-	(5)
Shares repurchased in the buyback programme		-	(174)	-	(174)
Issue of ordinary share capital by the Company		-	4	-	4
Change in participation in subsidiaries		-	-	(16)	(16)
Exercise of share options		4	3	-	3
Fair value of equity settled share options		-	17	-	17
Transactions with shareholders		4	(404)	(103)	(507)
Equity holders' funds at end of the period		5,514	7,802	1,552	9,354

							£m	
							Perpetual preferred callable securities	Total
Six months ended 30 June 2008	Notes	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings		
Attributable to equity holders of the parent at beginning of the period		551	757	2,908	(304)	3,361	688	7,961
Profit for the financial period attributable to equity holders of the parent		-	-	-	-	533	16	549
Other comprehensive income								
Fair value gains/(losses):								
Property revaluation		-	-	6	-	-	-	6
Net investment hedge		-	-	-	5	-	-	5
Available-for-sale investments:								
Fair value gains/(losses)		-	-	(528)	-	-	-	(528)
Recycled to income statement		-	-	85	-	-	-	85
Shadow accounting		-	-	227	-	-	-	227
Currency translation differences/exchange differences on translating foreign operations		-	-	-	(150)	-	-	(150)
Other movements		-	2	(9)	-	(9)	-	(16)
Income tax relating to components of other comprehensive income		-	-	61	-	-	6	67
Total comprehensive income		-	2	(158)	(145)	524	22	245
Dividends for the period	9	-	-	-	-	(227)	(22)	(249)
Net purchase of treasury shares		-	-	-	-	(5)	-	(5)
Shares repurchased in the buyback programme		-	-	-	-	(174)	-	(174)
Issue of ordinary share capital by the Company		-	4	-	-	-	-	4
Exercise of share options		-	3	-	-	-	-	3
Fair value of equity settled share options		-	-	17	-	-	-	17
Transactions with shareholders		-	7	17	-	(406)	(22)	(404)
Attributable to equity holders of the parent at end of the period		551	766	2,767	(449)	3,479	688	7,802

		£m
		At 30 June 2008
Other reserves		
Merger reserve		2,716
Available-for-sale reserve		(180)
Property revaluation reserve		75
Share-based payments reserve		156
Other reserves		-
Attributable to equity holders of the parent at end of the period		2,767

Consolidated statement of changes in equity continued

For the six months ended 30 June 2009

	Millions			£m	
	Notes	Number of shares issued and fully paid	Attributable to equity holders of the parent	Total non-controlling interest	Total equity
Year ended 31 December 2008					
Equity holders' funds at beginning of the year		5,510	7,961	1,636	9,597
Profit after tax for the financial period		-	441	242	683
Other comprehensive income					
Fair value gains/(losses):					
Property revaluation		-	16	-	16
Net investment hedge		-	281	-	281
Available-for-sale investments:					
Fair value losses		-	(1,635)	-	(1,635)
Recycled to the income statement		-	414	-	414
Shadow accounting		-	26	-	26
Currency translation differences/exchange differences on translating foreign operations		-	419	10	429
Other movements		-	(23)	91	68
Income tax relating to components of other comprehensive income		-	366	-	366
Total comprehensive income		-	305	343	648
Dividends for the year	9	-	(395)	(165)	(560)
Net sale of treasury shares		-	5	-	5
Shares repurchased in the buyback programme		-	(175)	-	(175)
Issue of ordinary share capital by the Company		-	5	-	5
Change in participation in subsidiaries		-	-	26	26
Exercise of share options		6	5	-	5
Fair value of equity settled share options		-	26	-	26
Transactions with shareholders		6	(529)	(139)	(668)
Equity holders' funds at end of the year		5,516	7,737	1,840	9,577

	£m							
Year ended 31 December 2008	Notes	Share capital	Share premium	Other reserves	Translation reserve	Retained earnings	Perpetual preferred callable securities	Total
Attributable to equity holders of the parent at beginning of the year		551	757	2,908	(304)	3,361	688	7,961
Profit for the financial year attributable to equity holders of the parent		-	-	-	-	410	31	441
Other comprehensive income								
Fair value gains/(losses):								
Property revaluation		-	-	16	-	-	-	16
Net investment hedge		-	-	-	281	-	-	281
Available-for-sale investments:								
Fair value losses		-	-	(1,635)	-	-	-	(1,635)
Recycled to income statement		-	-	414	-	-	-	414
Shadow accounting		-	-	26	-	-	-	26
Currency translation differences/exchange differences on translating foreign operations		-	-	-	419	-	-	419
Other movements		-	-	8	3	(34)	-	(23)
Income tax relating to components of other comprehensive income		-	-	367	(13)	-	12	366
Total comprehensive income		-	-	(804)	690	376	43	305
Dividends for the year	9	-	-	-	-	(352)	(43)	(395)
Net sale of treasury shares		-	-	-	-	5	-	5
Shares repurchased in the buyback programme		-	-	-	-	(175)	-	(175)
Issue of ordinary share capital by the Company		-	5	-	-	-	-	5
Exercise of share options		1	4	-	-	-	-	5
Fair value of equity settled share options		-	-	26	-	-	-	26
Transactions with shareholders		1	9	26	-	(522)	(43)	(529)
Attributable to equity holders of the parent at end of the year		552	766	2,130	386	3,215	688	7,737

	£m
	At 31 December 2008
Other reserves	
Merger reserve	2,716
Available-for-sale reserve	(844)
Property revaluation reserve	85
Share-based payments reserve	171
Other reserves	2
Attributable to equity holders of the parent at end of the period	2,130

Notes to the consolidated financial statements

For the six months ended 30 June 2009

1 Accounting policies

Basis of preparation

The consolidated financial information contained herein has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards adopted by the EU and in accordance with the requirements of IAS 34 'Interim Financial Reporting'. The Group's results for the six months ended 30 June 2009 and the position at that date have been prepared using accounting policies consistent with those applied in the preparation of the Group's 2008 Annual Report and Accounts, except for the revised IAS 1 set out below.

The consolidated financial information has been prepared on the going concern basis which the directors believe appropriate having taken into consideration the matters discussed in the Group Finance Director's Review in the section headed Risk and Uncertainties.

The comparative figures for the financial year ended 31 December 2008 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Implementation of revised IAS 1 'Presentation of Financial Statements'

The financial information set out herein incorporates changes introduced as a result of the publication of a revised version of IAS 1 'Presentation of Financial Statements', effective for accounting periods commencing on or after 1 January 2009. The principal change is the inclusion of a new statement, a consolidated statement of comprehensive income, separately from the consolidated statement of changes in equity. Comparative information has been restated accordingly. There were no impacts on the Group's results or net assets as a result of the introduction of the revised standard.

Segment presentation

There has been a presentational change in the way segmental information is reflected in the consolidated financial information following a change in the way that management and the Board of Directors considers information when making operating decisions and the basis on which resources are allocated and performance assessed by management and the Board of Directors. The reported segments are Long-term savings, Nedbank, Mutual & Federal (M&F), US Asset Management (USAM), Bermuda and Other operating segments.

The long-term savings segment is further analysed by major operating segments, namely OMSA (including Rest of Africa), Europe, US Life and Asia Pacific. Results of other business activities and operating segments are disclosed in the 'Other operating segments' category. Other operating segments comprise Group head office.

There are four principal business activities from which the Group generates revenues. These are long-term business (premium income), asset management business (fee and commission income), banking (banking interest receivable) and general insurance (premium income). The revenues generated in each reported segment can be seen in the analysis of profits and losses in note 3(ii).

The information reflected in note 3 reflects the measures of profit and loss, assets and liabilities for each segment as regularly provided to management and the Board of Directors. There are no differences between the measurement of the assets and liabilities reflected in the primary statements and that reported for the segments. A reconciliation between the reported segment revenues and expenses and the Group's revenues and expenses is shown in note 3(ii).

Assets, liabilities, revenues or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Given the nature of the operations, there are no major customers within any of the segments.

Reclassifications of comparative segment information have been made to align to the Group management reporting structure described above. There was no impact on net profit or net assets.

1 Accounting policies continued

Amendments to IAS 39 'Financial instruments: Recognition and Measurement' – reclassification of financial assets

The amendments to IAS 39 'Financial instruments: Recognition and Measurement', issued in October 2008, in respect of the reclassification of financial assets, were adopted in the Group's 2008 financial statements. Under the extended reclassification rules introduced by the amendments an entity has the ability to reclassify financial instruments from the held-for-trading and available-for-sale categories in certain specified rare circumstances. The Group's accounting policies were updated in 2008 to reflect the amendments to the standard. The Group's US Life on-shore business applied the amendments to certain financial assets previously categorised as available-for-sale, which it reclassified to the loans and receivables category. This reclassification was implemented as at 1 July 2008 in accordance with the transitional provisions in the IAS 39 amendment, with no impact on the comparative interim financial information shown in this report. There was no impact on the Group's IFRS profit or adjusted operating profit, before or after tax, as a result of the introduction of the amendments.

2 Foreign currencies

The principal exchange rates used to translate the operating results, assets and liabilities of foreign operations to Sterling are:

	Income statement (average rate)	Statement of financial position (closing rate)
30 June 2009		
Rand	13.7363	12.7351
US Dollars	1.4947	1.6453
Swedish Kronor	12.1787	12.6989
Euro	1.1193	1.1725
30 June 2008		
Rand	15.1008	15.5673
US Dollars	1.9746	1.9908
Swedish Kronor	12.1128	12.0009
Euro	1.2903	1.2651
31 December 2008		
Rand	15.2948	13.7194
US Dollars	1.8524	1.4575
Swedish Kronor	12.2209	11.4494
Euro	1.2594	1.0446

3 Segment information

(i) Basis of segmentation

The Group's results are analysed across the following reportable segments:

- Long-term savings – long-term business, asset management and banking
- Nedbank – banking and asset management
- Mutual & Federal (M&F) – general insurance
- US Asset Management (USAM) – asset management
- Bermuda – long-term business and asset management
- Other operating segments.

For purposes of presentation the long-term savings segment is further analysed by major operating segments, namely OMSA (including Rest of Africa), Europe, US Life and Asia Pacific. Results of other business activities and operating segments are disclosed in the 'other operating segments' category. Other operating segments comprise Group head office.

The segmental information is consistent with the way that management and the Board of Directors consider information when making operating decisions and is the basis on which resources are allocated and performance assessed by management and the Board of Directors.

Adjusted operating profit is one of the key measures reported to the Group's management and Board of Directors for their consideration in the allocation of resources to and the review of performance of the segments. The Group utilises additional measures to assess the performance of each of the segments, in particular the level of funds under management. Additional performance measures considered by management and the Board of Directors in assessing the performance of the segments can be found in the Old Mutual Market Consistent Embedded Value information presented on pages 83-120.

Comparative segment information has been revised in accordance with the changes in presentation made in the current financial period.

Notes to the consolidated financial statements

For the six months ended 30 June 2009

3 Segment information continued

(ii) Adjusted operating profit statement – segment information six months ended 30 June 2009

	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Revenue					
Gross earned premiums	877	215	421	-	1,513
Outward reinsurance	(28)	(47)	(51)	-	(126)
Net earned premiums	849	168	370	-	1,387
Investment return (non-banking)	(98)	1,120	303	-	1,325
Banking interest and similar income	-	96	-	-	96
Banking trading, investment and similar income	-	-	-	-	-
Fee and commission income, and income from service activities	105	558	-	4	667
Other income	12	11	1	-	24
Inter-segment revenues	29	18	-	-	47
Total revenues	897	1,971	674	4	3,546
Expenses					
Claims and benefits (including change in insurance contract provisions)	(219)	(218)	(589)	-	(1,026)
Reinsurance recoveries	28	55	54	-	137
Net claims and benefits incurred	(191)	(163)	(535)	-	(889)
Change in investment contract liabilities	(114)	(1,026)	-	-	(1,140)
Losses on loans and advances	-	(3)	-	-	(3)
Finance costs	-	-	-	-	-
Banking interest payable and similar expenses	-	(51)	-	-	(51)
Fee and commission expenses, and other acquisition costs	(77)	(256)	(71)	(1)	(405)
Other operating and administrative expenses	(291)	(351)	(32)	(11)	(685)
Goodwill impairment	-	-	-	-	-
Change in third party interest in consolidated funds	-	-	-	-	-
Amortisation of PVIF and other acquired intangibles	-	-	-	-	-
Income tax attributable to policyholder returns	(2)	(23)	-	-	(25)
Inter-segment expenses	(4)	(22)	(7)	-	(33)
Total expenses	(679)	(1,895)	(645)	(12)	(3,231)
Share of associated undertakings' profit/(loss) after tax	1	-	-	1	2
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	-	-	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests	219	76	29	(7)	317
Tax expense	(60)	(6)	(8)	(4)	(78)
Non-controlling interests	(2)	-	-	-	(2)
Adjusted operating profit/(loss) after tax and non-controlling interests	157	70	21	(11)	237
Adjusting items net of tax and non-controlling interests	(63)	(115)	(98)	(45)	(321)
Profit/(loss) after tax attributable to equity holders of the parent	94	(45)	(77)	(56)	(84)

3 Segment information continued

(ii) Adjusted operating profit statement – segment information six months ended 30 June 2009 continued

									£m
Nedbank	M&F	USAM	Bermuda	Other operating segments	Consolidation adjustments	Adjusted operating profit Total reportable segments	Adjusting items (Note 4)	IFRS Income statement	
-	297	-	7	-	-	1,817	-	1,817	
-	(54)	-	-	-	-	(180)	-	(180)	
-	243	-	7	-	-	1,637	-	1,637	
-	26	-	124	43	310	1,828	(275)	1,553	
2,016	-	-	-	-	-	2,112	-	2,112	
73	-	-	-	-	-	73	-	73	
293	9	206	-	-	-	1,175	(56)	1,119	
24	-	2	11	-	-	61	-	61	
14	18	5	-	12	(96)	-	-	-	
2,420	296	213	142	55	214	6,886	(331)	6,555	
-	(221)	-	(130)	-	-	(1,377)	-	(1,377)	
-	40	-	1	-	-	176	-	176	
-	(181)	-	(131)	-	-	(1,201)	-	(1,201)	
-	-	-	(2)	-	-	(1,142)	-	(1,142)	
(250)	-	-	-	-	-	(253)	-	(253)	
-	-	-	-	(47)	-	(47)	28	(19)	
(1,392)	-	-	-	-	-	(1,443)	6	(1,437)	
-	(53)	(8)	4	-	(25)	(487)	81	(406)	
(529)	(30)	(175)	(8)	(38)	(3)	(1,468)	22	(1,446)	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	(282)	(282)	-	(282)	
-	-	-	-	-	-	-	(164)	(164)	
-	-	-	-	-	-	(25)	25	-	
(40)	(12)	-	(1)	(10)	96	-	-	-	
(2,211)	(276)	(183)	(138)	(95)	(214)	(6,348)	(2)	(6,350)	
2	-	-	-	(4)	-	-	-	-	
-	-	-	-	-	-	-	(45)	(45)	
211	20	30	4	(44)	-	538	(378)	160	
(48)	(4)	(9)	-	(10)	-	(149)	16	(133)	
(84)	(4)	-	-	(16)	-	(106)	9	(97)	
79	12	21	4	(70)	-	283	(353)	(70)	
10	(5)	11	(49)	1	-	(353)			
89	7	32	(45)	(69)	-	(70)			

Notes to the consolidated financial statements

For the six months ended 30 June 2009 continued

3 Segment information continued

(ii) Adjusted operating profit statement – segment information six months ended 30 June 2008

	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Revenue					
Gross earned premiums	790	126	582	-	1,498
Outward reinsurance	(24)	(44)	(51)	-	(119)
Net earned premiums	766	82	531	-	1,379
Investment return (non-banking)	(193)	(3,798)	96	-	(3,895)
Banking interest and similar income	-	129	-	-	129
Banking trading, investment and similar income	-	2	-	-	2
Fee and commission income, and income from service activities	103	606	-	19	728
Other income	55	21	13	-	89
Inter-segment revenues	100	130	-	-	230
Total revenues	831	(2,828)	640	19	(1,338)
Expenses					
Claims and benefits (including change in insurance contract provisions)	(289)	(68)	(567)	-	(924)
Reinsurance recoveries	35	22	54	-	111
Net claims and benefits incurred	(254)	(46)	(513)	-	(813)
Change in investment contract liabilities	44	3,795	-	-	3,839
Losses on loans and advances	-	(1)	-	-	(1)
Finance costs	-	-	-	-	-
Banking interest payable and similar expenses	-	(89)	-	-	(89)
Fee and commission expenses, and other acquisition costs	(72)	(267)	(43)	(6)	(388)
Other operating and administrative expenses	(243)	(348)	(27)	(17)	(635)
Goodwill impairment	-	-	-	-	-
Change in third party interest in consolidated funds	-	-	-	-	-
Amortisation of PVIF and other acquired intangibles	-	-	-	-	-
Income tax attributable to policyholder returns	(4)	70	-	-	66
Inter-segment expenses	(79)	(138)	(4)	(1)	(222)
Total expenses	(608)	2,976	(587)	(24)	1,757
Share of associated undertakings' profit/(loss) after tax	4	-	-	(3)	1
Profit on disposal of subsidiaries, associated undertakings and strategic investments	-	-	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests	227	148	53	(8)	420
Tax expense	(78)	(44)	(15)	-	(137)
Non-controlling interests	(2)	(1)	-	-	(3)
Adjusted operating profit/(loss) after tax and non-controlling interests	147	103	38	(8)	280
Adjusting items net of tax and non-controlling interests	176	(12)	(52)	-	112
Profit/(loss) after tax attributable to equity holders of the parent	323	91	(14)	(8)	392

3 Segment information continued

(ii) Adjusted operating profit statement – segment information six months ended 30 June 2008 continued

£m								
Nedbank	M&F	USAM	Bermuda	Other operating segments	Consolidation adjustments	Adjusted operating profit Total reportable segments	Adjusting items (Note 4)	IFRS Income statement
-	301	-	1,062	-	-	2,861	-	2,861
-	(45)	-	-	-	-	(164)	-	(164)
-	256	-	1,062	-	-	2,697	-	2,697
-	28	10	(237)	60	(184)	(4,218)	144	(4,074)
1,765	-	-	-	-	-	1,894	-	1,894
68	-	-	-	-	-	70	-	70
254	8	250	-	-	1	1,241	(52)	1,189
67	-	8	10	-	16	190	-	190
8	5	4	-	7	(254)	-	-	-
2,162	297	272	835	67	(421)	1,874	92	1,966
-	(221)	-	(878)	-	-	(2,023)	-	(2,023)
-	38	-	-	-	-	149	-	149
-	(183)	-	(878)	-	-	(1,874)	-	(1,874)
-	-	-	3	-	-	3,842	-	3,842
(125)	-	-	-	-	-	(126)	-	(126)
-	-	-	-	(71)	-	(71)	62	(9)
(1,213)	-	-	-	-	-	(1,302)	-	(1,302)
-	(58)	(5)	4	-	(39)	(486)	97	(389)
(466)	(24)	(197)	(10)	(22)	(4)	(1,358)	9	(1,349)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	210	210	-	210
-	-	-	-	-	-	-	(176)	(176)
-	-	-	-	-	-	66	(66)	-
(24)	(4)	-	(1)	(3)	254	-	-	-
(1,828)	(269)	(202)	(882)	(96)	421	(1,099)	(74)	(1,173)
3	-	-	-	(6)	-	(2)	-	(2)
-	-	-	-	-	-	-	62	62
337	28	70	(47)	(35)	-	773	80	853
(77)	(5)	(13)	(3)	15	-	(220)	52	(168)
(130)	(7)	-	-	(8)	-	(148)	12	(136)
130	16	57	(50)	(28)	-	405	144	549
14	(6)	(1)	(50)	75	-	144	-	-
144	10	56	(100)	47	-	549	-	-

Notes to the consolidated financial statements

For the six months ended 30 June 2009 continued

3 Segment information continued

(ii) Adjusted operating profit statement – segment information year ended 31 December 2008

	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Revenue					
Gross earned premiums	1,672	315	1,269	-	3,256
Outward reinsurance	(47)	(90)	(106)	-	(243)
Net earned premiums	1,625	225	1,163	-	3,013
Investment return (non-banking)	(427)	(9,918)	211	1	(10,133)
Banking interest and similar income	-	266	-	-	266
Banking trading, investment and similar income	-	24	-	-	24
Fee and commission income, and income from service activities	189	1,167	-	33	1,389
Other income	97	36	3	-	136
Inter-segment revenues	230	237	-	-	467
Total revenues	1,714	(7,963)	1,377	34	(4,838)
Expenses					
Claims and benefits (including change in insurance contract provisions)	(700)	(209)	(1,478)	-	(2,387)
Reinsurance recoveries	42	40	106	-	188
Net claims and benefits incurred	(658)	(169)	(1,372)	-	(2,199)
Change in investment contract liabilities	200	9,847	-	-	10,047
Losses on loans and advances	-	(4)	-	-	(4)
Finance costs	-	-	-	-	-
Banking interest payable and similar expenses	-	(183)	-	-	(183)
Fee and commission expenses, and other acquisition costs	(156)	(530)	(158)	(10)	(854)
Other operating and administrative expenses	(497)	(692)	(68)	(37)	(1,294)
Goodwill impairment	-	-	-	-	-
Change in third party interest in consolidated funds	-	-	-	-	-
Amortisation of PVIF and other acquired intangibles	-	-	-	-	-
Income tax attributable to policyholder returns	6	230	-	-	236
Inter-segment expenses	(183)	(270)	(9)	-	(462)
Total expenses	(1,288)	8,229	(1,607)	(47)	5,287
Share of associated undertakings' profit/(loss) after tax	6	-	-	(3)	3
Profit on disposal of subsidiaries, associated undertakings and strategic investments	-	-	-	-	-
Adjusted operating profit/(loss) before tax and non-controlling interests	432	266	(230)	(16)	452
Tax expense	(135)	(81)	76	-	(140)
Non-controlling interests	(5)	-	-	-	(5)
Adjusted operating profit/(loss) after tax and non-controlling interests	292	185	(154)	(16)	307
Adjusting items net of tax and non-controlling interests	148	(83)	(341)	(1)	(277)
Profit/(loss) after tax attributable to equity holders of the parent	440	102	(495)	(17)	30

3 Segment information continued

(ii) Adjusted operating profit statement – segment information year ended 31 December 2008 continued

								£m
Nedbank	M&F	USAM	Bermuda	Other operating segments	Consolidation adjustments	Adjusted operating profit Total reportable segments	Adjusting items (Note 4)	IFRS Income statement
-	570	-	1,330	-	-	5,156	-	5,156
-	(91)	-	(1)	-	-	(335)	-	(335)
-	479	-	1,329	-	-	4,821	-	4,821
-	56	(3)	(543)	94	(713)	(11,242)	(336)	(11,578)
3,793	-	-	-	-	-	4,059	-	4,059
138	-	-	-	-	-	162	-	162
533	16	473	-	-	(1)	2,410	(97)	2,313
85	-	17	19	-	13	270	-	270
19	26	8	-	66	(586)	-	-	-
4,568	577	495	805	160	(1,287)	480	(433)	47
-	(401)	-	(822)	-	-	(3,610)	-	(3,610)
-	72	-	2	-	-	262	-	262
-	(329)	-	(820)	-	-	(3,348)	-	(3,348)
-	-	-	4	-	-	10,051	-	10,051
(315)	-	-	-	-	-	(319)	-	(319)
-	-	-	-	(140)	-	(140)	532	392
(2,684)	-	-	-	-	-	(2,867)	14	(2,853)
-	(101)	(10)	(106)	-	(44)	(1,115)	178	(937)
(928)	(59)	(388)	(16)	(38)	(34)	(2,757)	(77)	(2,834)
-	-	-	-	-	-	-	(74)	(74)
-	-	-	-	-	779	779	-	779
-	-	-	-	-	-	-	(361)	(361)
-	-	-	-	-	-	236	(236)	-
(71)	(12)	-	(4)	(37)	586	-	-	-
(3,998)	(501)	(398)	(942)	(215)	1,287	520	(24)	496
5	-	-	-	(9)	-	(1)	-	(1)
-	-	-	-	-	-	-	53	53
575	76	97	(137)	(64)	-	999	(404)	595
(123)	(17)	2	-	192	-	(86)	174	88
(227)	(19)	-	-	(21)	-	(272)	30	(242)
225	40	99	(137)	107	-	641	(200)	441
29	(49)	1	(228)	324	-	(200)	-	-
254	(9)	100	(365)	431	-	441	-	-

Notes to the consolidated financial statements

For the six months ended 30 June 2009

3 Segment information continued

(iii) Gross earned premiums

	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Six months ended 30 June 2009					
Long-term business-insurance contracts	582	215	421	-	1,218
Long-term business-investment contracts with discretionary participation features	295	-	-	-	295
General insurance	-	-	-	-	-
Gross earned premiums	877	215	421	-	1,513
Long-term business – other investment contracts recognised as deposits	1,213	3,064	82	-	4,359
	Long Term Savings				
Six months ended 30 June 2008					
Long-term business-insurance contracts	526	126	582	-	1,234
Long-term business-investment contracts with discretionary participation features	264	-	-	-	264
General insurance	-	-	-	-	-
Gross earned premiums	790	126	582	-	1,498
Long-term business – other investment contracts recognised as deposits	597	3,938	53	-	4,588
	Long Term Savings				
Year ended 31 December 2008					
Long-term business-insurance contracts	1,148	315	1,269	-	2,732
Long-term business-investment contracts with discretionary participation features	524	-	-	-	524
General insurance	-	-	-	-	-
Gross earned premiums	1,672	315	1,269	-	3,256
Long-term business – other investment contracts recognised as deposits	1,391	6,920	115	-	8,426

(iv) Impairments on financial assets

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Europe	3	1	5
US Life	133	68	392
Total Long Term Savings	136	69	397
Nedbank	250	125	315
Bermuda	14	7	22
Total	400	201	734

3 Segment information continued

(iii) Gross earned premiums

					£m
Nedbank	M&F	USAM	Bermuda		
-	-	-	7	1,225	
-	-	-	-	295	
	297			297	
-	297	-	7	1,817	
-	-	-	8	4,367	
					£m
Nedbank	M&F	USAM	Bermuda		
-	-	-	1,062	2,296	
-	-	-	-	264	
-	301	-	-	301	
-	301	-	1,062	2,861	
-	-	-	63	4,651	
					£m
Nedbank	M&F	USAM	Bermuda		
-	-	-	1,330	4,062	
-	-	-	-	524	
-	570	-	-	570	
-	570	-	1,330	5,156	
-	-	-	115	8,541	

Notes to the consolidated financial statements

For the six months ended 30 June 2009

3 Segment information continued

(v) Funds under management

	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
As at 30 June 2009					
Long-term business policyholder funds	21,380	39,102	347	257	61,086
Unit trusts and mutual funds	4,044	12,668	-	-	16,712
Third party client funds	6,988	-	-	-	6,988
Total client funds under management	32,412	51,770	347	257	84,786
Shareholder funds	1,776	1,289	-	-	3,065
Total funds under management	34,188	53,059	347	257	87,851
	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
As at 30 June 2008					
Long-term business policyholder funds	18,435	42,665	235	167	61,502
Unit trusts and mutual funds	3,318	13,249	-	2,346	18,913
Third party client funds	6,221	-	-	3,453	9,674
Total client funds under management	27,974	55,914	235	5,966	90,089
Shareholder funds	1,721	1,348	-	-	3,069
Total funds under management	29,695	57,262	235	5,966	93,158
	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
As at 31 December 2008					
Long-term business policyholder funds	20,301	38,791	241	193	59,526
Unit trusts and mutual funds	3,613	12,399	-	1,859	17,871
Third party client funds	8,841	-	-	1,484	10,325
Total client funds under management	32,755	51,190	241	3,536	87,722
Shareholder funds	1,632	1,614	-	-	3,246
Total funds under management	34,387	52,804	241	3,536	90,968

3 Segment information continued

(v) Funds under management

					£m
	Nedbank	M&F	USAM	Bermuda	Total
	549	-	12,359	2,327	76,321
	2,863	-	3,132	-	22,707
	3,361	-	134,529	-	144,878
	6,773	-	150,020	2,327	243,906
	-	139	163	-	3,367
	6,773	139	150,183	2,327	247,273
					£m
	Nedbank	M&F	USAM	Bermuda	Total
	412	-	11,404	2,298	75,616
	2,321	-	4,878	-	26,112
	3,096	-	141,613	-	154,383
	5,829	-	157,895	2,298	256,111
	-	78	176	-	3,323
	5,829	78	158,071	2,298	259,434
					£m
	Nedbank	M&F	USAM	Bermuda	Total
	425	-	13,623	2,401	75,975
	2,617	-	3,127	-	23,615
	3,375	-	147,956	-	161,656
	6,417	-	164,706	2,401	261,246
	-	145	177	-	3,568
	6,417	145	164,883	2,401	264,814

Notes to the consolidated financial statements

For the six months ended 30 June 2009

3 Segment information continued

(vi) Statement of financial position – segment information at 30 June 2009

At 30 June 2009	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Assets					
Goodwill and other intangible assets	35	3,543	101	-	3,679
Mandatory reserve deposits with central banks	-	-	-	-	-
Property, plant and equipment	327	38	1	-	366
Investment property	1,405	3	-	-	1,408
Deferred tax assets	58	283	918	-	1,259
Investments in associated undertakings and joint ventures	8	1	-	(3)	6
Deferred acquisition costs	111	1,000	1,554	-	2,665
Reinsurers' share of long-term business policyholder liabilities	11	682	450	-	1,143
Reinsurers' share of general insurance liabilities	-	-	-	-	-
Deposits held with reinsurers	-	99	35	-	134
Loans and advances	151	3,739	56	-	3,946
Investments and securities	23,458	40,997	9,376	-	73,831
Current tax receivable	3	101	-	-	104
Client indebtedness for acceptances	-	-	-	-	-
Other assets	567	461	288	-	1,316
Derivative financial instruments – assets	98	7	68	-	173
Cash and cash equivalents	74	932	(17)	-	989
Inter-segment assets	1,208	421	57	-	1,686
Total assets	27,514	52,307	12,887	(3)	92,705
Liabilities					
Long-term business policyholder liabilities	24,393	40,254	11,475	-	76,122
General insurance liabilities	-	-	-	-	-
Third party interests in consolidated funds	-	-	-	-	-
Borrowed funds	255	25	-	-	280
Provisions	136	177	-	-	313
Deferred revenue	23	573	-	-	596
Deferred tax liabilities	165	474	647	-	1,286
Current tax payable	61	55	(9)	-	107
Other liabilities	938	673	331	-	1,942
Liabilities under acceptances	-	-	-	-	-
Amounts owed to bank depositors	-	4,907	-	-	4,907
Derivative financial instruments – liabilities	6	23	16	-	45
Inter-segment liabilities	37	369	142	20	568
Total liabilities	26,014	47,530	12,602	20	86,166
Net assets	1,500	4,777	285	(23)	6,539
Equity					
Equity attributable to equity holders of the parent	1,501	4,777	285	(23)	6,540
Non-controlling interests	(1)	-	-	-	(1)
Non-controlling interests – ordinary shares	(1)	-	-	-	(1)
Non-controlling interests – preference shares	-	-	-	-	-
Total equity	1,500	4,777	285	(23)	6,539

3 Segment information continued

(vi) Statement of financial position – segment information at 30 June 2009

						£m
Nedbank	M&F	USAM	Bermuda	Other operating segments	Consolidation adjustments	Total reportable segments
508	31	1,163	3	13	-	5,397
856	-	-	-	-	-	856
351	22	21	-	3	-	763
18	-	-	-	-	152	1,578
17	8	141	-	9	-	1,434
76	-	7	-	26	-	115
2	17	34	215	-	-	2,933
18	-	-	1	-	-	1,162
-	130	-	-	-	-	130
-	3	-	-	-	-	137
33,886	3	-	-	-	-	37,835
5,194	370	156	2,915	76	1,951	84,493
44	1	-	-	-	-	149
146	-	-	-	-	-	146
376	84	124	831	45	453	3,229
1,401	-	-	(35)	163	784	2,486
632	80	125	38	23	785	2,672
33	45	2	508	684	(2,958)	-
43,558	794	1,773	4,476	1,042	1,167	145,515
548	-	-	4,131	-	-	80,801
-	403	-	-	-	-	403
-	-	-	-	-	2,610	2,610
1,064	-	-	-	1,171	-	2,515
-	18	2	-	76	-	409
-	8	-	-	-	-	604
158	1	-	-	21	-	1,466
18	-	7	16	47	-	195
877	97	180	20	96	735	3,947
146	-	-	-	-	-	146
35,683	-	-	-	-	-	40,590
1,244	-	-	-	40	780	2,109
412	-	803	3	1,172	(2,958)	-
40,150	527	992	4,170	2,623	1,167	135,795
3,408	267	781	306	(1,581)	-	9,720
1,941	217	754	306	(2,027)	-	7,731
1,467	50	27	-	446	-	1,989
1,217	50	27	-	-	-	1,293
250	-	-	-	446	-	696
3,408	267	781	306	(1,581)	-	9,720

Notes to the consolidated financial statements

For the six months ended 30 June 2009

3 Segment information continued

(vi) Statement of financial position – segment information at 30 June 2008

At 30 June 2008	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Assets					
Goodwill and other intangible assets	22	3,849	193	16	4,080
Mandatory reserve deposits with central banks	-	-	-	-	-
Property, plant and equipment	227	42	1	4	274
Investment property	1,028	3	-	-	1,031
Deferred tax assets	57	151	459	6	673
Investments in associated undertakings and joint ventures	21	-	-	(11)	10
Deferred acquisition costs	89	853	1,546	9	2,497
Reinsurers' share of long-term business policyholder liabilities	18	730	658	-	1,406
Deposits held with reinsurers	-	156	29	-	185
Loans and advances	72	3,647	44	-	3,763
Investments and securities	21,000	44,085	8,963	-	74,048
Current tax receivable	3	39	-	-	42
Client indebtedness for acceptances	-	-	-	-	-
Other assets	392	452	213	8	1,065
Derivative financial instruments – assets	44	19	21	-	84
Cash and cash equivalents	122	976	-	11	1,109
Non-current assets held-for-sale	8	-	-	-	8
Inter-segment assets	2	558	(1)	-	559
Total assets	23,105	55,560	12,126	43	90,834
Liabilities					
Long-term business policyholder liabilities	21,223	43,814	9,620	-	74,657
Third party interests in consolidated funds	-	-	-	-	-
Borrowed funds	209	55	-	-	264
Provisions	113	182	-	10	305
Deferred revenue	22	488	-	10	520
Deferred tax liabilities	228	548	496	-	1,272
Current tax payable	52	59	(1)	-	110
Other liabilities	707	817	1,045	11	2,580
Liabilities under acceptances	-	-	-	-	-
Amounts owed to bank depositors	-	4,442	-	-	4,442
Derivative financial instruments – liabilities	53	9	-	-	62
Non-current liabilities held-for-sale	6	-	-	-	6
Inter-segment liabilities	(795)	502	(28)	33	(288)
Total liabilities	21,818	50,916	11,132	64	83,930
Net assets	1,287	4,644	994	(21)	6,904
Equity					
Equity attributable to equity holders of the parent	1,281	4,639	994	(21)	6,893
Non-controlling interests	6	5	-	-	11
Non-controlling interests – ordinary shares	6	5	-	-	11
Non-controlling interests – preference shares	-	-	-	-	-
Total equity	1,287	4,644	994	(21)	6,904

3 Segment information continued

(vi) Statement of financial position – segment information at 30 June 2008

						£m
Nedbank	M&F	USAM	Bermuda	Other operating segments	Consolidation adjustments	Total reportable segments
399	-	958	3	13	-	5,453
610	-	-	-	-	-	610
252	-	20	-	3	-	549
12	-	-	-	-	222	1,265
8	-	95	(12)	-	-	764
56	-	-	-	3	-	69
2	-	27	202	-	-	2,728
5	-	-	-	-	-	1,411
-	-	-	-	-	-	185
26,127	-	-	-	-	-	29,890
4,808	-	176	2,787	186	1,784	83,789
2	-	-	-	3	-	47
201	-	-	-	-	-	201
897	-	168	823	89	202	3,244
1,077	-	-	1	123	1,864	3,149
744	-	178	42	114	942	3,129
2	561	-	-	-	-	571
(1)	(1)	-	-	1,433	(1,990)	-
35,201	560	1,622	3,846	1,967	3,024	137,054
413	-	-	3,884	-	-	78,954
-	-	-	-	-	2,674	2,674
783	-	-	-	1,189	-	2,236
11	-	2	-	111	-	429
1	-	-	-	-	-	521
117	-	-	-	-	-	1,389
22	-	1	4	69	-	206
2,121	-	247	46	109	519	5,622
201	-	-	-	-	-	201
27,591	-	-	-	-	-	32,033
1,106	-	-	-	73	1,821	3,062
-	367	-	-	-	-	373
300	(34)	1,441	(17)	588	(1,990)	-
32,666	333	1,691	3,917	2,139	3,024	127,700
2,535	227	(69)	(71)	(172)	-	9,354
1,460	183	(97)	(71)	(566)	-	7,802
1,075	44	28	-	394	-	1,552
818	44	28	-	(52)	-	849
257	-	-	-	446	-	703
2,535	227	(69)	(71)	(172)	-	9,354

Notes to the consolidated financial statements

For the six months ended 30 June 2009

3 Segment information continued

(vi) Statement of financial position – segment information at 31 December 2008

At 31 December 2008*	Long Term Savings				
	OMSA	Europe	US Life	Asia Pacific	Total
Assets					
Goodwill and other intangible assets	32	3,930	132	11	4,105
Mandatory reserve deposits with central banks	-	-	-	-	-
Property, plant and equipment	267	44	1	1	313
Investment property	1,281	3	-	-	1,284
Deferred tax assets	65	295	1,036	3	1,399
Investments in associated undertakings and joint ventures	26	-	-	7	33
Deferred acquisition costs	105	988	1,896	8	2,997
Reinsurers' share of long-term business policyholder liabilities	6	625	505	-	1,136
Reinsurers' share of general insurance liabilities	-	-	-	-	-
Deposits held with reinsurers	-	121	40	-	161
Loans and advances	59	3,987	62	-	4,108
Investments and securities	22,326	40,151	10,284	-	72,761
Current tax receivable	3	88	-	2	93
Client indebtedness for acceptances	-	-	-	-	-
Other assets	443	441	252	4	1,140
Derivative financial instruments – assets	209	-	36	-	245
Cash and cash equivalents	101	757	(18)	10	850
Non-current assets held-for-sale	7	-	-	-	7
Inter-segment assets	1,322	516	46	-	1,884
Total assets	26,252	51,946	14,272	46	92,516
Liabilities					
Long-term business policyholder liabilities	23,162	39,559	13,338	-	76,059
General insurance liabilities	-	-	-	-	-
Third party interests in consolidated funds	-	-	-	-	-
Borrowed funds	237	1	-	-	238
Provisions	128	240	-	4	372
Deferred revenue	23	559	-	8	590
Deferred tax liabilities	172	526	578	-	1,276
Current tax payable	97	51	(15)	-	133
Other liabilities	831	879	267	16	1,993
Liabilities under acceptances	-	-	-	-	-
Amounts owed to bank depositors	-	4,622	-	-	4,622
Derivative financial instruments – liabilities	31	1	-	-	32
Non-current liabilities held-for-sale	6	-	-	-	6
Inter-segment liabilities	31	765	1	35	832
Total liabilities	24,718	47,203	14,169	63	86,153
Net assets	1,534	4,743	103	(17)	6,363
Equity					
Equity attributable to equity holders of the parent	1,526	4,743	103	(17)	6,355
Non-controlling interests	8	-	-	-	8
Non-controlling interests – ordinary shares	8	-	-	-	8
Non-controlling interests – preference shares	-	-	-	-	-
Total equity	1,534	4,743	103	(17)	6,363

* The 31 December 2008 financial position has been restated by an amount of £1,405 million for both derivative financial instruments assets and liabilities on a consistent basis to 30 June 2009. There was no impact on the consolidated net assets at 31 December 2008 as a result of the restatement.

3 Segment information continued

(vi) Statement of financial position – segment information at 31 December 2008

						£m
Nedbank	M&F	USAM	Bermuda	Other operating segments	Consolidation adjustments	Total reportable segments
425	29	1,305	5	13	-	5,882
734	-	-	-	-	-	734
316	24	26	-	3	-	682
15	-	-	-	-	179	1,478
25	8	158	-	-	-	1,590
75	-	-	-	3	-	111
2	15	40	145	-	-	3,199
9	-	-	3	-	-	1,148
-	115	-	-	-	-	115
-	3	-	-	-	-	164
31,634	2	-	-	1	-	35,745
5,043	322	177	3,676	88	1,455	83,522
25	-	-	-	-	-	118
220	-	-	-	-	-	220
486	68	139	789	96	419	3,137
1,627	-	-	21	226	1,109	3,228
631	56	220	29	79	997	2,862
-	-	-	-	-	-	7
19	46	99	377	1,632	(4,057)	-
41,286	688	2,164	5,045	2,141	102	143,942
426	-	-	4,784	-	-	81,269
-	344	-	-	-	-	344
-	-	-	-	-	2,591	2,591
960	-	-	-	1,097	-	2,295
1	21	3	-	80	-	477
-	8	-	-	-	-	598
162	2	-	-	12	-	1,452
18	2	8	19	39	-	219
747	71	299	9	149	465	3,733
220	-	-	-	-	-	220
33,549	-	-	-	-	-	38,171
1,731	-	-	-	124	1,103	2,990
-	-	-	-	-	-	6
427	(1)	1,452	3	1,344	(4,057)	-
38,241	447	1,762	4,815	2,845	102	134,365
3,045	241	402	230	(704)	-	9,577
1,717	193	365	230	(1,123)	-	7,737
1,328	48	37	-	419	-	1,840
1,081	48	37	-	(27)	-	1,147
247	-	-	-	446	-	693
3,045	241	402	230	(704)	-	9,577

Notes to the consolidated financial statements

For the six months ended 30 June 2009

4 Operating profit adjusting items

(i) Summary of adjusting items

In determining the adjusted operating profit of the Group certain adjustments are made to profit before tax to reflect the directors' view of the underlying long-term performance of the Group. The following table shows an analysis of those adjustments from adjusted operating profit to profit before and after tax.

						£m
						Long Term Savings
Six months ended 30 June 2009	Notes	OMSA	Europe	US Life	Asia Pacific	Total
Income/(expense)						
Goodwill impairment and impact of acquisition accounting	4(ii)	-	(109)	(9)	-	(118)
Loss on disposal of subsidiaries, associated undertakings and strategic investments	4(iii)	(1)	-	-	(45)	(46)
Short-term fluctuations in investment return	4(iv)	(32)	(27)	(93)	-	(152)
Investment return adjustment for Group equity and debt instruments held in life funds	4(v)	(40)	-	-	-	(40)
Dividends declared to holders of perpetual preferred callable securities	4(vi)	-	-	-	-	-
US Asset Management equity plans and minority holders	4(vii)	-	-	-	-	-
Credit-related fair value gains on Group debt instruments	4(viii)	-	-	-	-	-
Total adjusting items		(73)	(136)	(102)	(45)	(356)
Tax on adjusting items	5(iii)	10	21	4	-	35
Non-controlling interest in adjusting items	6(iii)	-	-	-	-	-
Total adjusting items after tax and non-controlling interests		(63)	(115)	(98)	(45)	(321)

						£m
						Long Term Savings
Six months ended 30 June 2008	Notes	OMSA	Europe	US Life	Asia Pacific	Total
Income/(expense)						
Goodwill impairment and impact of acquisition accounting	4(ii)	-	(114)	(13)	-	(127)
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	4(iii)	(13)	75	-	-	62
Short-term fluctuations in investment return	4(iv)	40	9	(32)	-	17
Investment return adjustment for Group equity and debt instruments held in life funds	4(v)	150	-	-	-	150
Dividends declared to holders of perpetual preferred callable securities	4(vi)	-	-	-	-	-
US Asset Management equity plans and minority holders	4(vii)	-	-	-	-	-
Credit-related fair value gains on Group debt instruments	4(viii)	-	-	-	-	-
Total adjusting items		177	(30)	(45)	-	102
Tax on adjusting items	5(iii)	(1)	18	(7)	-	10
Non-controlling interest in adjusting items	6(iii)	-	-	-	-	-
Total adjusting items after tax and non-controlling interests		176	(12)	(52)	-	112

4 Operating profit adjusting items

(i) Summary of adjusting items

£m					
Nedbank	M&F	USAM	Bermuda	Other	Total
-	-	-	-	-	(118)
-	-	1	-	-	(45)
-	(11)	-	(49)	(23)	(235)
-	-	-	-	-	(40)
-	-	-	-	22	22
-	-	1	-	-	1
6	-	-	-	6	12
6	(11)	2	(49)	5	(403)
(2)	3	9	-	(4)	41
6	3	-	-	-	9
10	(5)	11	(49)	1	(353)

£m					
Nedbank	M&F	USAM	Bermuda	Other	Total
-	-	-	-	-	(127)
1	-	(1)	-	-	62
-	(10)	-	(50)	37	(6)
-	-	-	-	-	150
-	-	-	-	22	22
-	-	5	-	-	5
-	-	-	-	40	40
1	(10)	4	(50)	99	146
-	-	-	-	(24)	(14)
13	4	(5)	-	-	12
14	(6)	(1)	(50)	75	144

Notes to the consolidated financial statements

For the six months ended 30 June 2009

4 Operating profit adjusting items continued

(i) Summary of adjusting items continued

Year ended 31 December 2008	Notes	Long Term Savings				Total
		OMSA	Europe	US Life	Asia Pacific	
Income/(expense)						
Goodwill impairment and impact of acquisition accounting	4(ii)	-	(341)	(96)	(1)	(438)
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	4(iii)	(11)	72	-	-	61
Short-term fluctuations in investment return	4(iv)	(95)	145	(248)	-	(198)
Investment return adjustment for Group equity and debt instruments held in life funds	4(v)	234	-	-	-	234
Dividends declared to holders of perpetual preferred callable securities	4(vi)	-	-	-	-	-
US Asset Management equity plans and minority holders	4(vii)	-	-	-	-	-
Credit-related fair value gains on Group debt instruments	4(viii)	-	-	-	-	-
Total adjusting items		128	(124)	(344)	(1)	(341)
Tax on adjusting items	5(iii)	20	41	3	-	64
Non-controlling interest in adjusting items	6(iii)	-	-	-	-	-
Total adjusting items after tax and non-controlling interests		148	(83)	(341)	(1)	(277)

4 Operating profit adjusting items continued

(i) Summary of adjusting items continued

					£m
Nedbank	M&F	USAM	Bermuda	Other	Total
-	-	-	-	-	(438)
1	(10)	1	-	-	53
-	(72)	-	(228)	(72)	(570)
-	-	-	-	-	234
-	-	-	-	43	43
-	-	7	-	-	7
14	-	-	-	489	503
15	(82)	8	(228)	460	(168)
(4)	14	-	-	(136)	(62)
18	19	(7)	-	-	30
29	(49)	1	(228)	324	(200)

Notes to the consolidated financial statements

For the six months ended 30 June 2009

4 Operating profit adjusting items continued

(ii) Goodwill impairment and impact of acquisition accounting

In applying acquisition accounting in accordance with IFRS deferred acquisition costs and deferred revenue are not recognised. These are reversed in the acquisition statement of financial position and replaced by goodwill, other intangible assets and the value of the acquired present value of in-force business ('acquired PVIF'). In determining its adjusted operating profit the Group recognises deferred revenue and acquisition costs in relation to policies sold by acquired businesses pre-acquisition, and excludes the impairment of goodwill and the amortisation of acquired other intangibles and acquired PVIF.

Goodwill impairment and acquisition accounting adjustments to adjusted operating profit are summarised below:

Six months ended 30 June 2009	Long Term Savings				£m
	OMSA	Europe	US Life	Asia Pacific	Total
	Amortisation of acquired PVIF	-	(117)	(9)	-
Amortisation of acquired deferred costs and revenue	-	23	-	-	23
Amortisation of other acquired intangible assets	-	(38)	-	-	(38)
Change in acquisition statement of financial position provisions	-	23	-	-	23
Goodwill impairment	-	-	-	-	-
	-	(109)	(9)	-	(118)

Six months ended 30 June 2008	Long Term Savings				£m
	OMSA	Europe	US Life	Asia Pacific	Total
	Amortisation of acquired PVIF	-	(126)	(13)	-
Amortisation of acquired deferred costs and revenue	-	45	-	-	45
Amortisation of other acquired intangible assets	-	(37)	-	-	(37)
Change in acquisition statement of financial position provisions	-	4	-	-	4
Goodwill impairment	-	-	-	-	-
	-	(114)	(13)	-	(127)

Year ended 31 December 2008	Long Term Savings				£m
	OMSA	Europe	US Life	Asia Pacific	Total
	Amortisation of acquired PVIF	-	(251)	(35)	-
Amortisation of acquired deferred costs and revenue	-	81	-	-	81
Amortisation of other acquired intangible assets	-	(75)	-	-	(75)
Change in acquisition statement of financial position provisions	-	(84)	-	-	(84)
Goodwill impairment	-	(12)	(61)	(1)	(74)
	-	(341)	(96)	(1)	(438)

Notes to the consolidated financial statements

For the six months ended 30 June 2009

4 Operating profit adjusting items continued

(iii) (Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments

On 6 March 2009 the Group disposed of its interest in OM Australia at a loss of £4 million.

In August 2008, an agreement with ABN AMRO Asset Management Asia and their parent company, Fortis Bank had been entered into to acquire the 49% stake that Fortis holds in AATEDA, a major Chinese asset management joint venture for €165 million. On 27 May 2009 termination of AATEDA transaction with ABN AMRO Asset Management Asia and Fortis Bank was announced, with an exit fee of £41 million which has been accounted for as a loss on disposal.

On 11 June 2008, ELAM completed the disposal of its controlling shareholding in Palladyne, an asset management business, resulting in a profit on disposal of £17 million.

Part of the Nordic segment's banking business, Skandia's Nordic vehicle finance operation, SkandiaBanken Bilfinans, was sold during the six months ended 30 June 2008, resulting in a profit on disposal of £55 million.

During 2008, the Group has closed its project to develop a direct financial services capability in South Africa due to adverse market conditions. Costs relating to the closure amounting to £25 million have been excluded from the adjusted operating profit. OMSA realised a profit of £4 million on the sale of its administration business and Nedbank recognised a £1 million profit on the disposal of Bond Choice.

(Loss)/profits on the disposal of subsidiaries, associated undertakings and strategic investments are analysed below:

	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
OMSA		(1)	(13)	(11)
Europe		-	75	72
US Life		-	-	-
Asia Pacific		(45)	-	-
Total Long Term Savings		(46)	62	61
Nedbank		-	1	1
M&F		-	-	(10)
USAM		1	(1)	1
Other		-	-	-
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments		(45)	62	53

(iv) Long-term investment return

Profit before tax includes actual investment returns earned on the shareholder assets of the Group's long-term and general insurance businesses. Adjusted operating profit is stated after recalculating shareholder asset investment returns based on a long-term investment return rate. The difference between the actual and the long-term investment returns are short-term fluctuations in investment return.

Long-term rates of return are based on achieved real rates of return appropriate to the underlying asset base, adjusted for current inflation expectations, default assumptions, costs of investment management and consensus economic investment forecasts, and are reviewed frequently, usually annually, for appropriateness. These rates of return have been selected with a view to ensuring that returns credited to adjusted operating profit are consistent with the actual returns expected to be earned over the long-term.

For South Africa long-term business, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For South Africa general insurance business, the return is an average value of investible assets supporting shareholders' funds and insurance liabilities, adjusted for net fund flows. For US and Europe long-term businesses, the return is applied to average investible assets.

Notes to the consolidated financial statements

For the six months ended 30 June 2009

4 Operating profit adjusting items continued

(iv) Long-term investment return continued

Long-term investment rates	6 months ended 30 June 2009	6 months ended 30 June 2008 Restated	Year ended 31 December 2008
OMSA	13.3%	16.6%	16.6%
Europe	4.3%	4.8%	4.8%
US Life	5.6%	5.9%	5.9%
M&F	13.3%	16.6%	16.6%

(iv) Long-term investment return continued

Analysis of short-term fluctuations in investment return

	Long Term Savings							
Six months ended 30 June 2009	OMSA	Europe	US Life	Total	M&F	Bermuda	Other	Total
Long-term investment return	61	53	303	417	28	69	46	560
Less: Actual shareholder investment return	29	26	210	265	17	74	23	379
Short-term fluctuations in investment return	32	27	93	152	11	(5)	23	181
Hedge losses on Bermuda guarantees treated as short-term fluctuations	-	-	-	-	-	54	-	54
Total short-term fluctuations in investment return	32	27	93	152	11	49	23	235

	Long Term Savings							
Six months ended 30 June 2008	OMSA	Europe	US Life	Total	M&F	Bermuda	Other	Total
Long-term investment return	67	5	98	170	29	74	53	326
Less: Actual shareholder investment return	107	14	66	187	19	68	90	364
Short-term fluctuations in investment return	(40)	(9)	32	(17)	10	6	(37)	(38)
Hedge losses on Bermuda guarantees treated as short-term fluctuations	-	-	-	-	-	44	-	44
Total short-term fluctuations in investment return	(40)	(9)	32	(17)	10	50	(37)	6

	Long Term Savings							
Year ended 31 December 2008	OMSA	Europe	US Life	Total	M&F	Bermuda	Other	Total
Long-term investment return	133	66	213	412	60	541	108	1,121
Less: Actual shareholder investment return	38	211	(35)	214	(12)	519	36	757
Short-term fluctuations in investment return	95	(145)	248	198	72	22	72	364
Hedge losses on Bermuda guarantees treated as short-term fluctuations	-	-	-	-	-	206	-	206
Total short-term fluctuations in investment return	95	(145)	248	198	72	228	72	570

The actual investment return attributable to shareholders for the US long-term business reflects total investment income, as a distinction is not drawn between shareholder and policyholder funds.

(v) Investment return adjustment for Group equity and debt instruments held in life funds

Adjusted operating profit includes investment returns on policyholder investments in Group equity and debt instruments by the Group's life funds. These include investments in the Company's ordinary shares, and the subordinated liabilities and ordinary securities of the Group's South Africa banking subsidiary. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are included in adjusted operating profit. For the six months ended 30 June 2009, the investment return adjustment increased adjusted operating profit by £40 million (six months ended 30 June 2008: decrease of £150 million, year ended 31 December 2008: decrease of £234 million).

(vi) Dividends declared to holders of perpetual preferred callable securities

Dividends declared to the holders of the Group's perpetual preferred callable securities were £22 million for the six months ended 30 June 2009 (six months ended 30 June 2008: £22 million, year ended 31 December 2008: £43 million). These are recognised in finance costs on an accruals basis for the purpose of determining adjusted operating profit. In the IFRS financial statements this cost is recognised in equity.

Notes to the consolidated financial statements

For the six months ended 30 June 2009

4 Operating profit adjusting items continued

(vii) US Asset Management equity plans and non-controlling interests

US Asset Management has entered into a number of long-term incentive arrangements with its asset management affiliates.

In accordance with IFRS requirements the cost of these schemes is disclosed as being attributable to non-controlling interests. However, this is treated as a compensation expense in determining adjusted operating profit. The amount recognised in relation to this for the six months ended 30 June 2009 was less than £1 million (six months ended 30 June 2008: £5 million, year ended 31 December 2008: £7 million).

The Group has issued put options to employees as part of some of its US affiliate incentive schemes. The impact of revaluing these instruments is recognised in accordance with IFRS, but excluded from adjusted operating profit. As at 30 June 2009 these instruments were revalued, the impact of which was £1 million (six months ended 30 June 2008: less than £1 million, year ended 31 December 2008: nil).

(viii) Credit-related fair value gains on Group debt instruments

The widening of credit spread of the Group's debt instruments in the market price has resulted in gains of £6 million for the six months ended 30 June 2009 (six months ended 30 June 2008: £40 million gain, year ended 31 December 2008: £489 million gain) at Group head office and £6 million for the six months ended 30 June 2009 (six months ended 30 June 2008: nil, year ended 31 December 2008: £14 million gain) in Nedbank being recorded in the Group's income statement for those instruments that are recorded at fair value.

In the directors' view, this gain is not reflective of the underlying performance of the Group and will reverse over time. The gain has therefore been excluded from adjusted operating profit.

5 Income tax expense/(credit)

(i) Analysis of total income tax expense/(credit)

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Current tax			
United Kingdom tax			
Corporation tax	65	96	93
Double tax relief	(44)	(93)	(145)
Overseas tax			
South Africa	107	132	264
United States	2	(7)	4
Europe	22	39	68
Secondary Tax on Companies (STC)	5	5	22
Prior year adjustments	6	18	1
Total current tax	163	190	307
Deferred tax			
Origination of temporary differences	(73)	(44)	(548)
Changes in tax rates/bases	-	(5)	(1)
Write down/recognition of deferred tax assets	44	27	154
Total deferred tax	(29)	(22)	(395)
Total income tax expense/(credit)	133	168	(88)

(ii) Reconciliation of total income tax expense/(credit)

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Profit before tax	160	853	595
Tax at standard rate of 28% (2008: 28.5%)	44	243	169
Different tax rate or basis on overseas operations	9	9	(23)
Untaxed and low taxed income	(49)	(128)	(218)
Disallowable expenses	66	23	8
Net movement on deferred tax assets not recognised	49	34	123
Effect on deferred tax of changes in tax rates	(2)	(5)	(5)
STC	6	41	53
Income tax attributable to policyholder returns	20	(46)	(169)
Other	(10)	(3)	(26)
Total income tax expense/(credit)	133	168	(88)

(iii) Income tax on adjusted operating profit

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Income tax expense/(credit)	133	168	(88)
Tax on adjusting items			
Impact of acquisition accounting	19	20	46
(Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments	-	1	12
Short-term fluctuations in investment return	23	(18)	35
Income tax attributable to policyholders returns	(25)	66	236
Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity	(6)	(6)	(12)
Fair value gains on group debt instruments	(3)	(11)	(143)
IAS 34 effective tax rate adjustment	8	-	-
Income tax on adjusted operating profit	149	220	86

6 (Losses)/earnings and (loss)/earnings per share

(i) Basic and diluted (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the financial period attributable to ordinary equity shareholders by the weighted average number of ordinary shares in issue during the period excluding own shares held in policyholder funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
(Loss)/profit for the financial period attributable to equity holders of the parent	(70)	549	441
Dividends declared to holders of perpetual preferred callable securities	(16)	(16)	(31)
(Loss)/profit attributable to ordinary equity holders	(86)	533	410

Total dividends declared to holders of perpetual preferred callable securities of £22 million in 2008 (six months ended 30 June 2008: £22 million, year ended 31 December 2008: £43 million) are stated net of tax credits of £6 million (six months ended 30 June 2008: £6 million, year ended 31 December 2008: £12 million).

	Millions		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Weighted average number of ordinary shares in issue	5,277	5,311	5,294
Shares held in charitable foundations	(7)	(21)	(19)
Shares held in ESOP trusts	(38)	(45)	(45)
Adjusted weighted average number of ordinary shares	5,232	5,245	5,230
Shares held in life funds	(239)	(239)	(240)
Shares held in Black Economic Empowerment trusts	(236)	(235)	(235)
Weighted average number of ordinary shares	4,757	4,771	4,755
Basic (loss)/earnings per ordinary share (pence)	(1.8)	11.2	8.6

Diluted earnings per share recognises the dilutive impact of share options held in ESOP trusts and Black Economic Empowerment trusts which are currently in the money in the calculation of the weighted average number of shares, as if the relevant shares were in issue for the full period.

	Millions		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Weighted average number of ordinary shares	4,757	4,771	4,755
Adjustments for share options held by ESOP trusts	109	51	61
Adjustments for shares held in Black Economic Empowerment trusts	236	235	235
	5,102	5,057	5,051
Diluted (loss)/earnings per ordinary share (pence)	(1.7)	10.5	8.1

Notes to the consolidated financial statements

For the six months ended 30 June 2009

6 Earnings and earnings per share continued

(ii) Adjusted operating earnings per ordinary share

Adjusted operating earnings per ordinary share is determined based on adjusted operating profit. Adjusted operating profit represents the directors' view of the underlying performance of the Group. For long-term and general insurance business adjusted operating profit is based on a long-term investment return, includes investment returns on life funds' investments in Group equity and debt instruments and is stated net of income tax attributable to policyholder returns. For the US Asset Management business it includes compensation costs in respect of certain long-term incentive schemes defined as non-controlling interests in accordance with IFRS. For all businesses, adjusted operating profit excludes goodwill impairment, the impact of acquisition accounting, revaluations of put options related to long-term incentive schemes, the impact of closure of unclaimed shares trusts, profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments, dividends declared to holders of perpetual preferred callable securities, income/(expense) from closure of unclaimed shares trusts and fair value gains/(losses) on Group debt instruments.

The reconciliation of (loss)/profit for the financial period to adjusted operating profit after tax attributable to ordinary equity holders is as follows:

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
(Loss)/profit for the financial period attributable to equity holders of the parent	(70)	549	441
Adjusting items	403	(146)	168
Tax on adjusting items	(41)	14	62
Non-controlling interest on adjusting items	(9)	(12)	(30)
Adjusted operating profit after tax attributable to ordinary equity holders	283	405	641
Adjusted weighted average number of ordinary shares (millions)	5,232	5,245	5,230
Adjusted operating earnings per ordinary share (pence)	5.4	7.7	12.2

(iii) Headline earnings per share

In accordance with the JSE Limited (JSE) listing requirements, the Group is required to calculate a 'headline earnings per share' (HEPS), determined by reference to the South African Institute of Chartered Accountants' circular 8/2007 'Headline Earnings'. The table below sets out a reconciliation of basic earnings per ordinary share and HEPS in accordance with that circular. Disclosure of HEPS is not a requirement of International Financial Reporting Standards.

	£m					
	6 months ended 30 June 2009		6 months ended 30 June 2008		Year ended 31 December 2008	
	Gross	Net	Gross	Net	Gross	Net
(Loss)/profit for the financial period attributable to equity holders of the parent	(70)	(70)	549	549	441	441
Dividends declared to holders of perpetual preferred callable securities	(16)	(16)	(16)	(16)	(31)	(31)
(Loss)/profit attributable to ordinary equity holders	(86)	(86)	533	533	410	410
Adjustments:						
Impairments of goodwill and intangible assets	-	-	-	-	100	100
Loss/(profit) on disposal of subsidiaries, associated undertakings and strategic investments	45	45	(62)	(63)	(53)	(67)
Realised gains/losses (including impairments) on available-for-sale financial assets	117	111	85	81	414	381
Headline earnings	76	70	556	551	871	824
Weighted average number of ordinary shares	4,757	4,757	4,771	4,771	4,755	4,755
Diluted weighted average number of ordinary shares	5,102	5,102	5,057	5,057	5,051	5,051
Headline earnings per share (pence)	1.6	1.5	11.7	11.5	18.3	17.3
Diluted headline earnings per share (pence)	1.5	1.4	11.0	10.9	17.2	16.3

Notes to the consolidated financial statements

For the six months ended 30 June 2009

7 Goodwill

	£m		
	At 30 June 2009	At 30 June 2008	At 31 December 2008
US Asset Management	1,134	932	1,271
US Life	-	57	-
Nedbank	378	303	308
UK	644	644	644
Nordic	199	223	222
ELAM	511	467	574
Other	54	46	62
Goodwill, net of impairment losses	2,920	2,672	3,081

Goodwill is reviewed annually for impairment for each cash generating unit (CGU) as part of the process for preparation of the Group's annual financial statements and in accordance with the Group's accounting policy. Recognised goodwill amounts are compared to the recoverable amounts, which are the higher of the value in use or net selling price calculations for the CGU in question. Goodwill is further reviewed at other points in the financial year if there are indicators of impairment of the goodwill amount for a particular CGU. No impairment charges have been made to any of the goodwill balances, for any of the CGUs, in the interim financial information.

8 Borrowed funds

		£m		
	Notes	At 30 June 2009	At 30 June 2008	At 31 December 2008
Senior debt securities and term loans	8(i)	732	449	557
Mortgage backed securities	8(ii)	111	91	104
Subordinated debt securities	8(iii)	1,672	1,696	1,634
Borrowed funds		2,515	2,236	2,295

(i) Senior debt securities and term loans

	£m		
	At 30 June 2009	At 30 June 2008	At 31 December 2008
Floating rate notes ¹	67	75	85
Fixed rate notes ²	137	46	152
Revolving credit facility ³	528	192	294
Term loan and other loans	-	23	26
Investment fund borrowings	-	113	-
Total senior debt securities and term loans	732	449	557

Senior debt securities and term loan comprises:

1. Floating rate notes

- £6 million note repayable in December 2010, with holders having the option to elect for early redemption every 6 months with coupon referenced against 6 month LIBOR less 0.50 per cent
- US\$150 million repayable September 2014 at 3 month LIBOR plus 0.63 per cent – repaid 2008
- US\$50 million repayable September 2011 at 3 month LIBOR plus 0.50 per cent
- US\$10 million repayable September 2009 at 3 month LIBOR plus 0.35 per cent
- SEK100 million repayable March 2009 at 3 month STIBOR plus 0.20 per cent – repaid 2009
- €22 million repayable January 2010 at 3 month EURIBOR plus 0.35 per cent
- SEK50 million repayable March 2010 at 3 month STIBOR plus 0.38 per cent.

2. Fixed rate notes

- €30 million Euro bond repayable July 2010, capital and interest swapped into fixed rate US Dollars at 5.28 per cent
- €10 million Euro bond repayable December 2010, capital and interest swapped into floating rate US Dollars at 3 month LIBOR plus 0.95 per cent
- €20 million Euro bond repayable August 2013, capital and interest swapped into floating rate US Dollars at 3 month LIBOR plus 1.30 per cent
- €100 million Euro bond repayable December 2009 at 3.46 per cent.

The total fair value of the swap derivatives associated with the Senior notes is £11 million (six months ended 30 June 2008: £11 million, year ended 31 December 2008: £11 million). These are recognised as derivative assets.

3. Revolving credit facility

The Group has a £1,250 million five-year multi-currency revolving credit facility, which had an original maturity date of September 2010. On 18 August 2007 syndicate banks agreed to extend the maturity date of £1,232 million of the facility until September 2012. At 30 June 2009 £999 million (six months ended 30 June 2008: £443 million, year ended 31 December 2008: £826 million) of this facility was utilised, £528 million (six months ended 30 June 2008: £192 million, year ended 31 December 2008: £294 million) in the form of drawn debt and £471 million (six months ended 30 June 2008: £264 million, year ended 31 December 2008: £532 million) in the form of irrevocable letters of credit.

The Group has a SEK1,000 million revolving credit facility, which has a maturity date of 2 July 2009. At 30 June 2009 this facility was undrawn. As of 3 July 2009 the maturity date was extended by 364 days to 2 July 2010.

(ii) Mortgage backed securities

	At	At	£m
	30 June	30 June	31 December
	2009	2008	2008
R291 million notes (class A1) repayable 18 November 2039 (11.467%) ¹	23	19	22
R1.4 billion notes (class A2A) repayable 18 November 2039 (11.817%) ¹	78	64	73
R98 million notes (class B note) repayable 18 November 2039 (12.067%) ¹	6	5	5
R76 million notes (class C note) repayable 18 November 2039 (13.317%) ¹	4	3	4
	111	91	104

1 Issued on 10 December 2007 by the Group's South African banking business and are callable on 18 November 2012.

8 Borrowed funds continued

(iii) Subordinated debt securities

	At 30 June 2009	At 30 June 2008	At 31 December 2008
Banking			
US\$18 million repayable 31 August 2009 (6 month LIBOR less 1.5%) ¹	10	9	12
R1.5 billion repayable 24 April 2016 (7.85%) ²	116	86	108
R1.8 billion repayable 20 September 2018 (9.84%) ³	139	107	135
R515 million repayable on 4 December 2008 (13.5%) ⁴ – repaid	-	33	-
R500 million repayable on 30 December 2010 (8.38%) ⁵	38	28	36
R650 million repayable 8 February 2017 (9.03%) ⁶	51	39	49
R1.7 billion repayable 8 February 2019 (8.9%) ⁷	125	98	125
R2.0 billion repayable 6 July 2022 (3 month JIBAR plus 0.47%) ⁸	160	132	150
R500 million repayable 15 August 2012 (3 month JIBAR plus 0.45%) ⁹	40	33	37
R1.0 billion repayable 17 September 2015 (10.54%) ¹⁰	78	61	77
R500 million repayable 14 December 2017 (3 month JIBAR plus 0.70%) ¹¹	40	32	37
R120 million repayable 14 December 2017 (10.38%) ¹²	9	7	9
R487 million repayable 20 November 2018 (15.05%) ¹³	38	30	40
R1,265 million repayable 20 November 2018 (JIBAR plus 4.75%) ¹⁴	101	46	94
R300 million repayable on 4 December 2013 (JIBAR plus 2.5%) ¹⁵	12	-	11
US\$100 million repayable on 3 March 2022 (3 month US Dollar LIBOR) ¹⁶	61	-	-
	1,018	741	920
Other			
R3.0 billion repayable 27 October 2020 (8.9%) ¹⁷	235	193	219
£300 million repayable 21 January 2016 (5.0%) ¹⁸	147	273	239
R250 million preference shares repayable 9 June 2011 ¹⁹	20	16	18
€750 million repayable 18 January 2017 (4.5%) ²⁰	318	522	303
	720	1,004	779
Less: Banking subordinated debt securities held by other Group companies	(66)	(49)	(65)
Total subordinated liabilities	1,672	1,696	1,634

The subordinated notes rank behind the claims against the Group depositors and other unsecured, unsubordinated creditors. None of the Group's subordinated notes are secured.

1. This instrument is matched either by advances to clients or covered against exchange rate fluctuations.
2. Unsecured secondary callable note was issued 24 April 2005 with a call date of 24 April 2011.
3. Unsecured secondary callable note was issued 20 September 2006 at R1.5 billion with a call date of 20 September 2013. On 18 May 2007 an additional R0.3 billion was issued.
4. Unsecured callable bonds issued 10 June 2002 – repaid.
5. Unsecured callable bonds issued 30 March 2006.
6. Unsecured secondary callable note was issued 8 February 2007 with a call date of 8 February 2012.
7. Unsecured secondary callable note was issued 8 February 2007 at R1.0 billion. On 19 March 2007 an additional R0.7 billion was issued.
8. Unsecured secondary capital callable note issued 6 July 2007 and has a call date of 6 July 2017.
9. This bond issued on 15 August 2007 is an unsecured secondary capital callable floating rate note with a call date of 15 August 2012.
10. This bond issued on 17 September 2007 is an unsecured fixed rate note with a term of 13 years (non-call 8).
11. This bond issued on 14 December 2007 is a 10 year (non-call 5) floating rate note. After its call date on 14 December 2012 its terms become JIBAR plus 1.70 per cent until maturity.
12. This bond issued on 14 December 2007 is a 10 year (non-call 5) fixed rate note. After its call date its terms become floating 3 month JIBAR plus initial margin over mid swaps plus 1.0 per cent until maturity.
13. This bond issued on 20 May 2008 is a perpetual (non-call 10 year) fixed rate note with a call date of 20 November 2018.
14. This bond issued on 20 May 2008 is a perpetual (non-call 10 year) floating rate note with a call date of 20 November 2018.

15. This bond issued on 4 December 2008 is a floating rate note with a call date of 4 December 2013.
16. Dated Tier 2 Notes issued 3 March 2009 with call date of 3 March 2017.
17. These bonds have a maturity date of 27 October 2020 and pay a coupon of 8.92 per cent to 27 October 2015 and 3 month JIBAR plus 1.59 per cent thereafter. The Group has the option to repay the bonds at par on 27 October 2015 and at 3 monthly intervals thereafter.
18. These bonds issued on 20 January 2006 have a maturity date of 21 January 2016 and pay a coupon of 5.0 per cent to 21 January 2011 and 6 month LIBOR plus 1.13 per cent thereafter. The coupon on the bonds was swapped into floating rate of 6 month STIBOR plus 0.50 per cent. The Group has the option to repay the bonds at par on 21 January 2011 and at 6 monthly intervals thereafter.
19. These preference shares are redeemable on 9 June 2011 and pay a variable cumulative coupon of 61.0 per cent of the Prime Rate as quoted by Nedbank Limited. The Group has the option to redeem the shares at par at any time before the final redemption date but after giving an agreed period of notice.
20. This bond issued on 16 January 2007 has a maturity date of 18 January 2017 and pays a coupon of 4.5 per cent to 17 January 2012 and 6 month EURIBOR plus 0.96 per cent thereafter. The principal and coupon on the bond were swapped equally into Sterling and US Dollars with coupons of 6 month LIBOR plus 0.34 per cent and 6 month US LIBOR plus 0.31 per cent respectively. The Group has the option to repay the bonds at par on 17 January 2012 and at 6 monthly intervals thereafter.

Notes to the consolidated financial statements

For the six months ended 30 June 2009

9 Dividends

Dividends paid were as follows:

	£m		
	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
2007 Final dividend paid – 4.55p per 10p share	-	227	227
2008 Interim dividend paid – 2.45p per 10p share	-	-	125
Dividends to ordinary equity holders	-	227	352
Dividends declared to holders of perpetual preferred callable securities	22	22	43
Dividend payments for the year	22	249	395

Dividends paid to ordinary equity holders, as above, are calculated using the number of shares in issue at the record date, less treasury shares held in ESOP trusts, life funds of Group companies, Black Economic Empowerment trusts and related undertakings.

As a consequence of the exchange control arrangements in place in certain African territories, dividends to ordinary equity holders on the branch registers of those countries (or, in the case of Namibia, the Namibian section of the principal register) are settled through Dividend Access Trusts established for that purpose.

In March 2009, £22 million was declared and paid to holders of perpetual preferred callable securities (March 2008: £22 million and November 2008: £21 million).

10 Contingent liabilities

	£m		
	At 30 June 2009	At 30 June 2008	At 31 December 2008
Guarantees and assets pledged as collateral security	2,038	1,315	1,839
Irrevocable letters of credit	110	286	760
Secured lending	412	1,038	383
Other contingent liabilities	36	151	393

Nedbank structured financing

Historically a number of the Group's South African banking businesses entered into structured finance transactions with third parties using the tax base of these companies. Pursuant to the terms of the majority of these transactions, the underlying third party has contractually agreed to accept the risk of any tax being imposed by the South African Revenue Service (SARS), although the obligation to pay in the first instance rests with the Group's companies. It is only in limited cases where, for example, the credit quality of a client becomes doubtful, or where the client has specifically contracted out of the re-pricing of additional taxes, that the recovery from a client could be less than the liability that could arise on assessment, in which case provisions are made. SARS has examined the tax aspects of some of these types of structures and SARS could assess these structures in a manner different to that initially envisaged by the contracting parties. As a result Group companies could be obliged to pay additional amounts to SARS and recover these from clients under the applicable contractual arrangements.

American Skandia

The sale of American Skandia to Prudential Financial contained customary representations and warranties. The indemnity in respect of this is limited to US\$1 billion. Investigations by various US regulators have given rise to potential settlements and claims in relation to market timing. American Skandia's exposure to market timing is part of a wider investigation of the US industry. The exposure is covered by the aforementioned indemnity which also covers the matter of American Skandia's failure to administer the annuitisation provisions contained in certain contracts. This was an administrative error made by the American Skandia business between 1996 and 2003. American Skandia has been provided for in the acquisition accounting.

Other contingent liabilities

The reduction within other contingent liabilities reflects a reclassification of utilised facilities to commitments.

Old Mutual Market Consistent Embedded Value basis supplementary information

For the six months ended 30 June 2009

		£m		
Statement of earnings on a Group Market Consistent Embedded Value basis	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Long Term Savings				
Covered business		488	612	578
Asset management		(7)	37	42
Banking		8	14	23
		489	663	643
Nedbank				
Banking		211	337	575
Mutual and Federal				
General insurance		20	28	76
US Asset Management				
Asset management		30	70	97
Bermuda				
Covered business		85	(113)	(254)
Other operating segments				
Finance costs		(47)	(71)	(140)
Other shareholders' expenses		(33)	(12)	(19)
Adjusted operating Group MCEV earnings before tax*		755	902	978
Adjusting items	5	530	(343)	(2,037)
Total Group MCEV earnings for the financial period before tax		1,285	559	(1,059)
Income tax attributable to shareholders		(143)	(109)	13
Total Group MCEV earnings after tax for the financial period		1,142	450	(1,046)
Total Group MCEV earnings for the financial period attributable to:				
Equity holders of the parent		1,047	316	(1,284)
Non-controlling interests				
Ordinary shares		61	108	184
Preferred securities		34	26	54
Total Group MCEV earnings after tax for the financial period		1,142	450	(1,046)
Basic total Group MCEV earnings per ordinary share (pence)		21.0	6.3	(25.7)
Weighted average number of shares – millions		4,996	5,010	4,995

* For long-term business and general insurance businesses, adjusted operating MCEV earnings is based on short-term and long-term investment returns respectively, includes investment returns on life funds' investments in Group equity and debt instruments, and is stated net of income tax attributable to policyholder returns. For the US Asset Management business it includes compensation costs in respect of certain long-term incentive schemes defined as non-controlling interests in accordance with IFRS. For all businesses, adjusted operating MCEV earnings excludes goodwill impairment, the impact of acquisition accounting, put revaluations related to long-term incentive schemes, the impact of closure of unclaimed shares trusts, profit/(loss) on disposal of subsidiaries, associated undertakings and strategic investments, dividends declared to holders of perpetual preferred callable securities, and fair value (profits)/losses on certain Group debt movements.

		£m		
	Notes	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Total Group MCEV earnings per share				
Adjusted operating Group MCEV earnings after tax attributable to ordinary equity holders				
Adjusted operating Group MCEV earnings before tax		755	902	978
Tax on adjusted operating Group MCEV earnings	4(ii)	(183)	(227)	(135)
Adjusted operating Group MCEV earnings after tax		572	675	843
Non-controlling interests				
Ordinary shares		(70)	(120)	(214)
Preferred securities		(34)	(26)	(54)
Adjusted operating Group MCEV earnings after tax attributable to ordinary equity holders		468	529	575
Adjusted operating Group MCEV earnings per share* (pence)		8.9	10.1	11.0
Adjusted weighted average number of shares – millions		5,232	5,245	5,230

* Adjusted operating Group MCEV earnings per share is calculated on the same basis as adjusted operating Group MCEV earnings, but is stated after tax and non-controlling interests. It excludes income attributable to Black Economic Empowerment trusts of listed subsidiaries. The calculation of the adjusted weighted average number of shares includes own shares held in policyholders' funds and Black Economic Empowerment trusts.

		£m					
	Notes	6 months ended 30 June 2009			6 months ended 30 June 2008		
		Covered business MCEV	Non-covered business IFRS	Total Group MCEV	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Opening Group MCEV		4,183	1,079	5,262	6,349	1,010	7,359
Adjusted operating MCEV earnings		466	2	468	357	172	529
Non-operating MCEV earnings		590	(11)	579	(327)	114	(213)
Total Group MCEV earnings		1,056	(9)	1,047	30	286	316
Other movements in net equity	6	117	175	292	(641)	(226)	(867)
Closing Group MCEV		5,356	1,245	6,601	5,738	1,070	6,808

		£m		
	Notes	Year ended 31 December 2008		
		Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Opening Group MCEV		6,349	1,010	7,359
Adjusted operating MCEV earnings		133	442	575
Non-operating MCEV earnings		(2,270)	411	(1,859)
Total Group MCEV earnings		(2,137)	853	(1,284)
Other movements in net equity	6	(29)	(784)	(813)
Closing Group MCEV		4,183	1,079	5,262

Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

		£m		
	Notes	At 30 June 2009	At 30 June 2008	At 31 December 2008
Components of Group Market Consistent Embedded Value (Group MCEV)				
Adjusted net worth attributable to ordinary equity holders of the parent		3,860	3,100	3,462
Equity		7,731	7,802	7,737
Adjustment to include long-term business on a statutory solvency basis:				
Long Term Savings	7	(2,167)	(2,987)	(2,244)
Bermuda	7	(27)	11	(217)
Adjustment for market value of life funds' investments in Group equity and debt instruments held in life funds		235	230	173
Adjustment to remove perpetual preferred callable securities and accrued dividends		(688)	(688)	(688)
Adjustment to exclude acquisition goodwill from the covered business:				
Long Term Savings	7	(1,224)	(1,268)	(1,299)
Value of in-force business		2,741	3,708	1,800
Present value of future profits		3,481	4,449	2,580
Additional time value of financial options and guarantees		(127)	(215)	(261)
Frictional costs		(199)	(190)	(148)
Cost of residual non-hedgeable risks		(414)	(336)	(371)
Group MCEV		6,601	6,808	5,262
Group MCEV value per share (pence)		125.1	129.1	99.7
Return on Group MCEV (RoEV) per annum		14.8%	14.6%	7.8%
Number of shares in issue at the end of the period less treasury shares – millions		5,277	5,275	5,277

The adjustments to include long-term business on a statutory solvency basis reflect the difference between the net worth of each business on the statutory basis (as required by the local regulator) and their portion of the Group's consolidated equity shareholders' funds. In South Africa, these values exclude items that are eliminated or shown separately on consolidation (such as Nedbank, Mutual & Federal and intercompany loans). For some European territories the value excludes the write-off of deferred acquisition costs which remain part of adjusted net worth for MCEV purposes.

The RoEV is calculated as the adjusted operating Group MCEV earnings after tax and non-controlling interests of £468 million (year ended 31 December 2008: £575 million; six months ended 30 June 2008: £533 million) divided by the opening Group MCEV. The operating assumption changes of £26 million (year ended 31 December 2008: £(430) million; six months ended 30 June 2008: £20 million) and other operating variances of £128 million (year ended 31 December 2008: £55 million; six months ended 30 June 2008: £(38) million) are not annualised.

		£m		
	Notes	At 30 June 2009	At 30 June 2008	At 31 December 2008
Components of Adjusted Group Market Consistent Embedded Value (Group MCEV)				
Group MCEV		6,601	6,808	5,262
Pro forma adjustments to bring Group investments to market value				
Adjustment to bring listed subsidiaries to market value		133	111	68
Nedbank		78	25	41
Mutual and Federal		55	86	27
Adjustment for value of own shares in ESOP schemes*		57	83	63
Adjustment for present value of Black Economic Empowerment scheme deferred consideration		194	158	169
Adjustment to bring external debt to market value		604	241	645
Adjusted Group MCEV	4(i)	7,589	7,401	6,207
Adjusted Group MCEV per share (pence)		143.8	140.3	117.6
Number of shares in issue at the end of the period less treasury shares – millions		5,277	5,275	5,277

* Includes adjustment for value of excess own shares in employee share scheme trusts. The movement in value between 31 December 2008 and 30 June 2009 is due to a reduction in excess own shares following employee share grants in March 2009.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

1 Basis of preparation

The Old Mutual Market Consistent Embedded Value methodology (referred to herein and in the supplementary statements on pages 83 to 120 as 'MCEV') adopts Market Consistent Embedded Value Principles (Copyright © Stichting CFO Forum Foundation 2008) issued in June 2008 by the CFO Forum ('the Principles') as the basis for the methodology used in preparing the supplementary information. The directors acknowledge their responsibility for the preparation of this supplementary information. The Principles have been fully complied with for all businesses for the six months ended 30 June 2009 and the position at that date, with the exception of the use of adjusted risk free reference rates due to current market conditions for US Life Onshore business ('US Life') and Old Mutual South Africa's (OMSA) Retail Affluent Immediate annuity business. From 31 December 2008 the Group has replaced the European Embedded Value ('EEV') basis with the MCEV basis for the covered business, with figures for the 6 months ended 30 June 2008 having been restated accordingly.

The Principles were designed during a period of relatively stable market conditions and in turbulent markets their application could lead to misleading results. In December 2008 the CFO Forum announced that they are reviewing the Principles and guidance of the application of these Principles to address the notion of market consistency in the current dislocated market conditions. The particular areas under review include implied volatilities, the cost of residual non-hedgeable risks, the use of swap rates as a proxy for risk free reference rates and the effect of liquidity premiums. In respect of the 30 June 2009 disclosure, Old Mutual has made an adjustment to the risk free reference rates used in determining the value of the US Life business and OMSA's Retail Affluent Immediate annuity business, to take account of the liquidity component of corporate bond spreads that is evident in the market as at that date. The Directors consider this adjustment to be necessary so as to maintain consistency with current market prices and therefore to ensure a meaningful basis of reporting the value of the Group's life and related businesses. Hence, Old Mutual plc does not comply with Principle 14 and Guideline 14.4, in respect of the 30 June 2009 disclosure for the US Life business and OMSA's Retail Affluent Immediate annuity business, which does not allow any adjustments to be made to the swap yield curve to allow for liquidity premiums. This approach will be reviewed for use in future reporting periods once the CFO Forum has completed its own review on the application of Principle 14. The 30 June 2009 MCEV disclosure in respect of all other business complies fully with the Principles.

This supplementary information provides details on the methodology, assumptions and results of the MCEV for the Old Mutual Group and includes conversion of comparative supplementary information for the 6 months ended 30 June 2008, previously prepared on the EEV basis, to an MCEV basis. Any changes in the methodology and assumptions made in presenting this supplementary information compared to those disclosed in the annual report and accounts 2008 are set out in notes 2 and 3. Further detailed commentary of the key changes from an EEV to MCEV methodology and the impact of the transition from EEV to MCEV reporting on results for the 6 months ended 30 June 2008 are provided in notes 12 to 18.

The segmental results for Europe include the Skandia Life companies in the United Kingdom, Nordic region, Europe and Latin America. The segmental results for OMSA include Namibia.

Throughout the supplementary information the following terminology is used to distinguish between the terms 'MCEV', 'Group MCEV' and 'adjusted Group MCEV':

- MCEV is a measure of the consolidated value of shareholders' interests in the covered business and consists of the sum of the shareholders' adjusted net worth in respect of the covered business and the value of the in-force covered business
- Group MCEV is a measure of the consolidated value of shareholders' interests in covered and non-covered business and therefore includes the value of all non-covered business at the unadjusted IFRS net asset value detailed in the primary financial statements
- The Adjusted Group MCEV, a measure used by the directors to assess the shareholders' interest in the value of the Group, includes the impact of marking all debt to market value, the market value of the Group's listed banking and general insurance subsidiaries as well as marking the value of deferred consideration due in respect of Black Economic Empowerment arrangements in South Africa ('the BEE schemes') to market.

2 Methodology

Coverage

Following the sale by OMSA of the remaining stake in Nedlife to Nedbank, Nedlife is excluded from covered business from 2009 onwards although it is still included in comparative results for prior periods.

Required capital

The table below shows the level of required capital expressed as a percentage of the minimum local regulatory capital requirements.

	£m				
	Total	OMSA	Europe	US Life*	Bermuda*
30 June 2009					
Required capital (a)	2,302	1,105	395	523	279
Regulatory capital (b)	1,293	850	233	210	-
Ratio (a/b)	1.8	1.3	1.7	2.5	n/a
30 June 2008					
Required capital (a)	1,815	1,040	342	390	43
Regulatory capital (b)	1,139	765	215	159	-
Ratio (a/b)	1.6	1.4	1.6	2.5	n/a
31 December 2008					
Required capital (a)	2,025	1,070	371	550	34
Regulatory capital (b)	1,259	819	229	211	-
Ratio (a/b)	1.6	1.3	1.6	2.6	n/a

* The regulatory capital for US Life and Bermuda at 31 December 2008 has been restated from £245 million to £211 million.

Cost of residual non-hedgeable risks

The cost of residual non-hedgeable risks ('CNHR') is derived by projecting the economic capital held in respect of these non-hedgeable risks into the future and calculating the present value after applying a cost of 2% to this capital, at a business unit level, without allowing for group diversification benefits. The economic capital projected is based on the figure determined for the prior 6 month period; thus the December 2008 CNHR is based on the June 2008 economic capital, which was calculated with reference to EEV. The June 2009 CNHR is based on the December 2008 economic capital, which was based on MCEV for the first time. This has led to a step change in the calculation for all business units. The impact of this step change varies across business units, being smallest in OMSA, and largest in the Skandia business units. To the extent that this change affected operating earnings, the impact is shown under 'other operating variance'.

The table below shows the amounts of diversified economic capital held in respect of residual non-hedgeable risks.

	£m				
	Total	OMSA	Europe	US Life*	Bermuda
30 June 2009	2,569	503	1,007	549	510
30 June 2008	1,938	403	756	434	345
31 December 2008	2,207	457	720	513	517

* The total capital held in respect of non-hedgeable risks for US Life and Bermuda at 31 December 2008 has been restated from £826 million to £1,030 million

In addition to the change in the underlying basis used for assessing Economic Capital from an EEV to MCEV basis, the increase in capital held in respect of residual non-hedgeable risks for Europe from £720 million at 31 December 2008 to £1,007 million at 30 June 2009 is largely caused by an increase in the economic capital held for persistency risk in light of the turbulent economic market conditions.

Taxation

The value of in-force business (VIF) in respect of Royal Skandia at 30 June 2009 assumes that all future profits will be taxed in the UK, currently at 28%, on payment of dividends to Skandia UK. The UK Finance Act 2009, which introduces an exemption from tax on qualifying dividends, was substantively enacted on the 8th July 2009. This will permit removal of the allowance for tax on dividends which is expected to increase the VIF by approximately £166m, in the second half of 2009.

New business and renewals

The market consistent value of new business (VNB) is calculated using economic assumptions at the start of the reporting period, except for OMSA's Non-Profit Annuities and Fixed Bond products where point of sale assumptions are used.

3 Assumptions

Non-economic assumptions

The management expenses attributable to life assurance business have been analysed between expenses relating to the acquisition of new business, maintenance of in-force business (including investment management expenses) and development projects.

Unallocated Group holding company expenses have been included to the extent that they relate to the covered business. The future expenses attributable to life assurance business include 33 per cent of the Group holding company expenses, with 15 per cent allocated to Europe, 14 per cent allocated to OMSA, 4 per cent allocated to US Life and Bermuda (31 December 2008: 35 per cent of the Group holding company expenses, with 17 per cent allocated to Europe, 14 per cent allocated to OMSA, 4 per cent allocated to US Life and Bermuda; 30 June 2008: 36 per cent of the Group holding Company expenses, with 18 per cent allocated to Europe, 14 per cent allocated to OMSA, 4 per cent allocated to US Life and Bermuda). The allocation of these expenses aligns to the proportion that the management expenses incurred by the business bears to the total management expenses incurred in the Group.

Legislative changes were introduced in Germany in 2008 specifying the proportion of miscellaneous profits to be shared with policyholders. According to the regulations, the revenue on in-force business can be reduced by various expense items, including those costs arising in respect of new business acquisition expenses in any year. From 31 December 2008 Skandia Leben in Germany performs modelling by setting best estimate assumptions for the amount to be shared with policyholders in future years after allowing for the acquisition expenses in relation to the new business expected to be written over the next three years.

Economic assumptions

Risk free reference rates and inflation

Following a review of a wide range of market data and literature, such as the Barrie & Hibbert calibration of US corporate bond spreads at 30 June 2009, it is the directors' view that a significant proportion of corporate bond spreads is attributable to a liquidity premium rather than credit and default risk and that returns in excess of swap rates can be achieved, rather than entire corporate bond spreads being lost to worsening default experience. For the US Life business and OMSA's Retail Affluent Immediate annuity business we considered the currency, credit quality and duration of our actual corporate bond portfolio and derived adjusted risk free reference rates at 30 June 2009 by adding 175bps of liquidity premium to swap rates used for setting investment return and discounting assumptions for the US Life business (31 December 2008: 300bps; 30 June 2008: 125bps) and adding 50bps of liquidity premium to swap rates used for setting investment return and discounting assumptions for OMSA's Retail Affluent Immediate annuity business (31 December 2008 and 30 June 2008: zero allowance). These adjustments reflect the liquidity premium component in corporate bond spreads over swap rates that we expect to earn on our portfolio. We believe that the differences between market yields on our US Life and OMSA's Retail Affluent bond portfolios and the adjusted risk free reference rates still provide adequate implied margins for defaults. No liquidity adjustment is applied for other geographies.

When the liquidity premium adjustment was calibrated and introduced for US Life business at 31 December 2008, similar research was not yet concluded for South Africa to estimate the quantum of the liquidity premiums inherent in South African corporate bond spreads. In addition, the impact of a liquidity premium adjustment on US Life business was far more material than for OMSA's Retail Affluent Immediate annuity business as the concentration of investments in the corporate bond market is far greater and the widening of corporate bond spreads has been more pronounced in the US compared to other geographies. Hence the application of any liquidity premium adjustment was initially focussed on the US and such an adjustment is introduced for OMSA at 30 June 2009 to have consistency of methodology.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

The risk free reference spot yields (excluding any applicable liquidity adjustments) and expense inflation rates at various terms for each of the significant geographies are provided in the table below. The risk free reference spot yield curve has been derived from mid swap rates at the reporting date.

Risk free reference spot yields	1 year %	5 years %	10 years %	20 years %
30 June 2009				
GBP	2.0	3.7	4.0	2.9
EUR	1.4	2.9	3.7	4.3
USD	0.9	2.9	3.7	4.1
ZAR	7.7	9.0	9.2	7.9
SEK	1.0	2.9	3.9	4.2
30 June 2008				
GBP	6.3	6.1	5.7	5.2
EUR	5.3	5.1	5.0	5.1
USD	3.3	4.3	4.7	4.9
ZAR	13.4	12.5	11.6	10.4
SEK	5.5	5.5	5.3	5.1
31 December 2008				
GBP	2.0	3.1	3.4	3.5
EUR	2.4	3.3	3.8	3.9
USD	1.3	2.1	2.6	2.8
ZAR	9.3	8.0	7.8	6.7
SEK	1.8	2.9	3.2	3.2

Expense inflation	1 year %	5 years %	10 years %	20 years %
30 June 2009				
GBP	0.1	1.9	2.9	4.2
EUR	2.3-3.0	2.3-3.0	2.3-3.0	2.3-3.0
USD	3.0	3.0	3.0	3.0
ZAR	5.9	7.2	7.4	6.2
SEK	1.3	2.5	3.0	2.7
30 June 2008				
GBP	4.9	4.7	4.7	5.1
EUR	2.5-3.5	2.5-3.5	2.5-3.5	2.5-3.5
USD	3.0	3.0	3.0	3.0
ZAR	9.3	10.0	9.5	8.6
SEK	3.7	3.5	3.5	3.5
31 December 2008				
GBP	0.1	1.5	2.8	4.1
EUR	2.0-3.0	2.0-3.0	2.0-3.0	2.0-3.0
USD	3.0	3.0	3.0	3.0
ZAR	6.1	5.4	5.5	4.6
SEK	0.2	1.0	1.8	2.1

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

3 Assumptions continued

Volatilities

The at-the-money annualised asset volatility assumptions of the asset classes incorporated in the stochastic models are detailed below.

ZAR volatilities *	Option term			
	1 year %	5 years %	10 years %	20 years %
30 June 2009				
1 year swap	18.6	18.5	18.0	16.4
5 year swap	17.3	17.6	17.3	15.7
10 year swap	16.6	17.3	16.7	15.1
20 year swap	16.8	17.3	16.1	14.0
Equity (total return index)	27.4	26.3	26.5	27.4
Property (total return index)	17.3	15.7	14.1	14.5
30 June 2008				
1 year swap	15.1	14.2	13.8	13.5
5 year swap	15.1	14.1	13.7	13.3
10 year swap	15.2	14.1	13.5	13.1
20 year swap	15.5	14.1	13.3	12.6
Equity (total return index)	24.9	24.1	24.3	25.9
Property (total return index)	16.8	14.5	13.1	13.9
31 December 2008				
1 year swap	30.8	35.1	32.9	25.4
5 year swap	32.9	33.6	30.2	22.5
10 year swap	30.8	30.3	25.9	18.7
20 year swap	26.9	25.1	19.8	13.9
Equity (total return index)	37.6	31.6	29.2	28.1
Property (total return index)	23.2	19.0	15.6	15.4

* Due to limited liquidity in the ZAR swaption and equity option market, the market consistent asset model as at 31 December 2008 has been calibrated by extrapolating swaption and equity option implied volatility data beyond terms of 2 years and 3 years respectively.

USD volatilities	Option term			
	1 year %	5 years %	10 years %	20 years %
30 June 2009				
1 year swap	61.3	27.8	20.8	16.1
5 year swap	41.9	26.5	19.6	15.6
10 year swap	37.8	25.0	19.3	15.0
20 year swap	33.0	22.4	16.9	13.7
30 June 2008				
1 year swap	36.8	21.7	16.9	13.8
5 year swap	28.7	20.2	16.2	13.5
10 year swap	23.4	18.7	15.2	13.0
20 year swap	19.9	16.7	13.8	11.5
31 December 2008*				
1 year swap	44.9	23.9	18.3	16.1
5 year swap	34.1	22.8	17.9	16.0
10 year swap	27.7	21.2	17.1	15.4
20 year swap	24.7	20.1	16.3	14.5

* Due to limited liquidity in the USD swap market, the market consistent asset model as at 31 December 2008 has been calibrated by reference to volatility data as at 30 September 2008.

International equity volatilities (Old Mutual Bermuda)*	Option term		
	1 year %	5 years %	10 years %
30 June 2009			
SPX	26	27	22
RTY	33	39	29
TPX	29	27	29
HSCEI	39	34	38
TWY	31	30	29
KOSP12	27	27	28
NIFTY	32	27	30
SX5E	30	26	27
UKX	27	26	25
EEM	35	31	37
USAgg	5	5	5
EUAgg	12	12	12
APAgg	11	11	11
30 June 2008			
SPX	26	27	22
RTY	33	39	29
TPX	29	27	29
HSCEI	39	34	38
TWSE	31	30	29
KOSP12	27	27	28
NIFTY	32	27	30
SX5E	30	26	27
UKX	27	26	25
31 December 2008			
SPX	38	35	27
RTY	46	45	34
TPX	41	39	31
HSCEI	57	51	43
TWSE	36	34	30
KOSP12	42	43	36
NIFTY	39	33	31
SX5E	38	37	31
UKX	37	36	28
BCAI	4	4	4

* These volatilities refer to price indices. Due to ongoing enhancements in the fund mapping process, the indices referenced will vary from period to period.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

3 Assumptions continued

Tax

The effective tax rate for Europe was a range of 0 to 32 per cent (31 December 2008: 2 to 31 per cent; 30 June 2008: 3 to 30 per cent).

The effective tax rate for OMSA (excluding Namibia) and Namibia were 31 and 0 per cent respectively (31 December 2008: 33 and 0 per cent respectively; 30 June 2008: 34 and 0 per cent respectively), except for the investment return on capital for which the attributed tax was derived from the primary accounts.

For US Life the effective tax rate was 0 per cent (31 December 2008: 0 per cent; 30 June 2008: 0 per cent).

For Bermuda the effective tax rate was 0 per cent (31 December 2008: 1 per cent; 30 June 2008: 1 per cent).

4 (i) Adjusted Group Market Consistent Embedded Value presented per business line

	£m		
	At 30 June 2009	At 30 June 2008	At 31 December 2008
MCEV of the covered business	5,356	5,738	4,183
Adjusted net worth*	2,615	2,030	2,383
Value of in-force business**	2,741	3,708	1,800
Adjusted net worth of the asset management businesses	1,714	1,705	1,577
OMSA	199	233	292
Europe	200	175	98
US Asset Management	1,315	1,297	1,187
Value of the banking business	2,208	1,666	1,976
Europe (adjusted net worth)	259	231	285
Nedbank (market value)	1,949	1,435	1,691
Market value of the general insurance business			
Mutual and Federal	272	268	219
Net other business (including Asia Pacific)	(237)	14	(161)
Adjustment for present value of Black Economic Empowerment scheme deferred consideration	194	158	169
Adjustment for value of own shares in ESOP schemes***	57	83	63
Perpetual preferred securities (US\$ denominated)	(292)	(350)	(203)
Perpetual preferred callable securities	(273)	(585)	(304)
GBP denominated	(125)	(275)	(174)
Euro denominated	(148)	(310)	(130)
Debt	(1,410)	(1,296)	(1,312)
Rand denominated	(213)	(163)	(213)
USD denominated	(248)	(482)	(537)
GBP denominated	(653)	(323)	(191)
SEK denominated	(190)	(328)	(252)
Euro denominated	(106)	-	(119)
Adjusted Group MCEV	7,589	7,401	6,207

* Adjusted net worth is after the elimination of inter-company loans.

** Net of non-controlling interests.

*** Includes adjustment for value of excess own shares in employee share scheme trusts. The movement in value between 31 December 2008 and 30 June 2009 is due to a reduction in excess own shares following employee share grants in March 2009.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

4 (ii) Adjusted operating MCEV earnings for the covered business

	£m		
	Six months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
Adjusted operating MCEV earnings before tax for the covered business*	573	499	324
OMSA	151	237	463
Europe	40	381	505
US Life	297	(6)	(388)
Bermuda	85	(113)	(256)
Tax on adjusted operating MCEV earnings for the covered business	107	142	191
OMSA	41	61	116
Europe	-	90	117
US Life	38	-	(24)
Bermuda	28	(9)	(18)
Adjusted operating MCEV earnings after tax for the covered business	466	357	133
OMSA	110	176	347
Europe	40	291	388
US Life	259	(6)	(364)
Bermuda	57	(104)	(238)
Tax on adjusted operating MCEV earnings comprises			
Tax on adjusted operating MCEV earnings for the covered business	(107)	(142)	(191)
Tax on adjusted operating MCEV earnings for other business	(76)	(85)	56
Tax on adjusted operating MCEV earnings	(183)	(227)	(135)

* Adjusted operating MCEV earnings before tax are derived by grossing up each of the components of the earnings after tax at the expected tax rates.

4 (iii) Components of Market Consistent Embedded Value of the covered business

	£m		
	At 30 June 2009	At 30 June 2008	At 31 December 2008
MCEV of the covered business	5,356	5,738	4,183
Adjusted net worth	2,615	2,030	2,383
Value of in-force business	2,741	3,708	1,800
OMSA			
Adjusted net worth*	1,160	1,201	975
Free surplus	55	161	(95)
Required capital	1,105	1,040	1,070
Value of in-force business	1,050	967	1,088
Present value of future profits	1,298	1,156	1,285
Additional time value of financial options and guarantees	-	-	-
Frictional costs**	(156)	(125)	(117)
Cost of non-hedgeable risks	(92)	(64)	(80)
Europe			
Adjusted net worth	626	492	567
Free surplus	231	150	196
Required capital	395	342	371
Value of in-force business	2,720	2,778	2,862
Present value of future profits	2,939	2,951	3,041
Additional time value of financial options and guarantees	(6)	(2)	(13)
Frictional costs	(35)	(31)	(28)
Cost of non-hedgeable risks	(178)	(140)	(138)
US Life			
Adjusted net worth	550	397	465
Free surplus	27	7	(85)
Required capital	523	390	550
Value of in-force business	(846)	(41)	(1,725)
Present value of future profits	(664)	261	(1,448)
Additional time value of financial options and guarantees	(106)	(204)	(192)
Frictional costs***	(3)	(31)	(2)
Cost of residual non-hedgeable risks	(73)	(67)	(83)
Bermuda			
Adjusted net worth	279	(60)	376
Free surplus	-	(103)	342
Required capital	279	43	34
Value of in-force business	(183)	4	(425)
Present value of future profits	(92)	81	(298)
Additional time value of financial options and guarantees	(15)	(9)	(57)
Frictional costs***	(5)	(3)	(1)
Cost of residual non-hedgeable risks	(71)	(65)	(69)

* The required capital in respect of OMSA is partially covered by the market value of the Group's investments in banking and general insurance in South Africa. On consolidation these investments are shown separately.

** For the OMSA business there has been a material change in the asset allocation of assets backing required capital from 31 December 2008 to 30 June 2009. As at 30 June 2009 the asset allocation is 75% cash/25% equity compared to 60% cash/40% equity at 31 December 2008. This resulted in an increase in frictional tax costs as interest bearing assets are subjected to higher tax rates than equities.

*** For US Life and Bermuda, the decrease in frictional costs from 30 June 2008 to 31 December 2008 reflects the changed tax position of the business between these two reporting dates on a market consistent basis. The fact that there are greater losses projected on an MCEV basis at 31 December 2008 compared to 30 June 2008 (mainly due to lower risk free reference rates) means that future income on the capital required to back the business is to a large extent not subject to tax as such future income can be offset against current projected losses.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

4 (iv) Analysis of covered business MCEV earnings (after tax)

	£m				
	6 months ended 30 June 2009				
Total covered business	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Opening MCEV	358	2,025	2,383	1,800	4,183
New business value	(254)	80	(174)	244	70
Expected existing business contribution (reference rate)	6	55	61	58	119
Expected existing business contribution (in excess of reference rate)	4	2	6	199	205
Transfers from VIF and required capital to free surplus	379	(90)	289	(289)	-
Experience variances	(11)	5	(6)	(76)	(82)
Assumption changes	2	-	2	24	26
Other operating variance	(217)	240	23	105	128
Operating MCEV earnings	(91)	292	201	265	466
Economic variances	(91)	32	(59)	632	573
Other non-operating variance	24	(6)	18	(1)	17
Total MCEV earnings	(158)	318	160	896	1,056
Closing adjustments	113	(41)	72	45	117
Capital and dividend flows	110	-	110	-	110
Foreign exchange variance	(21)	(36)	(57)	70	13
MCEV of acquired/sold business	24	(5)	19	(25)	(6)
Closing MCEV	313	2,302	2,615	2,741	5,356
Return on MCEV (RoEV) % per annum					18.6%

Return on MCEV for total covered business is calculated as the operating MCEV earnings after tax divided by opening MCEV in Sterling. The operating assumption changes and other operating variances are not annualised.

£m

6 months ended 30 June 2008					Year ended 31 December 2008				
Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
515	1,906	2,421	3,928	6,349	515	1,906	2,421	3,928	6,349
(290)	92	(198)	282	84	(608)	172	(436)	540	104
33	54	87	155	242	63	117	180	289	469
2	7	9	44	53	4	15	19	81	100
475	(92)	383	(383)	-	939	(189)	750	(750)	-
(56)	(8)	(64)	60	(4)	160	(75)	85	(250)	(165)
(52)	-	(52)	72	20	(55)	-	(55)	(375)	(430)
(5)	7	2	(40)	(38)	172	(156)	16	39	55
107	60	167	190	357	675	(116)	559	(426)	133
49	(16)	33	(383)	(350)	(722)	5	(717)	(1,485)	(2,202)
1	3	4	19	23	(111)	43	(68)	-	(68)
157	47	204	(174)	30	(158)	(68)	(226)	(1,911)	(2,137)
(457)	(138)	(595)	(46)	(641)	1	187	188	(217)	(29)
(428)	-	(428)	(2)	(430)	(22)	-	(22)	-	(22)
(29)	(138)	(167)	(44)	(211)	23	187	210	(217)	(7)
-	-	-	-	-	-	-	-	-	-
215	1,815	2,030	3,708	5,738	358	2,025	2,383	1,800	4,183
				11.5%					2.1%

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

4 (iv) Analysis of covered business MCEV earnings (after tax) continued

	6 months ended 30 June 2009				£m
OMSA covered business	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Opening MCEV	(95)	1,070	975	1,088	2,063
New business value	(50)	40	(10)	34	24
Expected existing business contribution (reference rate)	(3)	39	36	61	97
Expected existing business contribution (in excess of reference rate)	-	2	2	7	9
Transfers from VIF and required capital to free surplus	151	(70)	81	(81)	-
Experience variances	(1)	(15)	(16)	(23)	(39)
Assumption changes	2	-	2	(1)	1
Other operating variance	57	(35)	22	(4)	18
Operating MCEV earnings	156	(39)	117	(7)	110
Economic variances	14	1	15	(81)	(66)
Other non-operating variance	-	-	-	-	-
Total MCEV earnings	170	(38)	132	(88)	44
Closing adjustments	(20)	73	53	50	103
Capital and dividend flows	(50)	-	(50)	-	(50)
Foreign exchange variance	6	78	84	75	159
MCEV of acquired/sold business	24	(5)	19	(25)	(6)
Closing MCEV	55	1,105	1,160	1,050	2,210
Return on MCEV (RoEV) % per annum					9.8%

* The MCEV for OMSA is presented after the adjustment for market value of life funds' investments in Group equity and debt instruments

The segment results of OMSA include both the life companies in South Africa and Namibia.

The negative experience variances were caused mainly by adverse persistency experience, adverse Group assurance claims experience and development project costs, which were partially offset by favourable Retail mortality and longevity experience.

There were no material operating assumption changes.

The other operating variances mainly relate to management actions (including a reduction of future cover increase on certain risk products in the Retail Mass segment to achieve better alignment between the cost of providing benefits and the value of the corresponding premium increase, offset by changing the shareholder asset allocation from 60% cash/40% equity to 75% cash/25% equity which resulted in an increase in frictional tax costs as interest bearing assets are subjected to higher tax rates than equities) and various methodology changes and error corrections.

The negative economic variances were caused mainly by economic assumption changes (mainly an increase in medium to long term swap yields and a decrease in volatilities) and the investment return on policyholder funds being less than assumed, partially offset by the investment return earned on shareholder funds being greater than assumed and the introduction of a liquidity premium for Retail Affluent annuity business.

The capital and dividend flows mainly consist of dividends paid offset by inter-company dividends received and the disposal of Nedlife.

Return on MCEV is the operating MCEV earnings after tax divided by opening MCEV in Rand. The operating assumption changes and other operating variances are not annualised.

4 (iv) Analysis of covered business MCEV earnings (after tax) continued

£m

6 months ended 30 June 2008					Year ended 31 December 2008				
Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
309	1,159	1,468	1,202	2,670	309	1,159	1,468	1,202	2,670
(44)	32	(12)	34	22	(84)	72	(12)	73	61
15	50	65	74	139	27	101	128	148	276
2	7	9	5	14	4	14	18	13	31
147	(66)	81	(81)	-	296	(134)	162	(162)	-
10	-	10	(10)	-	16	(19)	(3)	(18)	(21)
3	-	3	-	3	22	-	22	(19)	3
2	-	2	(4)	(2)	160	(156)	4	(7)	(3)
135	23	158	18	176	441	(122)	319	28	347
103	1	104	(121)	(17)	(154)	51	(103)	(139)	(242)
(3)	3	-	19	19	-	-	-	18	18
235	27	262	(84)	178	287	(71)	216	(93)	123
(383)	(146)	(529)	(151)	(680)	(691)	(18)	(709)	(21)	(730)
(348)	-	(348)	-	(348)	(647)	-	(647)	-	(647)
(35)	(146)	(181)	(151)	(332)	(44)	(18)	(62)	(21)	(83)
-	-	-	-	-	-	-	-	-	-
161	1,040	1,201	967	2,168	(95)	1,070	975	1,088	2,063
				14.6%					14.6%

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

4 (iv) Analysis of covered business MCEV earnings (after tax) continued

Europe covered business	£m				
	6 months ended 30 June 2009				
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Opening MCEV	196	371	567	2,862	3,429
New business value	(170)	7	(163)	202	39
Expected existing business contribution (reference rate)	7	5	12	31	43
Expected existing business contribution (in excess of reference rate)	-	-	-	21	21
Transfers from VIF and required capital to free surplus	209	11	220	(220)	-
Experience variances	7	(5)	2	(42)	(40)
Assumption changes	-	-	-	12	12
Other operating variance	1	-	1	(36)	(35)
Operating MCEV earnings	54	18	72	(32)	40
Economic variances	(34)	31	(3)	52	49
Other non-operating variance	24	(6)	18	(1)	17
Total MCEV earnings	44	43	87	19	106
Closing adjustments	(9)	(19)	(28)	(161)	(189)
Capital and dividend flows	8	-	8	-	8
Foreign exchange variance	(17)	(19)	(36)	(161)	(197)
Closing MCEV	231	395	626	2,720	3,346
Return on MCEV (RoEV) % per annum	3.0%				

The segmental results of Europe include Skandia Life companies in the United Kingdom, Nordic region, Europe and Latin America.

The 'expected existing business contribution (in excess of reference rate)' is not significant. This is reasonable for business comprised mostly of unit-linked products where most of the profits emanate from premium charges, acquisition charges and fund based fees. Such fees and charges are largely captured in the 'expected existing business contribution (reference rate)'.

The experience variances were largely caused by adverse persistency experience.

The operating assumption changes reflect increased recognition of fee income in the United Kingdom and in the Nordic region.

The other operating variances mainly reflect the impact of modelling and methodology changes which have increased the amount of capital allocated to non-hedgeable risks.

The economic variances are mainly due to the positive effect of market movements on funds under management in the Nordic region and continental Europe. This has been partially offset by the adverse exchange rate movements resulting in poor fund returns for UK business sold internationally.

The other non-operating variance mainly results from a release of reserves following the legal resolution of various legacy issues in the Nordic region.

The capital and dividend flows mainly represent dividends, repayment of loans and capital injections.

Return on MCEV is the operating MCEV earnings after tax divided by opening MCEV in Sterling. The operating assumption changes and other operating variances are not annualised.

4 (iv) Analysis of covered business MCEV earnings (after tax) continued

£m

6 months ended 30 June 2008					Year ended 31 December 2008				
Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
125	323	448	2,769	3,217	125	323	448	2,769	3,217
(189)	9	(180)	250	70	(347)	7	(340)	449	109
17	(2)	15	76	91	34	4	38	131	169
-	-	-	29	29	-	-	-	48	48
254	(2)	252	(252)	-	515	(14)	501	(501)	-
7	15	22	3	25	31	2	33	(26)	7
-	-	-	77	77	(3)	-	(3)	69	66
(7)	7	-	(1)	(1)	12	-	12	(23)	(11)
82	27	109	182	291	242	(1)	241	147	388
14	(17)	(3)	(278)	(281)	(39)	(46)	(85)	(299)	(384)
4	-	4	-	4	(111)	43	(68)	(18)	(86)
100	10	110	(96)	14	92	(4)	88	(170)	(82)
(75)	9	(66)	105	39	(21)	52	31	263	294
(80)	-	(80)	(2)	(82)	(26)	-	(26)	-	(26)
5	9	14	107	121	5	52	57	263	320
150	342	492	2,778	3,270	196	371	567	2,862	3,429
				15.7%					12.1%

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

4 (iv) Analysis of covered business MCEV earnings (after tax) continued

US Life covered business	6 months ended 30 June 2009				£m
	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
	Opening MCEV	(85)	550	465	(1,725)
New business value	(34)	33	(1)	8	7
Expected existing business contribution (reference rate)	(1)	11	10	(31)	(21)
Expected existing business contribution (in excess of reference rate)	4	-	4	150	154
Transfers from VIF and required capital to free surplus	25	(29)	(4)	4	-
Experience variances	8	25	33	(3)	30
Assumption changes	-	-	-	13	13
Other operating variance	-	-	-	76	76
Operating MCEV earnings	2	40	42	217	259
Economic variances	(41)	-	(41)	534	493
Other non-operating variance	-	-	-	-	-
Total MCEV earnings	(39)	40	1	751	752
Closing adjustments	151	(67)	84	128	212
Capital and dividend flows	152	-	152	-	152
Foreign exchange variance	(1)	(67)	(68)	128	60
Closing MCEV	27	523	550	(846)	(296)
Return on MCEV (RoEV) % per annum					34.9%

The segment results of US Life include allowance for Old Mutual Reassurance (Ireland) Limited (OMRe), which provides reinsurance to the United States Life Companies.

The operating MCEV earnings were largely as a result of the expected existing business contribution (in excess reference rate), i.e. by the corporate bond spread that we expected to earn over and above the adjusted risk-free reference rate (inclusive of the liquidity premium adjustment).

The experience variances were largely caused by positive mortality variance and expense variance, partially offset by negative persistency experience.

The only operating assumption change was in respect of mortality assumptions on the Single Premium Immediate Annuity (SPIA) business, which were lightened slightly to align with IFRS assumptions.

The other operating variances include an amendment in the calculation of the time value of financial options and guarantees and changes to the methodology for calculating the non-hedgeable risk capital.

The economic variances were largely driven by the recovery in equity markets during the period and the increase in the US swap yield curve.

There were no other non-operating variances.

The capital and dividend flows were due to a capital injection made in February of this year.

Return on MCEV is the operating MCEV earnings after tax divided by opening MCEV in US Dollar. The operating assumption changes and other operating variances are not annualised.

£m

6 months ended 30 June 2008					Year ended 31 December 2008				
Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
60	391	451	(102)	349	60	391	451	(102)	349
(32)	17	(15)	10	(5)	(136)	83	(53)	41	(12)
1	6	7	2	9	1	11	12	2	14
-	-	-	4	4	-	1	1	9	10
64	(23)	41	(41)	-	106	(39)	67	(67)	-
(57)	1	(56)	42	(14)	115	(41)	74	(233)	(159)
-	-	-	-	-	(6)	-	(6)	(328)	(334)
-	-	-	-	-	-	-	-	117	117
(24)	1	(23)	17	(6)	80	15	95	(459)	(364)
(29)	-	(29)	44	15	(267)	-	(267)	(789)	(1,056)
-	-	-	-	-	-	-	-	-	-
(53)	1	(52)	61	9	(187)	15	(172)	(1,248)	(1,420)
-	(2)	(2)	-	(2)	42	144	186	(375)	(189)
-	-	-	-	-	55	-	55	-	55
-	(2)	(2)	-	(2)	(13)	144	131	(375)	(244)
7	390	397	(41)	356	(85)	550	465	(1,725)	(1,260)
				(2.9)%					(97.6)%

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

4 (iv) Analysis of covered business MCEV earnings (after tax) continued

	6 months ended 30 June 2009				£m
Bermuda covered business	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
Opening MCEV	342	34	376	(425)	(49)
New business value	-	-	-	-	-
Expected existing business contribution (reference rate)	3	-	3	(3)	-
Expected existing business contribution (in excess of reference rate)	-	-	-	21	21
Transfers from VIF and required capital to free surplus	(6)	(2)	(8)	8	-
Experience variances	(25)	-	(25)	(8)	(33)
Assumption changes	-	-	-	-	-
Other operating variance	(275)	275	-	69	69
Operating MCEV earnings	(303)	273	(30)	87	57
Economic variances	(30)	-	(30)	127	97
Other non-operating variance	-	-	-	-	-
Total MCEV earnings	(333)	273	(60)	214	154
Closing adjustments	(9)	(28)	(37)	28	(9)
Capital and dividend flows	-	-	-	-	-
Foreign exchange variance	(9)	(28)	(37)	28	(9)
Closing MCEV	-	279	279	(183)	96
Return on MCEV (RoEV) % per annum					92.8%

The segment results of Bermuda include allowance for Old Mutual Reassurance (Ireland) Limited (OMRe), which provides reinsurance to Old Mutual (Bermuda) Limited.

The experience variances were largely caused by adverse persistency experience, and increase in the cost of non-hedgeable risks and a negative expense variance, partially offset by a reduction in the time value of financial options and guarantees.

There were no operating assumption changes.

The other operating variance includes a positive variance due to an amendment of a DAC write-down made in the previous reporting period, an amendment in the calculation of the time value of financial options and guarantees and changes to the methodology for calculation the non-hedgeable risk capital.

The economic variances were largely driven by the recovery in equity markets during the period and the increase in the US swap yield curve.

There were no other non-operating variances.

There were no capital and dividend flows.

Return on MCEV is the operating MCEV earnings after tax divided by opening MCEV in US Dollar. The operating assumption changes and other operating variances are not annualised.

£m

6 months ended 30 June 2008					Year ended 31 December 2008				
Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV	Free surplus	Required capital	Adjusted net worth	Value of in-force	MCEV
21	33	54	59	113	21	33	54	59	113
(25)	34	9	(12)	(3)	(41)	10	(31)	(23)	(54)
-	-	-	3	3	1	1	2	8	10
-	-	-	6	6	-	-	-	11	11
10	(1)	9	(9)	-	22	(2)	20	(20)	-
(16)	(24)	(40)	25	(15)	(2)	(17)	(19)	27	8
(55)	-	(55)	(5)	(60)	(68)	-	(68)	(97)	(165)
-	-	-	(35)	(35)	-	-	-	(48)	(48)
(86)	9	(77)	(27)	(104)	(88)	(8)	(96)	(142)	(238)
(39)	-	(39)	(28)	(67)	(262)	-	(262)	(258)	(520)
-	-	-	-	-	-	-	-	-	-
(125)	9	(116)	(55)	(171)	(350)	(8)	(358)	(400)	(758)
1	1	2	-	2	671	9	680	(84)	596
-	-	-	-	-	596	-	596	-	596
1	1	2	-	2	75	9	84	(84)	-
(103)	43	(60)	4	(56)	342	34	376	(425)	(49)
				(97.5)%					(195.3)%

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

5 Adjustments applied in determining total Group MCEV earnings before tax

	6 months ended 30 June 2009			6 months ended 30 June 2008		
	Covered business MCEV	Non-covered business IFRS	Total Group MCEV	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Analysis of adjusting items						
Income/(expense)						
Goodwill impairment and amortisation of non-covered business acquired intangible assets and impact of acquisition accounting	-	(6)	(6)	-	(5)	(5)
Economic variances	538	(12)	526	(492)	(6)	(498)
Other non-operating variances	16	-	16	31	-	31
Acquired/divested business	-	(41)	(41)	-	62	62
Closure of unclaimed share trust	-	-	-	-	-	-
Dividends declared to holders of perpetual preferred callable securities	-	22	22	-	22	22
Adjusting items relating to US Asset Management equity plans and non controlling holders	-	1	1	-	5	5
Fair value gains on Group debt instruments	-	12	12	-	40	40
Adjusting items	554	(24)	530	(461)	118	(343)

	Year ended 31 December 2008		
	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Analysis of adjusting items			
Income/(expense)			
Goodwill impairment and amortisation of non-covered business acquired intangible assets and impact of acquisition accounting	-	(12)	(12)
Economic variances	(2,480)	(72)	(2,552)
Other non-operating variances	(79)	-	(79)
Acquired/divested business	-	53	53
Closure of unclaimed share trust	-	-	-
Dividends declared to holders of perpetual preferred callable securities	-	43	43
Adjusting items relating to US Asset Management equity plans and non controlling holders	-	7	7
Fair value gains on Group debt instruments	-	503	503
Adjusting items	(2,559)	522	(2,037)

6 Other movements in net equity impacting Group MCEV

£m

	6 months ended 30 June 2009			6 months ended 30 June 2008		
	Covered business MCEV	Non-covered business IFRS	Total Group MCEV	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Fair value gains/(losses)	-	(2)	(2)	-	(2)	(2)
Net investment hedge	-	2	2	-	(5)	(5)
Currency translation differences/exchange differences on translating foreign operations	13	22	35	(211)	(207)	(418)
Aggregate tax effects of items taken directly to or transferred from equity	-	1	1	-	6	6
Correction in transfers to the covered business*	-	316	316	-	-	-
Other movements	-	(47)	(47)	-	(49)	(49)
Net income recognised directly into equity	13	292	305	(211)	(257)	(468)
Dividend for the year	104	(126)	(22)	(430)	181	(249)
Share buy back	-	-	-	-	(174)	(174)
Net issues of ordinary share capital by the Company	-	-	-	-	4	4
Exercise of share options	-	-	-	-	3	3
Fair value of equity settled share options	-	9	9	-	17	17
Other movements in net equity	117	175	292	(641)	(226)	(867)

* Amendment arising from allocation of assets between covered and non-covered business at December 2008.

	Year ended 31 December 2008		
	Covered business MCEV	Non-covered business IFRS	Total Group MCEV
Fair value gains/(losses)	-	-	-
Net investment hedge	-	(281)	(281)
Currency translation differences/exchange differences on translating foreign operations	(7)	59	52
Aggregate tax effects of items taken directly to or transferred from equity	-	(1)	(1)
Other movements	-	(49)	(49)
Net income recognised directly into equity	(7)	(272)	(279)
Dividend for the year	(22)	(373)	(395)
Share buy back	-	(175)	(175)
Net issues of ordinary share capital by the Company	-	5	5
Exercise of share options	-	5	5
Fair value of equity settled share options	-	26	26
Other movements in net equity	(29)	(784)	(813)

7 Reconciliation of MCEV adjusted net worth to IFRS net asset value for the covered business

The table below provides a reconciliation of the MCEV adjusted net worth (ANW) to the IFRS net asset value (NAV) for the covered business.

	£m				
	At 30 June 2009				
	Total	OMSA	Europe	US Life	Bermuda
IFRS net asset value*	5,728	707	4,293	422	306
Adjustment to include long-term business on a statutory solvency basis	(2,194)	148	(2,443)	128	(27)
Adjustment for market value of life funds' investments in Group equity and debt instruments	305	305	-	-	-
Adjustments to exclude acquisition of goodwill from the covered business	(1,224)	-	(1,224)	-	-
MCEV adjusted net worth	2,615	1,160	626	550	279

	£m				
	At 30 June 2008				
	Total	OMSA	Europe	US Life	Bermuda
IFRS net asset value*	5,995	785	4,287	994	(71)
Adjustment to include long-term business on a statutory solvency basis	(2,976)	137	(2,584)	(540)	11
Adjustment for market value of life funds' investments in Group equity and debt instruments	279	279	-	-	-
Adjustments to exclude acquisition of goodwill from the covered business	(1,268)	-	(1,211)	(57)	-
MCEV adjusted net worth	2,030	1,201	492	397	(60)

	£m				
	At 31 December 2008				
	Total	OMSA	Europe	US Life	Bermuda
IFRS net asset value*	5,907	602	4,615	97	593
Adjustment to include long-term business on a statutory solvency basis	(2,461)	137	(2,749)	368	(217)
Adjustment for market value of life funds' investments in Group equity and debt instruments	236	236	-	-	-
Adjustments to exclude acquisition of goodwill from the covered business	(1,299)	-	(1,299)	-	-
MCEV adjusted net worth	2,383	975	567	465	376

* IFRS net asset value is after elimination of inter-company loans.

The adjustment to include long-term business on a statutory solvency basis includes the following:

- The excess of the IFRS amount of the deferred acquisition cost (DAC) and value of business acquired (VOBA) assets over the statutory levels included in the VIF
- When projecting future profits on a statutory basis, the VIF includes the shareholders' value of unrealised capital gains. To the extent that assets in IFRS are valued at market and the market value is higher than the statutory book value, these profits have already been taken into account in the IFRS equity.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

8 Value of new business (after tax)

The tables below set out the geographic analysis of the value of new business (VNB) after tax. New business profitability is measured by both the ratio of the VNB to the present value of new business premiums (PVNBP) as well as to the annual premium equivalent (APE), and shown under PVNBP margin and APE margin below. APE is calculated as recurring premiums plus 10 per cent of single premiums.

As mentioned earlier for the OMSA business, Nedlife is now excluded from covered business. A similar consideration applies to VNB and other new business measures such as PVNBP and APE in order to provide a better indication of future expected 'normalised' earnings. However note that in the tables below Nedlife is still incorporated in the comparative results for the 6 months ended 2008 and the year ended 31 December 2008.

	6 months ended 30 June 2009	6 months ended 30 June 2008	£m Year ended 31 December 2008
Annualised recurring premiums			
OMSA	104	104	223
Europe	233	248	476
US Life	9	18	33
Bermuda	-	-	-
	346	370	732
Single premiums			
OMSA	558	592	1,299
Europe	2,030	2,808	5,001
US Life	287	449	1,027
Bermuda	15	1,127	1,448
	2,890	4,976	8,775
PVNBP			
OMSA	1,213	1,185	2,437
Europe	3,111	3,962	7,131
US Life	348	545	1,246
Bermuda	15	1,126	1,448
	4,687	6,818	12,262
PVNBP capitalisation factors*			
OMSA	6.3	5.7	5.1
Europe	4.6	4.7	4.5
US Life	6.5	5.4	6.7
Bermuda	-	n/a	n/a
APE			
OMSA	160	163	353
Europe	436	529	977
US Life	38	63	136
Bermuda	2	113	145
	636	868	1,611
VNB			
OMSA**	24	22	61
Europe	39	70	109
US Life	7	(5)	(12)
Bermuda	-	(3)	(54)
	70	84	104

8 Value of new business (after tax) continued

	6 months ended 30 June 2009	6 months ended 30 June 2008	Year ended 31 December 2008
PVNB margin***			
OMSA	2.0%	1.9%	2.5%
Europe	1.3%	1.8%	1.5%
US Life	2.1%	(0.9)%	(0.9)%
	1.5%	1.2%	0.8%
APE margin****			
OMSA	15%	14%	17%
Europe	9%	13%	11%
US Life	19%	(8)%	(8)%
	11%	10%	6%

* The PVNB capitalisation factors are calculated as follows: (PVNB – single premiums)/annualised recurring premiums.

** The comparative results excluding Nedlife are £17m for the 6 months ended 2008 and £52m the year ended 31 December 2008.

*** The comparative results excluding Nedlife are 1.6% for the 6 months ended 2008 and 2.3% the year ended 31 December 2008.

**** The comparative results excluding Nedlife are 13% for the 6 months ended 2008 and 16% the year ended 31 December 2008.

The value of new individual unit trust linked retirement annuities and pension fund asset management business written by the OMSA long-term business, which amounted to £172 million in the 6 months ended 30 June 2009 (year ended 31 December 2008: £458 million; 6 months ended 30 June 2008: £145 million), is excluded as the profits on this business arise in the asset management business. The value of new business also excludes premium increases arising from indexation arrangements in respect of existing business, as these are already included in the value of in-force business.

The value of new institutional investment platform pensions business written in the United Kingdom, the gross premium of which amounted to £83 million for the 6 months ended 30 June 2009 (year ended 31 December 2008: £239 million; 6 months ended 30 June 2008: £155 million), is excluded as this is more appropriately classified as mutual fund business.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

9 Product analysis of new covered business premiums

	6 months ended 30 June 2009		6 months ended 30 June 2008		Year ended 31 December 2008	
	Recurring	Single	Recurring	Single	Recurring	Single
OMSA						
Total business	104	558	104	592	223	1,299
Individual business	92	278	96	333	209	622
Savings	22	204	24	254	51	477
Protection	23	-	33	2	68	-
Annuity	-	73	-	76	-	144
Retail mass market	47	1	39	1	90	1
Group business	12	280	8	259	14	677
Savings	5	236	3	205	6	444
Protection	7	-	5	1	8	1
Annuity	-	44	-	53	-	232

	6 months ended 30 June 2009		6 months ended 30 June 2008		Year ended 31 December 2008	
	Recurring	Single	Recurring	Single	Recurring	Single
Europe						
Total business	233	2,030	248	2,808	476	5,001
Unit-linked assurance	231	1,927	246	2,807	470	4,723
Life	2	103	2	1	6	278

	6 months ended 30 June 2009		6 months ended 30 June 2008		Year ended 31 December 2008	
	Recurring	Single	Recurring	Single	Recurring	Single
US Life						
Total business	9	287	18	449	33	1,027
Fixed deferred annuity	-	27	-	38	-	228
Fixed indexed annuity	-	184	-	336	-	611
Variable annuity	-	1	-	2	-	6
Life	9	16	18	8	33	43
Immediate annuity	-	59	-	65	-	139

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

10 Drivers of new business value*

	Year ended 30 June 2009		Year ended 31 December 2008	
	PVNB Margin %	APE Margin %	PVNB Margin %	APE Margin %
Total covered business**				
Margin at the end of comparative period	1.2	9.9	1.7	13.5
Change in volume	0.2	(1.0)	0.1	0.2
Change in product mix	-	(0.8)	(0.2)	(1.8)
Change in country mix	-	-	-	-
Change in operating assumptions	0.2	1.3	(0.3)	(2.7)
Change in economic assumptions	0.1	1.8	(0.3)	(2.6)
Exchange rate movements	(0.2)	(0.1)	(0.2)	(0.5)
Margin at the end of the period	1.5	11.1	0.8	6.1
OMSA***				
Margin at the end of comparative period	1.6	13.5	2.4	16.8
Change in volume	0.2	(0.4)	0.2	1.7
Change in product mix	(0.3)	(1.3)	(0.1)	(0.6)
Change in country mix	-	-	-	-
Change in operating assumptions	0.5	3.3	0.1	0.4
Change in economic assumptions	-	(0.2)	(0.1)	(1.0)
Margin at the end of the period	2.0	14.9	2.5	17.3
Europe***				
Margin at the end of comparative period	1.8	13.3	1.7	13.7
Change in volume	(0.5)	(5.0)	-	(1.0)
Change in product mix	(0.1)	(0.7)	-	(0.2)
Change in country mix	-	-	-	-
Change in operating assumptions	0.1	0.7	(0.1)	(1.0)
Change in economic assumptions	-	0.8	(0.1)	(0.3)
Margin at the end of the period	1.3	9.1	1.5	11.2
US Life***				
Margin at the end of comparative period	(0.9)	(7.9)	(0.5)	(4.2)
Change in volume	-	-	-	-
Change in product mix	2.0	17.7	(0.4)	(3.8)
Change in country mix	-	-	-	-
Change in operating assumptions	-	-	1.9	17.4
Change in economic assumptions	1.0	9.3	(1.9)	(17.8)
Margin at the end of the period	2.1	19.1	(0.9)	(8.4)

* Prior year MCEV comparatives of drivers of new business value for 30 June 2008 are not available.

** The PVNB and APE per cent margin changes are calculated in Sterling.

*** The PVNB and APE per cent margin changes are calculated in local currency, and exclude Nedlife for the comparative six months ending 30 June 2008.

11 Sensitivity tests

The tables below show the sensitivity of the MCEV, value of in-force business at 30 June 2009 and the value of new business for the 6 months ended 30 June 2009 to changes in key assumptions.

For each sensitivity illustrated all other assumptions have been left unchanged except where they are directly affected by the revised conditions. Sensitivity scenarios therefore include consistent changes in cash flows directly affected by the changed assumption(s), for example future bonus participation in changed economic scenarios.

	£m		
	30 June 2009		
	MCEV	Value of in-force business	Value of new business
Total covered business			
Central assumptions	5,356	2,741	70
Effect of:			
Increasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	5,116	2,511	73
Decreasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	5,553	2,928	66

	£m		
	30 June 2009		
	MCEV	Value of in-force business	Value of new business
OMSA			
Central assumptions	2,210	1,050	24
Effect of:			
Increasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	2,173	1,012	23
Decreasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	2,241	1,083	23
Recognising the present value of an additional 50 per cent of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities with credited rates and discount rates changing commensurately	2,227	1,067	25

	£m		
	30 June 2009		
	MCEV	Value of in-force business	Value of new business
Europe			
Central assumptions	3,346	2,720	39
Effect of:			
Increasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	3,255	2,641	38
Decreasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	3,434	2,797	42

	£m		
	30 June 2009		
	MCEV	Value of in-force business	Value of new business
US Life			
Central assumptions	(296)	(846)	7
Effect of:			
Increasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	(419)	(970)	12
Decreasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	(208)	(759)	1
Recognising the present value of an additional 50 per cent of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities with credited rates and discount rates changing commensurately	71	(479)	17

	£m		
	30 June 2009		
Bermuda	MCEV	Value of in-force business	Value of new business
Central assumptions	96	(183)	-
Effect of:			
Increasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	107	(172)	-
Decreasing all pre-tax investment and economic assumptions by 1 per cent, with credited rates and discount rates changing commensurately	86	(193)	-

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

12 Key changes in MCEV methodology and assumptions

A summary of the key changes arising in the move from the EEV to MCEV reporting framework was set out in the annual report and accounts 2008.

13 Restatement of adjusted Group Embedded Value per share

The table below provides a restatement of the adjusted Group Embedded Value per share as at 30 June 2008 from an EEV to MCEV basis.

	At 30 June 2008
Previously published adjusted Group EEV per share	143.2p
Change in Embedded Value of covered business as a consequence of the move to MCEV	(7.8)p
Adjustment to bring long-term business on a statutory solvency basis	(0.1)p
Marking the present value of future BEE scheme deferred consideration to market	0.4p
Adjustment to bring external debt to market value	4.6p
Total impact	(2.9)p
Adjusted Group MCEV per share	140.3p
Percentage impact	(2.0)%

The change in the adjusted Group Embedded Value per share from 143.2p on an EEV basis to 140.3p on an MCEV basis is caused mainly by the change in the Embedded Value of the covered business which is analysed in detail in note 15.

14 Restatement of adjusted Group MCEV operating earnings per share

The table below provides a restatement of the adjusted Group operating earnings per share for the 6 months ended 30 June 2008 from an EEV to MCEV basis.

	6 months ended 30 June 2008
Previously published adjusted Group EEV operating earnings per share	10.8p
Change in operating earnings of covered business as a consequence of the move to MCEV	(0.7)p
Adjusted Group MCEV operating earnings per share	10.1p
Percentage impact	(5.9)%

The conversion from EEV to MCEV reporting has no impact on the operating earnings of our non-life business and hence the small change in the adjusted Group operating earnings per share from 10.8p on an EEV basis to 10.2p on an MCEV basis is caused entirely by the change in the operating earnings of the covered business which is analysed in more detail in note 18.

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

15 Restatement of Embedded Value of covered business

The tables below reconcile the Embedded Value of the covered business as at 30 June 2008 from the previously published EEV basis to the MCEV basis. The transition from the top-down real-world EEV approach to the bottom-up MCEV approach can be broken down into the following key steps:

- a) Release of cost of required capital in published EEV – The cost of required capital under the previous EEV approach is released and this component of EEV is replaced by frictional costs (see step c) under the MCEV approach. This step increases the Embedded Value.
- b) Economic assumption changes incorporate a combination of the following:
 - Any risk margins in the single weighted average EEV discount rate for each of the geographies are removed and the EEV discount rates are replaced by term dependent risk free reference rates. This step increases the Embedded Value for profitable business as expected future profits are discounted at lower rates, and gives rise to a greater Embedded Value loss for loss making business, as a result of discounting losses at lower rates.
 - Any risk margins in real-world EEV investment return assumptions are removed and the real-world EEV investment return assumptions are replaced by term dependent risk free reference rates and thereby removing any capitalisation of investment risk margins. This step decreases the Embedded Value as expected future investment returns are projected at lower rates
 - Other related model refinements including updating all stochastic models to be market consistent. For the United States business such model refinements also include a revision of assumptions for dynamic policyholder behaviour within the stochastic models to allow for lower average returns from risk-neutral market consistent scenarios compared to the scenarios in the real-world stochastic model that was used under EEV.
- c) Allowance for frictional costs – As mentioned in step (a) above, the cost of required capital under the previous EEV approach is released and replaced by an allowance for frictional costs under the MCEV approach. This step decreases the Embedded Value.
- d) Explicit allowance for cost of residual non-hedgeable risks – Previously under the EEV approach an implicit allowance was permitted for such risks in the determination of the risk discount rate for each geography. This step decreases the Embedded Value.

	£m			
	At 30 June 2008			
In-force covered business	Total	OMSA	Europe	United States*
Previously published EEV	6,153	2,191	3,171	791
Release of cost of required capital in published EEV	391	174	103	114
Economic assumption changes	(279)	(8)	168	(439)
Allowance for frictional costs	(190)	(125)	(31)	(34)
Allowance for cost of residual non-hedgeable risks	(337)	(64)	(141)	(132)
Total impact	(415)	(23)	99	(491)
MCEV	5,738	2,168	3,270	300
Percentage impact	(6.7)%	(1.0)%	3.2%	(62.1)%

* The results for United States include Bermuda.

15 Restatement of Embedded Value of covered business continued

The impact as at 30 June 2008 of moving from an EEV to an MCEV methodology is a reduction in Embedded Value of the covered business of 6.7 per cent from £6,153 million to £5,738 million. Most of the reduction in Embedded Value is attributable to the United States business which decreased by 62.1 per cent from £791 million to £300 million.

The frictional costs calculated under MCEV are significantly less than the cost of required capital under EEV which reflects the difference between the risk discount rate in each geography, inclusive of an explicit risk margin, and the expected post-tax investment return on the assets backing the required capital. Under MCEV risks are modelled explicitly and the risk margin in each geography is not required.

The impact of the transition from EEV to MCEV also varies by product type. Under EEV a weighted average risk discount rate was applied to all products within a specific geography whereas under MCEV separate explicit allowances are made for financial and non-financial risks for each product.

- Risk products, for example term assurance, generally increase in value under MCEV compared to EEV. Product profitability is mainly driven by non-financial pricing margins which are discounted at lower risk free reference rates under MCEV.
- The impact on savings products, for example unit-linked policies, is broadly neutral as the reduced assumed future investment returns which are set in relation to risk free reference rates are largely offset by the increase in value due to the lower discount rates (which are also set in relation to risk free reference rates) that are applied to future cash flows.
- Products with a high proportion of financial risk, for example spread-based contracts such as immediate annuities where profitability relies on achieving a return in excess of the risk free reference rates to support the pricing bases, tend to reduce in value under MCEV. No risk premiums in excess of the risk free reference rates are recognised under MCEV until realised in a particular year, when it emerges as a combination of expected existing business contribution and economic variance in that year. In contrast EEV recognises the capitalised expected profits from taking on financial risk, i.e. capitalises returns on more risky assets, without necessarily making appropriate adjustments at a per product level for the fact that the returns under these assets have a greater degree of inherent risk.

The underlying drivers of the impact of moving from an EEV to an MCEV methodology for each geography are consistent with those disclosed as part of the restatement of the Embedded Value of covered business as at 31 December 2006 and 31 December 2007 as set out in note 15 of the annual report and account 2008

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

16 Comparison of components of Embedded Value on EEV and MCEV bases

The tables below provide a comparison of the components of Embedded Value of the covered business as at 30 June 2008 between the previously published EEV basis and the MCEV basis. The change in MCEV to a bottom-up evaluation of the risks inherent in the business requires a change in the presentation of the components underlying the MCEV.

	At 30 June 2008			£m
In-force covered business	Total	OMSA	Europe	United States**
Previously published EEV	6,153	2,191	3,171	791
Adjusted net worth	2,036	1,203	493	340
Free surplus	220	163	151	(94)
Required capital	1,816	1,040	342	434
Value of in-force business	4,117	988	2,678	451
Present value of future profits	4,559	1,162	2,784	613
Additional time value of financial options and guarantees	(50)	-	(2)	(48)
Cost of required capital	(392)	(174)	(104)	(114)
MCEV	5,738	2,168	3,270	300
Adjusted net worth	2,030	1,201	492	337
Free surplus*	215	161	150	(96)
Required capital	1,815	1,040	342	433
Value of in-force business	3,708	967	2,778	(37)
Present value of future profits	4,449	1,156	2,951	342
Additional time value of financial options and guarantees	(215)	-	(2)	(213)
Frictional costs	(190)	(125)	(31)	(34)
Cost of residual non-hedgeable risks	(336)	(64)	(140)	(132)

* For the OMSA business, the value of the asset related to the deferred CGT liability recognised in the adjusted net worth was recalculated on a market consistent basis.

** The results for United States include Bermuda.

17 Restatement of value of new business (after tax) of covered business

The table below reconciles the value of new business and new business margins for the 6 months ended 30 June 2008 from the previously published EEV basis to the MCEV basis. The same steps have been applied in the reconciliations as for the total in-force covered business as set out in note 15.

	£m			
	6 months ended 30 June 2008			
Value of new business	Total	OMSA*	Europe	United States**
Previously published VNB under EEV basis	112	25	61	26
Release of cost of required capital in published EEV basis	17	6	4	8
Economic assumption changes	(16)	(2)	14	(28)
Allowance for frictional costs	(10)	(4)	(1)	(5)
Allowance for cost of residual non-hedgeable risks	(19)	(3)	(8)	(8)
Total impact	(28)	(3)	9	(33)
VNB on MCEV basis	84	22	70	(8)
Percentage impact %	(25.1)%	(12.5)%	14.8%	(130.8)%
EEV PVNBP	6,668	1,150	3,857	1,661
EEV APE	872	168	529	175
EEV PVNBP margin %	1.7%	2.2%	1.6%	1.6%
EEV APE margin %	13%	15%	12%	15%
MCEV PVNBP	6,818	1,185	3,962	1,671
MCEV APE	868	163	529	176
MCEV PVNBP margin %	1.2%	1.9%	1.8%	(0.5)%
MCEV APE margin %	10%	14%	13%	(5)%

* Note that OMSA healthcare administration business was included in the EEV basis, but is excluded on an MCEV basis.

** The results for United States include Bermuda.

The impact on VNB of the covered business written in the 6 months ended 30 June 2008 due to moving from an EEV to MCEV basis is a decrease of 25.1 per cent from £112 million to £84 million. Most of the reduction is attributable to the United States business where VNB decreased by 130.8 per cent from £26 million to -£8 million.

The EEV risk discount rate for each geography was calibrated for total in-force business and hence the EEV methodology did not make allowance for different levels of risk for different portfolios of asset and liability risks. The MCEV methodology makes a more granular allowance for the differences in the risk profile of different product lines and different generations of policies. The relative impacts on VNB of each of the steps outlined above therefore differ from the impacts on VIF as outlined in note 15 because the risk profiles of new business are different to the risk profiles of in-force business.

Also note that in calculating PVNBP, the projected premiums are discounted with risk free reference rates under MCEV rather the higher risk discount rate which is applicable in each geography under the previous EEV methodology. PVNBP under MCEV reporting is therefore greater than under EEV reporting with a corresponding decrease in PVNBP margins (assuming all other things including VNB being equal).

Notes to the Old Mutual Market Consistent Embedded Value basis supplementary information

For the 6 months ended 30 June 2009

18 Restatement of Return on Embedded Value of covered business

Return on Embedded Value (RoEV) for covered business is calculated as the operating earnings after tax divided by opening Embedded Value in local currency, with the operating assumption changes and other operating variances not being annualised for interim reporting. The table below provides summaries of the drivers in the change of RoEV for the 6 months ended 30 June 2008 from the previously published EEV basis to the MCEV basis.

	6 months ended 30 June 2008		
	OMSA %	Europe %	United States** %
In-force covered business			
Previously published RoEV% on an EEV basis	13.5	14.5	1.3
MCEV RoEV%	14.6	15.7	(25.2)
Difference	1.1	1.2	(23.9)
Drivers of change for the covered business:			
New business value	(0.2)	0.4	(9.6)
Expected existing business contribution	2.4	0.4	5.0
Experience variances	(0.5)	0.6	(4.4)
Assumption changes	(0.5)	(0.1)	(7.4)
Other operating variances*	(0.1)	(0.1)	(7.5)

* Changes and improvement to models and methodology are reflected as other operating variances under MCEV rather than being included as part of assumption changes as treated under EEV.

** The results for United States include Bermuda.

The impact on VNB as a result of moving from an EEV to MCEV basis has been outlined in note 17. Other key drivers of the change in RoEV for each geography are discussed below.

OMSA

The major reasons for the change in RoEV from an EEV to MCEV basis is the significantly higher expected existing business contribution. The expected existing business contribution under MCEV is now derived with reference to the one-year forward risk free reference rate at the start of the reporting period as opposed to the 10-year government bond yield curve. The downwards sloping swap yield curve in South Africa at 31 December 2007 therefore leads to a higher expected existing business contribution under MCEV in 2008.

Contrary to previous EEV treatment, the impact of changes in taxation under MCEV is excluded from operating earnings. Such reallocation of tax changes to non-operating variances is the major reason for the reduced contribution of assumption changes.

Europe

As mentioned above, the expected existing business contribution under MCEV is now derived with reference to the one-year forward risk free reference rate at the start of the reporting period as opposed to the 10-year government bond yield curve. Differences in these yields at the end of 2007 therefore lead to differences in the expected existing business contribution under MCEV.

United States

Projected cash flows are significantly different under EEV and MCEV and such differences are the major contributor to the change in RoEV.

The negative impact of model improvements and changes in methodology on an MCEV basis has been re-classified from assumption changes to other operating variances.

Going forward, rates of return on Embedded Value for the US should be higher than under EEV as the opening MCEV is starting from a much lower base value compared to EEV and, other things being equal, higher actual operating earnings will emerge than projected under MCEV at the valuation date as corporate bond credit spreads are expected to be realised and margins (such as the cost of residual non-hedgeable risks) are released.

Shareholder information

Listings and shares in issue

The Company's shares are listed on the London, Malawi, Namibian and Zimbabwe Stock Exchanges and on the JSE Limited (JSE). The primary listing is on the London Stock Exchange and the other listings are all secondary listings. The Company's shares may also be traded on the Xternal list of the Nordic Exchange in Stockholm. The ISIN number of the Company's shares is GB0007389926.

At 30 June 2009, the Company had 5,516,141,360 ordinary shares of 10p each in issue (30 June 2008: 5,514,580,342). 239,434,888 shares were held by the Company in treasury, at 30 June 2009 (30 June 2008: 239,434,888)

Websites

Further information on the Company can be found on the following websites:

www.oldmutual.com

www.oldmutual.co.za