# NEWS RELEASE

## 06 August 2010

# Old Mutual plc Interim Results for the six months ended 30 June 2010

### Excellent overall performance

| Financial Summary | H1 2010 | H1 2009 |
|---|---|---|
| Adjusted operating profit before tax (IFRS basis)* | **£735m** | £513m |
| Adjusted operating earnings per share (IFRS basis)** | **8.3p** | 4.9p |
| Group ROE | **11.6%** | 7.6% |
| Adjusted MCEV per share | **166.6p** | 171.0p^ |
| IFRS book value per share | **154p** | 147p^ |
| Net client cash flows | **(£1.6bn)** | £0.2bn |
| Funds under management | **£292.3bn** | £285.0bn^ |
| Interim dividend | **1.1p** | - |

^ FY 2009

### Continued strong performance in the first half of 2010

- Adjusted operating profit before tax (IFRS basis) up 43%, improved product mix and tight focus on cost management
  - Profits up in all businesses, particularly strong in Wealth Management
  - Strong profit improvement in Mutual & Federal and US Asset Management
- APE sales up 28% to £814 million, momentum from Q4'09 continued in H1'10 for the Long-term Savings (LTS) Division
  - Rapid rise in sales on the UK platform, APE sales up 145%
  - UK pension sales up 66%, mutual funds doubled and ISA's up 116%
  - South Africa APE sales up 17%, savings products up 18% with strong single premiums growth in Retail Affluent
- Unit trust sales up 43% to £4.6 billion
- Net client cash flows negative overall
  - Inflows of £2.8 billion in LTS, Wealth Management contributed £2.3 billion
  - Outflows of £5.2 billion in US Asset Management
- Funds under management up 3% from 31 December 2009
- Resilient performance in Nedbank but markets remain tough

### Robust financial position

- FGD surplus increase to £1.7 billion at 30 June 2010 (£1.5 billion at 31 December 2009)
- Increase in IFRS book value to 154p per share; MCEV 166.6p per share at 30 June 2010
- Board declaring 1.1p interim dividend for 2010 with scrip alternative

### Good progress on financial targets

- Run-rate cost savings of £42 million delivered to date against target of £100 million by 2012
- On track for 2012 return on equity target of 16%-18% for LTS business (excluding US Life)

### Sale of US Life operations (see separate announcement)

- Sale to Harbinger Capital Partners for $350 million
- Transaction lowers Group risk profile

***Julian Roberts, Group Chief Executive, commented:***

*"We are very pleased with our performance in the first half of 2010. Our operating results were substantially ahead of the comparative period with strong sales performance particularly in the South African retail markets and in Wealth Management.*

*We are driving change throughout the Group and are making good progress on our strategy to simplify the Group and improve financial performance. We are today announcing the sale of US Life to Harbinger and we are also on track to deliver on our cost reduction and return on equity targets.*

*We are confident about the outlook for the full year although market uncertainties remain."*

# Old Mutual plc

**Interim Results for the six months ended 30 June 2010**

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## 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 | 0844 493 3800 |
| US | +1 866 966 9439 |
| Sweden | 0850 336 434 |
| South Africa (toll-free) | 0800 980 759 |
| International | +44 1452 555 566 |

Playback (available for 14 days from 6 August), using pass-code 89787073#:

| | |
|---|---|
| UK | 0845 245 5205 |
| US | +1 866 247 4222 |
| International | +44 1452 550 000 |

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 2010 and 2009

# Review of Operations

### Introduction

Our operating results for the first half of 2010 were substantially ahead of the comparative period. In both constant currency and sterling terms, profits were up in each of our core businesses. We generated significantly higher sales for our capital light equity-based products and we benefited from the aggressive expense management activity we have been undertaking as part of our drive to improve business performance. Funds under management grew by 3% during the period. South African rand, US dollar and Swedish krona exchange rate movements were also favourable to profit.

The sales momentum seen in the latter part of 2009 continued throughout the first half of 2010 despite the backdrop of declining markets in the second quarter. We were particularly encouraged by sales performance in the Retail markets of South Africa and in Wealth Management where sales on the UK platform were very strong, demonstrating our market-leading position. We have delivered higher sales volumes within our strictly controlled capital and risk appetite.

We are managing the business for return on equity and are on track to achieve both the cost reduction and ROE targets that we set in March 2010.

The Group is in a sound financial shape. At 30 June 2010 our FGD surplus was £1.7 billion and we had total liquidity of £1.0 billion.

### Long-Term Savings (LTS)

Our LTS division delivered strong results for the period with operating profits up 50% from H1 2009, largely driven by a profit uplift in Wealth Management and currency benefits in Emerging Markets and Nordic. Life sales were up 28% over the comparative period, with sales in the second quarter of 2010 continuing at the levels of the previous two quarters.

The APE margin remained at 11% and net client cash flows and funds under management grew considerably during the half year.

#### LTS: Emerging Markets

In South Africa, our business produced a resilient performance with strong profitability and a continued high return on equity in very difficult trading conditions. Sales on an APE basis were up 17% over the comparative period. We continued to enhance our product offering with very successful product innovation in the South African single-premium market. As sentiment improved, we saw the early development of a shift away from risk products in our Retail Affluent business.

During the period, we continued to invest in our distribution capability and as a result, we grew market share in our core product ranges. We are well positioned to benefit from the recovery in consumer confidence as economic growth picks up.

On 2 May we launched iWyze, a new short term insurance product through a collaborative effort via a joint venture between OMSA and Mutual & Federal. We are encouraged by early indications of its success.

In Latin America, sales were up 40%, driven largely by enhancements to the savings product in Mexico. In India sales were up by 11% and in China sales were up by 13% in local currencies.

Our relationship with our new joint venture partner Guodian has had an encouraging start. We are developing additional product lines, using new forms of distribution and accessing new target population bases to take advantage of the wider Chinese market which continues to grow very rapidly.

#### LTS: Nordic

The value of new business was up 13% over the comparative period although life APE sales were down 29% following the effects of increased competition and the removal of our Link regular product. The corporate market was still subdued. The APE margin improved to 25%, demonstrating the impact that our strategy of focusing on pricing products for ROE is having on improving the returns of our businesses. Total adjusted operating profits were up 142%, also boosted by private equity gains and improved underwriting profit from our Healthcare business following the re-pricing carried out at the end of 2009.

Although economic growth is returning to the region, unemployment is still relatively high. Sweden's corporate sector sales continue to be adversely impacted although there are some indications that this is improving. Mutual fund sales were strong, up 130% on H1 2009 in part through good product development but also in line with wider market trends.

We are focused on sustaining our improving margins through continued expense management, further growth in sales and new product development, including products designed for direct distribution.

#### LTS: Retail Europe

There was a strongly positive performance across all measures in Retail Europe for the period compared to the first half of 2009. Life APE sales were up 9% with good contributions from Germany and Poland and adjusted operating profit was up 190%. Unit trust sales were up 17% despite unit-linked markets remaining soft in Germany and Austria as demand for guarantee products increased.

Overall net client cash flows represented 9% of opening funds under management on an annualised basis. Funds under management were up 11% from 31 December 2009, supported by our asset mix and improved client investment appetite.

Our drive for cost reduction through eliminating duplication across the LTS division continues. Work to transfer Retail Europe IT and client administration functions to South Africa continued throughout the period and is expected to begin taking effect in the second half of the year. In line with growing consumer demand, we introduced new single-premium products and we have further products in development using expertise from South Africa.

# Group Chief Executive's Review

### LTS: Wealth Management

Investor sentiment was positive in the first half of the year and the falls in equity markets in the second quarter did not have a noticeable effect on customer behaviour. Sales, net client cash flows and funds under management all had positive momentum in the period. Total Wealth Management APE sales increased 54% over the comparative period with sales in each of the quarters of the period comfortably exceeding each of comparative quarters in 2009. Net client cash inflows for the half year of £2.3 billion were more than three times H1 2009 and funds under management were up 4% from the start of the year despite the FTSE 100 being down 9% over the same period.

In the UK, the transition to our platform model continues with transfers from our own legacy book as well as the transfer by IFA's of client monies from other in-force books. Clients' investment preferences shifted from more traditional life products into mutual funds as evidenced by our achievement of £2.2 billion sales in the period, up 71% on H1 2009. We continue to be a leading UK platform provider with a market share of 7.2% of total sales as at 31 March 2010, based on ABI/Lipper statistics. We are well positioned to capture the strong anticipated inflows resulting from increased customer demand for low cost and transparent products and as they look to exit maturing traditional products such as with-profits bonds and endowments, including our own.

Owing to our strong distributor relationships, APE sales in Italy increased significantly as we grew our share of the unit-linked market, while in France sales remained steady with good growth in the second quarter.

We have launched a significant operational efficiency drive in this business and will execute the bulk of this during the remainder of the year.

### LTS: US Life

H1 2010 was a stable period for US Life. As planned, life APE sales were up 19% and we maintained strong relationships with the top-tier producing agents through whom we are now selling more profitable, capital light products. The APE margin for the period was down at (9%) due to the extended low yield environment and a lower assumed liquidity premium. The business is now self sustaining and delivered stable profits during the first half of 2010 on higher sales levels and a lower cost base.

No additional capital from the Group was required to support US Life during the period.

## Nedbank

The South African banking industry continued to experience a challenging operating period in the first half of 2010. Demand for credit grew at historically low rates and improvements in retail defaulted advances occurred only slowly as consumers remained under credit related pressure.

Nedbank's adjusted operating profit improved by 6% and non-interest revenue including the consolidation of the Bancassurance & Wealth joint ventures grew by 15% to R6.2 billion. Net interest income declined 1% to R8.1 billion.

Nedbank's credit loss ratio improved to 1.46% for the first half of 2010, its liquidity position remains sound and its capital ratios remain above target levels. The Tier 1 capital adequacy ratio remained steady from that at 31 December 2009 at 11.5%, and the total capital adequacy ratio ended the period at 14.8%.

## M&F

Mutual & Federal's underwriting result improved significantly during the period due to our success in implementing pricing increases and an overall improvement in the underlying quality of the insurance business following the cancellation of certain unprofitable portfolios.

We have completed our strategic review of the business and are now beginning to implement measures to improve efficiency, reduce expenses and improve business returns. We are preparing the business for the next stage of development including developing innovative products in the face of high levels of competition in the industry, continuing to build niche specialities for the broker model and increasing the use of technology to react to regulatory changes in distribution models and improve returns.

## US Asset Management

Although market conditions in 2010 were volatile, our drive for more profitable growth in our US Asset Management business is producing good results. Our diversified asset mix between equities, fixed income and alternatives helped us withstand the market volatility. While we incurred net client cash outflows, impacting funds under management for the period, this was partly due to large Real Estate Investment Trust outflows as investors realised assets after significant investment returns.

On 13 July OMAM announced that it agreed to acquire an international equity portfolio management team from Invesco to form a new OMAM affiliate, Echo Point Investment Management, in Pennsylvania, US. This will extend our capabilities in international equities and further diversify our boutiques. Another of OMAM's boutiques, Thomson Horstmann & Bryant is in the process of transferring ownership through a management buyout.

Non-US clients represented 26% of total funds under management at 30 June 2010 and a key objective is to grow and diversify this client base by expanding our international distribution capability and ability to capture new assets.

We continue to prepare the business for a partial IPO by the end of 2012.

### Management changes

On 27 July 2010 Mutual & Federal announced the retirement of Keith Kennedy as CEO of the company to be effective after a transition period.

Today we announce that Bertil Hult, CEO of Skandia Nordic, has advised that he wishes to step down from his role within the next 12 months.

During the period, Diane Radley, Finance Director of our OMSA business, was appointed as Chief Executive of Old Mutual Investment Group South Africa. The appointment will be effective from 1 January 2011.

Recruitment processes are in place in order to find suitable successors for these roles.

### Dividend

The Board has considered carefully the position in respect of an interim dividend for the six months ended 30 June 2010, and has declared a dividend of 1.1p per share (or its equivalent in other currencies). As for the 2009 final dividend a scrip alternative will be offered to eligible shareholders.

### Outlook

We are confident about the outlook for the full year although market uncertainties remain.

**Julian Roberts**
Group Chief Executive
6 August 2010

# Group Finance Director's Review

## GROUP RESULTS

Overview of H1 2010 results

| Group Highlights (£m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis, pre-tax)* | **735** | 513 | 43% |
| Adjusted operating earnings per share (IFRS basis)* | **8.3p** | 4.9p | 69% |
| Life assurance sales – APE basis* | **814** | 634 | 28% |
| Unit trust/mutual fund sales | **4,553** | 3,192 | 43% |
| Return on equity (annualised)* | **11.6%** | 7.6% | |
| Net client cash flows (£bn) | **(1.6)** | 0.2 | n/a |
| Funds under management (£bn) | **292.3** | 285.0** | 3% |
| Interim dividend | **1.1p** | - | |

* In line with our AOP policy, Bermuda is treated as a non-core business, and so is excluded from AOP.

** FY 2009

ROE is calculated as IFRS AOP (post-tax) divided by average shareholders' equity of core businesses (excluding the perpetual preferred callable securities)

During the six months ended 30 June 2010 ("H1 2010" or "the period") Old Mutual delivered an improved performance on the six months ended 30 June 2009 ("H1 2009" or "the comparative period") and on the second half of 2009 ("H2 2009") . Adjusted Operating Profit ("AOP") earnings per share were 8.3p for H1 2010 compared to 4.9p for H1 2009 and 7.2p for H2 2009. Positive funds under management growth was experienced compared to the first half of 2009, and marginally up on the full year 2009 balance largely due to improved market conditions. Return on equity (on an annualised basis) grew to 11.6%.

IFRS AOP on a pre-tax basis for H1 2010 of £735 million was £222 million higher than H1 2009. This was due to strong growth in new business sales, favourable exchange rate movements in South African rand and Swedish krona, lower credit losses in South African banking, a continued focus on overall cost control, improved persistency and higher asset management profits in South Africa and the US. Lower earnings on Group capital, and increased financing costs were also experienced. Of the 43% increase in AOP, 61% was generated from improved trading, and 39% was the benefit of currency movements. Sales for the second quarter of 2010 were ahead of the first quarter for Emerging Markets, mainly due to seasonal factors, but were slightly lower than the first quarter of 2010 for the UK, Italy and France in Wealth Management, and in Retail Europe. Net client cash flows ("NCCF") were positive across the Long-Term Savings ("LTS") business as a whole, and in all our European businesses and in our Retail South African businesses, but were offset by outflows in Emerging Markets, notably OMIGSA and in the institutional business, and in certain affiliates of USAM.

In the first half of 2010 the volatility of the markets in which the Group operates was shown by equity market performance in each of the two quarters. The JSE All Share index rose by 4% in the first quarter and then fell by 9% in the second quarter. The FTSE-100 rose by 5% in the first quarter, but fell by 13% in the second quarter. The S&P-500 index was up by 5% in the first quarter but suffered a 12% fall in the second quarter. In terms of currency movements, the rand started the year at 11.92 against sterling, strengthened to 11.04 at 31 March 2010 and weakened again to 11.45 at 30 June 2010. In contrast, the US dollar strengthened against sterling by 6% in the first quarter and continued to rise, by a further 2% to the end of the first half. The combination of these currency movements had the effect of improving rand and US dollar denominated earnings, and increasing the sterling value of US dollar denominated debt. The average exchange rates to sterling over the six month period were 11.49 and 1.53 for the rand and US dollar respectively.

### Management Discussion and Analysis of Results for H1 2010

The principal businesses of the Group are the LTS division, Nedbank, Mutual & Federal and US Asset Management. During the period, Old Mutual owned on average 54% of Nedbank, and at 30 June 2010 the market capitalisation of Nedbank was £5.1 billion. The results for each of the LTS businesses, Nedbank, Mutual & Federal and US Asset Management are discussed separately in the Business Review which follows this Report.

### Summary adjusted operating profit statement

| £m | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 | % Change |
|---|---|---|---|
| **Revenue** | | | |
| Net earned premiums | **2,002** | 1,630 | **23%** |
| Investment return (non-banking) | **1,667** | 1,704 | **(2%)** |
| Banking interest and similar income | **2,005** | 2,112 | **(5%)** |
| Fee & commissions | **1,471** | 1,175 | **25%** |
| Other revenue | **161** | 102 | **58%** |
| **Total revenues** | **7,306** | 6,723 | **9%** |
| **Expenses** | | | |
| Net claims and benefits incurred | **(1,789)** | (1,070) | **(67%)** |
| Change in investment contract liabilities | **(876)** | (1,140) | **23%** |
| Bank interest | **(1,243)** | (1,443) | **14%** |
| Other expenses | **(2,665)** | (2,557) | **(4%)** |
| **Total expenses** | **(6,573)** | (6,210) | **(6%)** |
| Share of associated undertakings profit/(loss) after tax | **2** | - | |
| **Adjusted operating profit/(loss) before tax and non-controlling interests** | **735** | 513 | **43%** |

The 23% increase in net earned premiums reflects the growth in new business sales between the periods and fee and commission income growth benefits from the increase in FUM over the period. The movement in investment returns across the life businesses are broadly offset by corresponding movements in the insurance and investment contract liabilities. The reduction in banking interest reflects the lower interest rate environment. Other expenses grew by 4% over the period, reflecting increased levels of new business written and FX movements (primarily the strengthening of the rand).

Group net margin (on an assets x margin basis) increased by seven basis points over the period from 35bps to 42bps. Of this, three basis points came from the European LTS businesses, whose uplift in profits exceeded the increase in asset growth, and one basis point came from Emerging Markets where the decline in LTIR rate was more than offset by underlying profit growth in excess of growth in assets. The increase in profit from the non-LTS businesses resulted in a further one basis point increase in the Group net margin, and the reduced Plc net debt charge since the first half of 2009, combined with a higher asset base, resulted in an increase of two basis points.

### Operating profit analysis

| £m | H1 2010 | H1 2009 as reported | Constant currency change |
|---|---|---|---|
| Long Term Savings | **477** | 317 | 32% |
| Nedbank | **266** | 211 | 6% |
| Mutual & Federal | **33** | 20 | 32% |
| US Asset Management | **40** | 30 | 33% |
| Finance costs | **(68)** | (47) | (45%) |
| LTIR on excess assets | **16** | 46 | (65%) |
| Interest payable to non-core operations | **(18)** | (21) | 14% |
| Other expenses | **(11)** | (43) | 74% |
| **Adjusted operating profit** | **735** | 513 | 22% |

The £222 million increase in AOP relative to the comparative period was made up of £134 million (61%) due to improvement in trading results, and £88 million (39%) from the positive benefit of currency movements. On a constant currency basis, the AOP for the first half of 2009 was £601 million.

Finance costs increased mainly as a result of interest paid on the £500 million seven-year 7.125% fixed rate senior bond placed in October 2009. The decline in other expenses is mainly attributable to a change in the allocation of project costs across the Group, and to a stamp duty reserve tax refund received in the first half of the year.

### Long-term investment return

The LTIR on the excess assets decreased from £46 million to £16 million. This was a result of the reduction in the rate applied to OMLAC(SA) assets within Emerging Markets and M&F to 9.4% reflecting the expected asset mix of 25% equities and 75% cash, and the reduction in the underlying shareholder asset base.

### Reconciliation of Group AOP and IFRS profits

| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009* | Year ended 31 December 2009 |
|---|---|---|---|
| | | | £m |
| **Adjusted operating profit** | **735** | 513 | 1,170 |
| Adjusting items | **(238)** | (354) | (1,137) |
| Non-core operations – Bermuda | **(54)** | (24) | 22 |
| **Profit before tax (net of policyholder tax)** | **443** | 135 | 55 |
| Income tax attributable to policyholder returns | **-** | 25 | 192 |
| **Profit before tax** | **443** | 160 | 247 |
| Total income tax | **(63)** | (133) | (365) |
| **Profit/(loss) after tax for the financial period** | **380** | 27 | (118) |
| **Other comprehensive income for the financial period** | **430** | 161 | 1,228 |
| **Total comprehensive income for the financial period** | **810** | 188 | 1,110 |
| Attributable to | | | |
| Equity holders of the parent | **640** | 1 | 709 |
| Non-controlling interests | | | |
| Ordinary shares | **139** | 151 | 334 |
| Preferred securities | **31** | 36 | 67 |
| **Total comprehensive income for the financial period** | **810** | 188 | 1,110 |

* Interim 2009 results have been restated to show Bermuda as a non-core operation.

The key adjusting items between our AOP and IFRS profits for the first six months of 2010 are deductions of £102 million in respect of acquisition accounting, £66 million for short-term fluctuations in investment return, and £90 million reversing previous mark to market gains on issued Group debt, as the improvement in the external position of Group debt in the period is deducted from IFRS profits. Other adjustments net to £20 million.

On an IFRS basis, the Group produced profit after tax of £380 million. In addition to this the Group generated further value for shareholders of £430 million, resulting in an increase in net assets in the period of £810 million. The £430 million of other comprehensive income came from the recovery in the value of the US Life and Bermuda bond portfolios and from favourable currency movements.

### Long-Term Savings

Key performance statistics for the LTS division are as follows:

| **H1 2010** | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** | **Total** |
|---|---|---|---|---|---|---|
| | | | | | | £m |
| Life assurance sales (APE) | **223** | **102** | **32** | **412** | **45** | **814** |
| PVNBP | **1,561** | **553** | **243** | **3,611** | **432** | **6,400** |
| Value of new business | **38** | **25** | **2** | **31** | **(4)** | **92** |
| Unit trust/mutual fund sales | **1,417** | **324** | **12** | **2,207** | **-** | **3,960** |
| NCCF (£bn) | **(0.2)** | **0.4** | **0.2** | **2.3** | **0.1** | **2.8** |
| FUM (£bn) | **46.2** | **11.4** | **4.3** | **48.8** | **7.0** | **117.7** |
| Adjusted operating profit (IFRS basis) (pre-tax) | **269** | **58** | **25** | **95** | **30** | **477** |
| Operating MCEV earnings (covered business) (post tax) | **144** | **63** | **24** | **64** | **127** | **422** |

| H1 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Total |
|---|---|---|---|---|---|---|
| | | | | | | £m |
| Life assurance sales (APE) | 165 | 134 | 30 | 267 | 38 | 634 |
| PVNBP | 1,231 | 634 | 228 | 2,231 | 348 | 4,672 |
| Value of new business | 23 | 21 | (3) | 22 | 7 | 70 |
| Unit trust/mutual fund sales | 1,318 | 130 | 11 | 1,291 | - | 2,750 |
| NCCF (£bn) | (1.3) | 0.5 | 0.2 | 0.7 | (0.1) | - |
| FUM (£bn) | 37.1 | 8.4 | 3.4 | 38.7 | 0.3 | 87.9 |
| Adjusted operating profit (IFRS basis) (pre-tax) | 215 | 22 | 8 | 43 | 29 | 317 |
| Operating MCEV earnings (covered business) (post tax) | 110 | 42 | (15) | 13 | 259 | 409 |

Sales increased across the LTS division, largely as a result of growth in Wealth Management single premium pension sales, notably in the UK and Italy, and continued single premium sales growth in Emerging Markets, notably in Retail Affluent. A managed shift in business mix in Nordic was executed with sales focused on generating better margins. There was modest growth in both single and recurring premiums in Retail Europe, and US Life sales tracked in line with management plans for modest growth.

Across LTS as a whole, new business margins have remained stable, with APE margin of 11% for H1 2010 (H1 2009: 11%), and the PVNBP margin of 1.4% (H1 2009: 1.5%). This reflects the focus on selling more profitable products with better margins, notably in Nordic, and increased sales of a higher margin product in Emerging Markets. In Nordic, the APE margin has increased from 16% to 25%, benefiting from the shift away from low margin product sales such as *Link regular*. We expect some reduction in the Nordic margin during the second half of 2010. Across Wealth Management, the APE margin has remained at 8%, with the UK seeing a decline from 4% to 2%, and International a decline from 17% to 14%. APE margin in respect of the continental European markets covering Italy and France is 9%. In Retail Europe, the APE margin has improved considerably to 6% from a negative position in the comparative period.

The market-consistent value of new business (VNB) improved for all of our LTS businesses, with the exception of US Life where the VNB fell as a result of the reduction in swap yields and liquidity premium used in the calculation.

Funds under management for LTS at 30 June 2010 were £117.7 billion (31 December 2009: £112.2 billion; 30 June 2009: £87.9 billion) with periods of substantial market movements during the half year. The UK and US equity portfolios experienced the greatest volatility with the FTSE-100 down 9.2% and the S&P-500 down 7.6% from 31 December 2009. These movements impact both management fees and performance fees. LTS earnings benefited from positive net client cash flows in H1 2010 with particularly strong inflows in Wealth Management.

The Emerging Markets business within LTS accounts for 37% of the total IFRS AOP earnings, 16% of FUM, and 27% of APE sales. This compares to 42% of AOP, 15% of FUM, and 26% of APE sales in the first half of 2009.

Further discussion on the drivers for the movements within the individual LTS business units is given in the Business Review.

### Group cost savings and ROE and margin targets

At the 2009 Preliminary Results and Strategy Update, the Group introduced three-year cost saving and return on equity targets. We set out below performance against those targets and some commentary on progress. The improvement in ROE has been driven by the achieved cost savings, improved persistency and the level of FUM during the period being above planned FUM.

| ROE and margin targets | H1 2010 | FY 2009 | External Target |
|---|---|---|---|
| Long Term Savings[1] | | | |
| - Emerging Markets | 27%[2] | 24%[2] | 20%-25% |
| - Nordic | 12% | 12% | 12%-15% |
| - Retail Europe | 20% | 9% | 15%-18% |
| - Wealth Management | 15% | 8% | 12%-15% |
| **LTS[3] Total** | 19.3% | 14.9% | **16%-18%** |
| USAM Operating Margin | 17% | 18% | 25%-30% |

1 For Nordic, Retail Europe and Wealth Management, ROE is calculated as IFRS AOP (post tax) divided by average shareholders' equity, excluding goodwill, PVIF and other acquired intangibles.

2 OMSA only, calculated as return on allocated capital where full year 2009 has been adjusted to the 2010 LTIR rate

3 Long-Term Savings excluding US Life.

We are delivering the reduction in the cost base of our businesses as announced in March. Wealth Management have made good progress with £17 million of run-rate savings achieved to date against the 2012 target of £45 million. Retail Europe has achieved £6 million of run-rate savings as a result of reduced staff costs and centralisation of functions in Berlin. US Asset Management delivered around £10 million of actual savings in the first half as a result of restructuring in 2009, and therefore on a run-rate basis, the business is already exceeding its target. As we continue to grow the business, we will focus on maintaining the reductions we have achieved to date. An update on progress will be provided with the 2010 Preliminary Results.

# Group Finance Director's Review

### Summary MCEV results

| | p |
|---|---|
| **Adjusted Group MCEV per share at 31 December 2009** | **171.0** |
| **Adjusted operating Group MCEV earnings per share** | **10.6** |
| Covered business | 8.5 |
| Non-life contribution | 2.1 |
| **Below the line effects** | **(15.0)** |
| Economic variances and other | (4.9) |
| Foreign exchange movements | 2.7 |
| Dividends to shareholders | (1.9) |
| Nedbank market value adjustment | (2.4) |
| M&F dilution | (7.1) |
| Marking debt to market and fair value gains/losses on Group debt instruments | (1.4) |
| **Adjusted Group MCEV per share at 30 June 2010** | **166.6** |

Adjusted Group MCEV per share for H1 2010 decreased to 166.6p from 171.0p at 31 December 2009. The decrease in the MCEV per share over the 2009 year-end was primarily as a result of the impact of economic variances (e.g. the decrease in certain equity markets and increased volatility in the period), and the dilution as a result of the inclusion of Mutual & Federal in the adjusted Group MCEV at the IFRS net asset value rather than at market value, and the associated issue of equity as consideration. This was partly offset by the expected existing business contribution from covered business.

Adjusted operating Group MCEV earnings per share for the period of 10.6p were 1.7p (19%) higher than H1 2009, as a result of the increase in the non-covered business operating earnings of 2.5p, generated from higher profits in the asset management businesses, due to higher funds under management and fee income, higher profits in the banking business caused largely by favourable exchange rate movements and increased fee income, and lower other shareholders' expenses than incurred in the first six months of 2009. This increase in the non-covered business was offset by the 0.8p reduction in covered business operating MCEV earnings. Significantly higher operating earnings in Emerging Markets, Nordic, Retail Europe and Wealth Management were offset by normalising of operating earnings for US Life and Bermuda. There was a positive contribution from experience variances, largely attributable to improved persistency experience relative to the assumption changes that were made at December 2009. This improvement was assisted by active lapse and surrender management programmes. In comparison to the first half of 2009, there was a much lower contribution from methodology changes and error corrections reflected in other operating variances and a lower expected existing business contribution in US Life and Bermuda. As a consequence, ROEV of 14.7% has decreased from 14.8% in the comparative period.

The Group generated £246 million of free surplus in the period (FY 2009: £434 million; H1 2009: (£158) million), of which £276 million (FY 2009: £551 million; H1 2009: £137 million) was generated by the LTS division, and £204 million (FY 2009: £249 million; H1 2009: (£158) million) was generated from covered business (which includes Bermuda).

#### Key actuarial and MCEV developments in H1 2010

Total MCEV earnings were adversely impacted by economic variances, compared to a large positive contribution in 2009. This was mostly attributable to US Life and Bermuda, and resulted from an increase in interest rate volatility, lower swap rates, a lower liquidity premium, higher corporate spreads and declining equity markets. As in the prior year, an adjusted risk free reference rate has been used in the determination of MCEV for the US Life and Old Mutual Life Assurance Company (South Africa)'s Immediate Annuities. The adjustment in respect of liquidity in the period for US Life was 75 basis points (FY 2009: 100 basis points) and for OMLAC(SA) was 50 basis points (FY 2009: 50 basis points).

The Mutual & Federal minority interests were acquired on 8 February 2010, in consideration for 147 million Old Mutual plc shares. This transaction diluted the adjusted Group MCEV per share by 7.1p as a result of a change of the basis of valuation of Mutual & Federal as an unlisted entity (2.5p), and the additional shares issued (4.6p). Mutual & Federal is now incorporated in the adjusted Group MCEV at the IFRS net asset value (30 June 2010: £321 million). Previously it was included at the Group's share of the market value (31 December 2009: £448 million), which was higher than IFRS net asset value (31 December 2009; £265 million).

The MCEV methodology does not capitalise returns on assets in excess of the adjusted risk free reference rates. We have estimated that the present value of corporate bond spreads not allowed for in the MCEV of US Life amounts to £735 million as at H1 2010 (FY 2009: £556 million).

### Capital, liquidity and leverage

#### Capital

The Group's regulatory capital surplus, calculated under the EU Financial Groups Directive, at 30 June 2010 was £1.7 billion. The Group has followed the FSA's requirements, and has given it six months advance notice of its right to call a £300 million Lower Tier 2 instrument at the first call date of 21 January 2011. As a result of that notice, the Lower Tier 2 instrument has been excluded from the regulatory capital surplus calculations as at 30 June 2010. Notwithstanding such notice, the Board at this time has not made any decision and is not making any representation to Bondholders as to whether it will call the bond at the first call date. On a like for like basis, the regulatory capital surplus at 30 June 2010 was £2.0 billion (31 December 2009: £1.5 billion; 30 June 2009 £1.0 billion). This represents a coverage ratio of 147%, compared to 135% at 31 December 2009 and 128% at 30 June 2009. The increase in the coverage ratio since 31 December 2009 comprises statutory profits in LTS (Emerging Markets, Nordic and UK) and Nedbank, reduced resilience risk capital requirement in Bermuda due to the increased hedging of the equity portfolio and a reduction in Nedbank's capital requirement reflecting a change to the "capital floor" regime operated by the South African Reserve Bank. These positive changes have been partially offset by increased capital requirements in Emerging Markets and Namibia and by the payment of ordinary and preferred dividends.

Our Group regulatory capital, calculated in line with the FSA's prudential guidelines, is structured in the following way:

| | | | | | | £m |
|---|---|---|---|---|---|---|
| | **H1 2010** | **%** | **H1 2009** | % | FY 2009* | % |
| Ordinary Equity | **4,228** | **69** | 3,082 | 66 | 4,171 | 71 |
| Other Tier 1 Equity | **623** | **10** | 592 | 13 | 611 | 10 |
| Tier 1 Capital | **4,851** | **79** | 3,674 | 79 | 4,782 | 81 |
| Tier 2 | **2,584** | **42** | 2,537 | 55 | 2,562 | 44 |
| Deductions from total capital | **(1,351)** | **(21)** | (1,565) | (34) | (1,497) | (25) |
| Total Capital | **6,084** | **100** | 4,646 | 100 | 5,848 | 100 |

* FY 2009 restated to reflect actual FSA submission

Tier 1 Capital includes £183 million of hybrid debt capital reported for accounting purposes as Minority Interests and Tier 2 includes £338 million of capital hybrid debt, which is reported as Group Preference Shares, as well as the £300m Lower Tier 2 instrument.

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

| | **H1 2010** | **At 31 December 2009** | **H1 2009** |
|---|---|---|---|
| **Business unit** | **Ratio** | **Ratio** | **Ratio** |
| OMLAC(SA) | 3.9x | 4.1x | 3.9x |
| Mutual & Federal | 184% | 172% | 141% |
| US Life | 347% | 312% | 281% |
| Nordic | 11.0x | 10.8x | 10.8x |
| UK | 3.6x | 2.9x | 3.0x |
| Nedbank* | Core Tier 1: 9.9%<br>Tier 1: 11.5%<br>Total: 14.8% | Core Tier 1: 9.9%<br>Tier 1: 11.5%<br>Total: 14.9% | Core Tier 1: 8.6%<br>Tier 1: 10.0%<br>Total: 13.2% |

* This includes unappropriated profits.

As announced in our 2009 Preliminary Results, we remain committed to reducing our debt by at least £1.5 billion by the end of 2012, and believe that this improvement in the quality of our balance sheet will position us well for the implementation of Solvency II, although the final requirements have not been confirmed.

### Liquidity

As a Group we continue to maintain effective dialogue and strong commercial relationships with our banks. As of 30 June, the plc has available cash and commitments to facilities of £1.0 billion (31 December 2009: £1.2 billion; 30 June 2009: £0.8 billion).

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.

### Holding Company Leverage

| | | £m |
|---|---|---|
| | **H1 2010** | H1 2009 |
| Opening net debt | **(2,273)** | (2,263) |
| Inflows from businesses | **184** | 350 |
| Outflows to businesses and expenses | **(220)** | (449) |
| Debt and equity movements: | | |
| Ordinary dividends paid (net of scrip dividend elections) | **(37)** | - |
| Equity issuance | **2** | - |
| Debt repayments | **(44)** | 200 |
| Other movements | **(105)** | (213) |
| Closing net debt | **(2,493)** | (2,375) |
| Net decrease/(increase) in debt | **(220)** | (112) |

# Group Finance Director's Review

The outflows to businesses decreased compared to 2009 reflecting much lower capital investment needed to support US Life's capital ratio. We made ordinary dividend payments in the period of £37 million and offered a scrip dividend election. During the period, 13.7 million new shares were issued which amounted to an increase in shareholders' funds of £16 million. The Group repaid £44 million of external debt in the period. Of the total other movements of £105 million, £87 million is in respect of the revaluation of underlying swap contracts and the balance is foreign exchange movements and other net flows. In the second half of the year we anticipate higher operational cash inflows to the Group holding company, reflecting typical funding patterns.

We remain committed to supporting the US Life capital ratio at around 300%. At 30 June, the RBC capital ratio was 347%. This capital strength together with the implementation of possible changes by the end of 2010 to both US GAAP and NAIC accounting rules, which are currently under consideration, particularly in respect of CMBS investments, make further injections of capital into US Life this year unlikely.

## Dividend

### Dividend policy

The Board intends to pursue a dividend policy consistent with our strategy, and having regard to overall capital requirements, liquidity and profitability, and targeting dividend cover of at least 2.5 times IFRS AOP earnings over time. As previously announced, over the longer term, the Board will thus look to pay a dividend based on the Group's capital, cash flow and earnings, with a view to maintaining a payout ratio of 40%. The speed with which this develops will also reflect the impact of further rationalising of the portfolio and progress in achieving our debt reduction target.

### Interim dividend for 2010

The Directors of Old Mutual plc have declared an interim dividend for the six months ended 30 June 2010 of 1.1p per share (or its equivalent in other applicable currencies). The Company is planning to offer, as with the final dividend for 2009, a scrip dividend alternative for eligible shareholders and intends to continue to offer such an alternative for all future dividends until further notice.

### Dividend timetable

The timetable for the interim dividend for the six months ended 30 June 2010 is set out below:

| | |
|---|---|
| Declaration date | 6 August 2010 |
| Scrip calculation price determined | Last five dealing days on each exchange ending on 30 September 2010 |
| Currency conversion date | 30 September 2010 |
| Exchange rates, scrip calculation price and ratio announced | 1 October 2010 |
| Last day to trade cum div for shareholders on the branch registers in Malawi, South Africa and Zimbabwe and on the Namibian section of the principal register | 8 October 2010 |
| Ex-dividend date for shareholders on the registers in Malawi, South Africa and Zimbabwe and on the Namibian section of the principal register | 11 October 2010 |
| Last day to trade cum div for shareholders on the UK register | 12 October 2010 |
| Ex-dividend date for shareholders on the UK register | 13 October 2010 |
| Scrip dividend alternative offer closes for shareholders on the branch registers in Malawi, South Africa and Zimbabwe and on the Namibian section of the principal register | 12 noon on 15 October 2010 |
| Record date for the dividend | 15 October 2010 (close of business) |
| Scrip dividend alternative offer closes for shareholders on the UK principal register | 12 noon on 2 November 2010 |
| Payment date and first day of dealings in new Ordinary Shares issued under the scrip dividend alternative | 30 November 2010 |

The entitlement to receive the scrip dividend alternative is personal and non-transferable. Shareholders should note that they will not be able to trade their entitlement to new Ordinary Shares to be issued pursuant to elections under the scrip dividend alternative between 11 October and 29 November 2010 inclusive. A booklet setting out the full terms of the scrip dividend alternative will be sent to eligible shareholders during September 2010.

Share certificates for shareholders on the South African register may not be dematerialised or rematerialised between 11 October 2010 and 15 October 2010, both days inclusive, and transfers between the registers may not take place during that period.

## US Life and US bond portfolio performance

Impairments in the US Life bond portfolio were $23 million in the first half of 2010, compared to $199 million in H1 2009 and $389 million in 2009 as a whole. Impairments for the period are within our long-term assumptions for the portfolio. As at 30 June 2010, there was a net unrealised gain of $138 million on the $16.5 billion fixed income bond portfolio ($497 million and $1.6 billion net unrealised loss at 31 December 2009 and 30 June 2009). Realised gains on previously impaired securities were $39 million in the first half of 2010. There have been no defaults in the portfolio in the period. The portfolio is well matched with assets (including cash and short-term holdings) of 5.9 years of average duration compared to 5.5 years of liabilities.

### Bermuda

As disclosed in our Preliminary Announcement in March 2010, Bermuda is in run-off and consequently is treated as a non-core entity. The results for the first half of 2010 were primarily impacted by the equity market performance and the decrease in interest rates in the second quarter of the year. The IFRS pre-tax loss was $83 million (H1 2009: $36 million loss) for the period. The increase in the loss compared to the prior year was principally made up of the movement in the guarantee reserve position net of the change in hedge assets arising from the movements in the Asian markets in the period. Lower US interest rates and lower global equity markets during the second quarter resulted in increased guarantee reserves compared to the 2009 year-end levels. As a direct result, additional hedges were reinstated over the period to improve market downside protection across all key exposures, and this selective hedging offset much of the increase in the reserves arising from lower actual account values. A return to less volatile market conditions, were it to occur, would improve profitability, although the business still expects some volatility in earnings in the medium-term. Post the removal of the hedges in September 2009, the aggregate economic result to the end of July was a loss of around $54 million.

Operating MCEV post-tax earnings for the first half of the year were $45 million (H1 2009: $116 million). The difference between 2009 and 2010 operating earnings is mostly due to several 2009 items that are not repeated in 2010. The closing MCEV position was affected by negative economic variances of $114 million, mainly driven by lower than expected equity market returns, lower interest rates, and higher interest rate volatility.

Of total insurance liabilities of $6,319 million (30 June 2009: $6,796 million), $4,165 million (30 June 2009: $4,249 million) is held in the separate account relating to variable annuity investments, where risk is borne by policyholders. The remaining reserves amount to $2,154 million (30 June 2009: $2,547 million). Of this, $1,029 million (30 June 2009: $1,076 million; 31 December 2009: $763 million) is in respect of guarantee liabilities on the variable annuity business, and $1,125 million (30 June 2009: $1,471 million; 31 December 2009: $1,290 million) for policyholder liabilities supported by the fixed income portfolio.

Non-separate account reserves represent the discounted future expected amounts required to meet policy obligations. OMB reserves are calculated on a policy-by-policy basis and verified independently through both internal and external actuarial review.

Minimum required capital was $510 million as at 30 June 2010 (30 June 2009: $476 million; 31 December 2009: $586 million). No capital injection is anticipated this year.

Over the rest of the year, OMB will continue to aggressively execute against its run-off strategy, whilst maintaining high levels of customer service through continued operational and service improvements. Priorities for the second half are to deliver a low cost operating environment and complete the separation from US Life (back office and administration functions), to effectively manage capital and liquidity, to continue to de-risk the variable annuity book, and to deliver on the conservation / outreach programme to better retain profitable non-guaranteed contracts.

### iCRaFT project update

In 2008 Old Mutual put in place a group-wide programme called the integrated Capital, Risk and Finance Transformation ("iCRaFT") project, to align capital and risk management and to ensure the Group meets the new Solvency II regulations. A further benefit of iCRaFT will be to improve risk management across the Group, while linking risk to economic returns. This will ensure the creation of long-term value by making better risk-adjusted decisions with a better understanding of the long-term repercussions. While one of the drivers for the project is the regulatory requirement, the programme is also designed to capture the benefits gained from improving models, systems and processes. Costs are closely monitored and the Group has benefited from early execution in the project over the past year.

The Group has entered the FSA's internal model approval process, and is on track to deliver all requirements for Solvency II compliance. The Group is participating in the QIS5, an important step in understanding the Group's position under Solvency II. The Group is well placed in South Africa in meeting the Solvency Assessment and Management ("SAM") regulations, which are comparable to Solvency II and come into effect in 2014.

### Corporate disposals and acquisitions and related party transactions

As set out in the Strategy Update in March 2010, the Group continues to simplify its structure and reduce its spread of businesses to focus on areas of key competence and competitive strength, and drive operational improvements.

During the period, Nedbank completed the purchase of the remaining 49.9% shareholding in the Imperial Bank joint venture, from Imperial Holdings Limited. Integration of the business is proceeding well.

In February 2010, the Group successfully completed the buy-out of the minorities in Mutual & Federal, and the business is now treated as a wholly-owned subsidiary of the Old Mutual Group.

### Tax and Non-controlling interests

The effective tax rate on adjusted operating profits was 22%, compared to 29% in the comparative period and 25% for full-year 2009. Factors decreasing the June 2010 AOP tax rate compared to June 2009 and December 2009 include an increased proportion of profits being earned on low-taxed dividends and capital profits, coupled with decreased levels of disallowable expenditure and lower secondary tax on companies (STC) costs on reduced dividends.

Non-controlling interests were £20 million higher than the comparative period reflecting higher Nedbank earnings and the stronger rand.

### 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.

# Group Finance Director's Review

Continued uncertainty in world economic conditions creates volatility in equity markets, currencies, interest rates and volatilities, credit spreads, corporate bond defaults and rating and regulatory agency actions both on investments owned by the Group and the Group's underlying entities. Unemployment levels remain high in a number of countries in which we operate and could adversely affect termination experience in respect of the life insurance businesses which could result in realising losses on the sale of assets, particularly in the case of US Life and Bermuda.

Economic uncertainty has contributed to lower consumer confidence, and may influence product preferences to lower risk investment products and affect termination experience in respect of existing and new business. Movements in asset prices also lead to changes in funds under management and the fees that the Group earns from those funds. These may have an impact on earnings and present both risks and opportunities for the Group.

The Group monitors these uncertainties, takes appropriate actions wherever feasible, and continues to meet Group and individual entity capital requirements and day to day liquidity needs.

The implementation of the new operating model continues, and there are risks arising from the implementation of cost reduction and other strategic initiatives. The Group continues to strengthen and embed its risk management framework, with increasing importance being placed upon ensuring business decisions are within its Risk Appetite, for example, in the business planning process. 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
6 August 2010

### Summarised Financial Information

| | £m | £m | |
|---|---|---|---|
| | **H1 2010** | H1 2009 | % Change |
| **IFRS results** | | | |
| Adjusted operating profit (IFRS basis)(pre-tax)* | **735** | 513 | 43% |
| Adjusted operating earnings per share (IFRS basis)* | **8.3p** | 4.9p | 69% |
| Basic earnings per share | **5.1p** | (1.8p) | 383% |
| IFRS profit/(loss) after tax | **265** | (70) | 479% |
| **Sales statistics** | | | |
| Life assurance sales – APE basis* | **814** | 634 | 28% |
| Life assurance sales – PVNBP basis* | **6,400** | 4,672 | 37% |
| Value of new business* | **92** | 70 | 31% |
| Unit trust/mutual fund sales | **4,553** | 3,192 | 43% |
| **MCEV results** | | | |
| Adjusted Group MCEV (£bn) | **9.1** | 7.6 | 20% |
| Adjusted Group MCEV per share | **166.6** | 171.0* | (3%) |
| Adjusted operating profit Group MCEV earnings (post-tax) | **567** | 468 | 21% |
| Adjusted operating Group MCEV earnings per share | **10.6** | 8.9 | 19% |
| **Financial metrics** | | | |
| Return on equity* | **11.6%** | 7.6% | |
| Return on Group MCEV | **14.7%** | 14.8% | |
| Net client cash flows (£bn) | **(1.6)** | 0.2 | n/m |
| Funds under management | **292.3** | 285.0* | 3% |
| Dividend | **1.1p** | - | |
| FGD (£bn) | **1.7** | 1.5* | 13% |

* FY 2009

### Foreign exchange rates

| GBP/ZAR exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **11.49** | 13.74 | 13.17 |
| Closing exchange rate | **11.45** | 12.74 | 11.92 |

| GBP/SEK exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **11.27** | 12.18 | 11.97 |
| Closing exchange rate | **11.63** | 12.70 | 11.56 |

| GBP/EUR exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **1.15** | 1.12 | 1.12 |
| Closing exchange rate | **1.22** | 1.17 | 1.13 |

| GBP/USD exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **1.53** | 1.49 | 1.57 |
| Closing exchange rate | **1.50** | 1.65 | 1.61 |

# Long-Term Savings: Emerging Markets

### Continuing strong single premium growth

| Highlights (Rm) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Long-term business adjusted operating profit | **1,708** | 1,800 | (5%) |
| Asset management adjusted operating profit | **789** | 319 | 147% |
| Long-term investment return (LTIR) | **602** | 833 | (28%) |
| **Adjusted operating profit (IFRS basis) (pre-tax)** | **3,099** | 2,952 | 5% |
| Return on allocated capital (OMSA only) | **27%** | 26% | |
| Operating MCEV earnings (covered business) (post-tax) | **1,650** | 1,511 | 9% |
| Return on embedded value (covered business) (post-tax) | **11.9%** | 9.7% | |
| Life assurance sales (APE) | **2,560** | 2,232 | 15% |
| Unit trust/mutual fund sales | **16,273** | 17,416 | (7%) |
| PVNBP | **17,931** | 16,805 | 7% |
| Value of new business | **441** | 316 | 40% |
| APE margin | **17%** | 14% | |
| PVNBP margin | **2.5%** | 1.9% | |
| Net client cash flows (NCCF) (Rbn) | **(2.4)** | (17.6) | 86% |

| Highlights (Rbn) | H1 2010 | FY 2009 | % Change |
|---|---|---|---|
| Total funds under management | **529** | 518 | 2% |
| Of which, SA client funds under management | **446** | 449 | (1%) |

| GBP/ZAR exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **11.49** | 13.74 | 13.17 |
| Closing exchange rate | **11.45** | 12.74 | 11.92 |

### Overview

The South African economy grew by 4.6% in the first quarter of 2010 and we expect the growth momentum to be maintained for the rest of the year. Our good sales performance continued in the second quarter, resulting in a 15% rise in APE sales compared to the first half of 2009. However, the trading environment remains tough due to the continued high and rising South African unemployment. In the rest of Emerging Markets, economies achieved positive year-on-year GDP growth, with Chinese GDP growing by 11.1% compared to 30 June 2009, and Mexico and Columbia growing by 4.3% and 4.4% respectively between 31 March 2009 and 31 March 2010.

We continue to make good strides towards our goal of becoming our customers' most trusted partner. In South Africa, we received the Employee Benefit Administrator of the Year at the Annual Imbasa Yegolide Awards (which are designed to recognise and reward those service providers who render excellent service to funds), and we were ranked first in both Group Business Investments and Group Business Risk categories in the 2010 PricewaterhouseCoopers survey.

During the first half of the year, OMIGSA extended its range of investment offerings to the market, with Futuregrowth launching a South African Agricultural Fund in March, and our Long-term Equity boutique launching two African-listed equity funds in May 2010. We expect funds under management and NCCF to benefit from these initiatives in the second half of the year.

### IFRS AOP Results

The IFRS AOP (pre-tax) increased by 5% relative to the comparative period, with strong asset management profits (up 147% to R789 million) partially offset by lower long-term investment return (R602 million compared to R833 million in 2009) and lower life profits (R1,708 million compared to R1,800 million in 2009). Whilst our life profits were down 5% from 2009, the 2009 results had benefited from a number of large non-recurring items, namely the value of reductions in benefit assumptions and profits from the Nedbank joint ventures in the first five months of 2009. Excluding the impact of these items in 2009, underlying life profits increased by 50% over the comparative period. This growth is mainly due to the positive impact of higher equity markets on asset-based fees, a significant improvement in Retail persistency and expense experience variances, and a successful turnaround in the adverse experience seen in 2009 in the Group Assurance suite of products.

Asset management operating profit grew significantly by 147% relative to the comparative period, as a result of higher average asset values in both South Africa and Colombia, stronger performance fees in OMIGSA, a first contribution from ACSIS (which was acquired in the second half of 2009), a higher contribution from Old Mutual Finance as the business grows, and mark-to-market profits in the Old Mutual Specialised Finance (OMSFIN) business. The factors above were partially offset by lower transactional revenue and lower revenue on the term portfolio of OMSFIN.

The LTIR declined by 28% from R833 million to R602 million, after a 390bps reduction in the LTIR rate from 13.3% in 2009 to 9.4% in 2010, reflecting our strategic move to a lower proportion of shareholder assets invested in equities, and lower expected return in the current year.

### Life sales summary

By Cluster:

| New business (Rm) | Gross single premiums H1 2010 | H1 2009 | +/-% | Gross regular premiums H1 2010 | H1 2009 | +/-% | Total APE H1 2010 | H1 2009 | +/-% | Total PVNBP H1 2010 | H1 2009 | +/-% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OMSA** | | | | | | | | | | | | |
| Retail Mass | **6** | 8 | (25%) | **640** | 622 | 3% | **641** | 623 | 3% | **3,079** | 3,523 | (13%) |
| Retail Affluent | **5,448** | 3,674 | 48% | **645** | 556 | 16% | **1,189** | 923 | 29% | **8,639** | 7,024 | 23% |
| Institutional* | **3,403** | 3,676 | (7%) | **226** | 140 | 61% | **566** | 508 | 11% | **5,249** | 5,000 | 5% |
| **Total OMSA** | **8,857** | 7,358 | 20% | **1,511** | 1,318 | 15% | **2,396** | 2,054 | 17% | **16,967** | 15,547 | 9% |
| **Rest of Africa**** | **265** | 303 | (13 %) | **88** | 107 | (18%) | **115** | 137 | (16%) | **729** | 1,113 | (35%) |
| **Total New Markets***** | **102** | 151 | (32%) | **38** | 26 | 46% | **49** | 41 | 20% | **235** | 145 | 62% |
| **Total Emerging Markets** | **9,224** | 7,812 | 18% | **1,637** | 1,451 | 13% | **2,560** | 2,232 | 15% | **17,931** | 16,805 | 7% |

By Product:

| | Gross single premiums H1 2010 | H1 2009 | +/-% | Gross regular premiums H1 2010 | H1 2009 | +/-% | Total APE H1 2010 | H1 2009 | +/-% | Total PVNBP H1 2010 | H1 2009 | +/-% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **OMSA** | | | | | | | | | | | | |
| Savings | **7,100** | 5,760 | 23% | **692** | 610 | 13% | **1,402** | 1,185 | 18% | **10,726** | 9,476 | 13% |
| Protection | **4** | 1 | 300% | **819** | 708 | 16% | **819** | 709 | 16% | **4,488** | 4,474 | - |
| Annuity | **1,753** | 1,597 | 10% | | | | **175** | 160 | 9% | **1,753** | 1,597 | 10% |
| **Total OMSA** | **8,857** | 7,358 | 20% | **1,511** | 1,318 | 15% | **2,396** | 2,054 | 17% | **16,967** | 15,547 | 9% |
| **Rest of Africa**** | **265** | 303 | (13%) | **88** | 107 | (18%) | **115** | 137 | (16%) | **729** | 1,113 | (35%) |
| **Total New Markets**** | **102** | 151 | (32%) | **38** | 26 | 46% | **49** | 41 | 20% | **235** | 145 | 62% |
| **Total Emerging Markets** | **9,224** | 7,812 | **18%** | **1,637** | 1,451 | 13% | **2,560** | 2,232 | 15% | **17,931** | 16,805 | 7% |

* Institutional sales are Corporate and OMIGSA life sales
** Rest of Africa is Namibia only
*** New Markets is Latin America only

We achieved excellent growth in APE sales of 15% compared to the first half of 2009, driven by continued single premium sales growth of 18%, strong *Greenlight* and *Max* sales in Retail Affluent, and outstanding protection sales in Corporate. Retail Mass recovered in the second quarter after a weak first quarter.

### OMSA

#### *Recurring premium sales*

**Protection**

Recurring premium protection sales are 16% above the comparative period. In Retail Affluent, protection sales increased by 16% relative to the comparative period, as a result of higher Greenlight sales, reflecting the improved economic environment. Corporate achieved excellent growth in protection sales of 80% relative to the comparative period as a result of some large schemes coming on the books during the second quarter. In the Retail Mass segment, protection sales were marginally down by 3% relative to the comparative period due to a lower number of advisors in the period.

**Savings**

Recurring premium savings sales are 13% above the comparative period with improvements across all segments. In Retail Affluent and Retail Mass, sales are 13% and 10% above prior year respectively with sales boosted by recovery in the economy. This was supported by the success of specific initiatives to drive sales in the first half, as well as bedding down of the new commission structure introduced at the start of 2009.

#### *Single premium sales*

Single premium sales exceeded the comparative period by 20%. This was driven by the Retail Affluent segment which benefited from the *Investment Frontiers Fixed Bond* product being competitively priced in the first half of the year, and improved retail annuity rates. Institutional single premium sales, which tend to be lumpy, were 7% lower than the first half of 2009.

# Business Review

### Rest of Emerging Markets

In Namibia, life sales were down 16% from the comparative period, due to a decline in both recurring and single premium sales in Corporate. In Latin America, life sales increased by 40% in local currency, mainly as a result of enhancements to the savings product in Mexico.

Both India and China achieved double-digit APE sales growth in local currency terms. Old Mutual Kotak Mahindra's APE sales grew by 11% to INR6.6 billion (R1.08 billion) relative to the comparative period and China APE sales increased by 13% to CNY48.7 million (R53.7 million) in the first half of 2010. The increase is mainly due to strong growth in single premium sales, up 72% to CNY41.3 million on an APE basis. The newly-launched telemarketing channel is gaining traction with year to date sales of CNY3.4 million (R3.8 million) from its launch at the start of the year. We are in the process of developing a Group Protection product range for our new Joint Venture partner, Goudian, and we expect to receive about CNY300 million sales from this source before the end of the year.

A more detailed review by segment is included in the Financial Disclosure Supplement which is available at www.oldmutual.com.

## Unit Trust Sales

Unit Trust sales decreased by 7% relative to the comparative period. In South Africa, unit trust sales decreased 26% mainly as a result of lower flows into money market and lower reinvestments. The 2009 results included a significant inflow from the Remgro distribution to shareholders which was not repeated. Investment performance is improving for the 12 month period but three-year underperformance continues to affect Unit Trust sales.

In the rest of Emerging Markets, Unit Trust sales performed well, with sales in Namibia up 64% mainly due to the continued strong inflows into the money market funds from corporate clients on the back of competitive returns offered. In Mexico, Unit Trust sales are up 25% in local currency mainly as a result of a large pension scheme secured in the period. In Colombia, Unit Trust sales were up 16% in local currency as a result of strong money market sales.

## Value of new business and margins

The value of new business margin increased from 14% in the first half of 2009 to 17% on an APE basis mainly due to the favourable impact of the higher margin investment products in Retail Affluent and higher recurring protection premium sales in Corporate. However, this was partially offset by lower margins in the Retail Affluent protection product, *Greenlight,* as well as in Namibia, due to changes in persistency assumptions at the end of 2009.

## MCEV Results

Operating MCEV earnings after tax increased by 9% from the 2009 level. There was favourable persistency experience in Retail Affluent and Retail Mass, and higher new business contribution due to improved sales volumes was offset by lower mortality experience in Retail Affluent and lower expected existing business contributions due to the fall in the swap yields at the end of December 2009.

## Net Client Cash Flow

NCCF (excluding the PIC flows) was 7% or R0.1 billion better than the comparative period, but was still negative (outflow of R1.4 billion) for the period. NCCF in the Retail segments remained positive, with an improvement in NCCF in the Retail Mass segment.

In the Corporate segment, NCCF, while still negative as a result of benefit flows being inflated by market levels, showed a 25% improvement over the comparative period, and the pipeline for this segment is strong. OMIGSA flows were similarly negative, but improved relative to the comparative period, with terminations in Symmetry partly offset by inflows from ACSIS.

Persistency has improved across all of OMSA's Retail segments. Persistency over three months in Retail Affluent has significantly improved from last year and premium collections have improved in Retail Mass. Persistency experience variances were positive for the first half of 2010.

## Funds under management

Funds under management are up 2% from year-end levels to R529 billion, despite the negative NCCF, as a result of positive market return. Of the total FUM, R472 billion is in South Africa.

# Long-Term Savings: Nordic

### Margins improve significantly following management actions

| Highlights (SEKm) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Long-term business adjusted operating profit | **554** | 162 | 242% |
| Banking business adjusted operating profit | **88** | 96 | (8%) |
| Asset management adjusted operating profit | **13** | 13 | 0% |
| **Adjusted operating profit (IFRS basis) (pre-tax)** | **655** | 271 | 142% |
| Return on equity* | **11.7%** | 8.9% | |
| Operating MCEV earnings (covered business) (post-tax) | **712** | 510 | 40% |
| Return on embedded value (covered business) (post-tax) | **9.5%** | 9.4% | |
| Life assurance sales (APE) | **1,154** | 1,635 | (29%) |
| Unit trust/mutual fund sales | **3,647** | 1,584 | 130% |
| PVNBP | **6,235** | 7,716 | (19%) |
| Value of new business | **284** | 251 | 13% |
| APE margin | **25%** | 16% | |
| PVNBP margin | **4.6%** | 3.3% | |
| Net client cash flows (SEKbn) | **4.6** | 5.8 | (21%) |

| Highlights (SEKbn) | H1 2010 | FY 2009 | |
|---|---|---|---|
| Funds under management | **132.3** | 127.2 | 4% |

* Return on equity is IFRS AOP (post tax) divided by average shareholders' equity, excluding goodwill, PVIF and other acquired intangibles

| GBP/SEK exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **11.27** | 12.18 | 11.97 |
| Closing exchange rate | **11.63** | 12.70 | 11.56 |

### Overview

Macro-economic trends in the Nordic region continued to be favourable with economic growth returning (Swedish GDP was 3% higher in Q1 2010 compared to Q1 2009), and a 4.5% increase in the Swedish stock market in the six months to 30 June 2010. However, unemployment continues to remain relatively high. The customer behaviour trends seen in the first quarter of 2010 continued, with clients positively allocating towards global equity and investment products and decreasing their exposure to Swedish Fixed Income products.

The operating performance of the business improved strongly in the period driven by management actions taken at the end of 2009 to re-price the healthcare business in Sweden, tighten underwriting terms and close an unprofitable and significant regular premium pension product.

### IFRS AOP Results

The IFRS AOP (pre-tax) increased by 142% relative to the comparative period to SEK655 million. The key driver of the AOP improvement is a higher FUM which reflects the market recovery and strong net client cash flows in 2009 due to successful product launches such as *Skandia Investment* portfolio in that period. All product lines, with the exception of Skandiabanken which remained under continued pressure from the low interest rate environment, contributed to this strong improvement. In particular, Risk and Lifeline healthcare products have delivered an improvement driven by price increases and tight underwriting. Additionally, a non-recurring divestment of a private equity holding during the first quarter resulted in a profit of SEK126 million.

# Business Review

### Life sales summary

| New business (SEKm) | Gross single premiums H1 2010 | Gross single premiums H1 2009 | +/-% | Gross regular premiums H1 2010 | Gross regular premiums H1 2009 | +/-% | Total APE H1 2010 | Total APE H1 2009 | +/-% | Total PVNBP H1 2010 | Total PVNBP H1 2009 | +/-% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sweden** | | | | | | | | | | | | |
| Corporate | **897** | 829 | 8% | **542** | 726 | (25%) | **631** | 809 | (22%) | | | |
| Private | **1,865** | 2,250 | (17%) | **117** | 347 | (66%) | **304** | 572 | (47%) | | | |
| **Total Sweden** | **2,762** | 3,079 | (10%) | **659** | 1,073 | (39%) | **935** | 1,381 | (32%) | **4,885** | 6,234 | (22%) |
| **Total Denmark** | **442** | 277 | 60% | **175** | 226 | (23%) | **219** | 254 | (14%) | **1,350** | 1,482 | (9%) |
| **TOTAL NORDIC** | **3,204** | 3,356 | (5%) | **834** | 1,299 | (36%) | **1,154** | 1,635 | (29%) | **6,235** | 7,716 | (19%) |

APE decreased by 29% relative to the comparative period to SEK1,154 million. The primary driver for this was the closure of the unprofitable regular premium Private product *Link regular* in the second half of 2009. Occupational pension sales in the Swedish corporate sector continued to be suppressed, reflecting lower salary increases and less labour mobility, and our investment portfolio product, *Skandia Depå*, lost market share as a result of fierce competitor activity on that type of product. Total market share decreased primarily as a result of our competitors' sales of low margin "tick the box" pensions products that Skandia does not wish to offer. The APE decline in Denmark is due to slow recovery from the recession. Our expectation for the full year is that sales will be down 10-30% compared to 2009 but that we will deliver stronger margins.

By contrast, Nordic had excellent growth in mutual fund sales increasing 130% relative to the comparative period. The drivers behind this success are product innovation, an improved customer offering through the Skandia Global Hedge fund and the launch of the new set of *Skala* funds. Sales were further boosted by the relatively strong performance in the Swedish stock market.

### Value of new business and margins

The value of new business and APE margin have increased substantially relative to the comparative period, with an APE margin for the half year of 25%. The increase in margin is mainly due to a more profitable business mix. This was positively affected by a higher share of occupational pension sales and top-ups, and a more profitable, lower commission pension product which replaced the withdrawn *Link regular* product.

Price pressure continues, especially in the Swedish corporate market, and there is uncertainty on the future taxation of Swedish insurance companies. In the medium-term, the margin is expected to be in the high teens rather than at the current elevated levels.

### MCEV Results

Operating MCEV earnings after tax increased by 40% relative to the comparative period to SEK712 million. This was mainly due to a more profitable business mix and changed assumptions for the cost of non-hedgeable risks. These were partially offset by a reduction in risk premiums for the waiver of premium business.

### Net client cash flow

NCCF for the first half of the year was SEK4.6 billion, down 21% relative to the comparative period in large part due to the sales action taken in the period, and reflecting higher outflows from single premium products as clients crystallise their investment returns. For mutual fund business, NCCF is higher than prior year through strong inflows as a result of the success of new product launches,

### Funds under management

FUM at 30 June 2010 were SEK132 billion, up 4% from 2009 year-end levels. The increase is mainly due to equity market growth and positive net client cash flows. FUM has been relatively stable during the first half, moving in line with stock market which increased in the first quarter but fell back in the second quarter.

# Long-Term Savings: Retail Europe

### Key foundations laid for the future development of the business

| Highlights (€m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **29** | 10 | 190% |
| Return on equity | **20%** | 10% | |
| Operating MCEV earnings (covered business) (post-tax) | **27** | (16) | 269% |
| Return on embedded value (covered business) (post-tax) | **5.1%** | (3.6%) | |
| Life assurance sales (APE) | **37** | 34 | 9% |
| Unit trust/mutual fund sales | **14** | 12 | 17% |
| PVNBP | **279** | 255 | 9% |
| Value of new business | **2** | (4) | 150% |
| APE margin | **6%** | (11%) | - |
| PVNBP margin | **0.7%** | (1.5%) | - |
| Net client cash flows (€bn) | **0.2** | 0.2 | - |

| Highlights (€bn) | H1 2010 | FY 2009 | % Change |
|---|---|---|---|
| Funds under management | **5.2** | 4.7 | 11% |

| GBP/EUR exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **1.15** | 1.12 | 1.12 |
| Closing exchange rate | **1.22** | 1.17 | 1.13 |

### Overview

Retail Europe's markets remain challenging, and the stock markets closed flat compared to the end of 2009 (the DAX index increased by less than 1%) though GDP growth improved following government stimulus packages.

Overall sales performance improved in the half year, relative to the first half of 2009, with the second quarter performance in line with first quarter trends. Funds under management rose strongly and retention was good.

Work to transfer Retail Europe IT and client administration functions to South Africa continues. This will begin to take effect in the second half of the year, and will lay the foundations for leaner and more efficient customer service. It will also potentially benefit other business units in the Group. We continue to balance this operational change with pursuing growth opportunities in the markets in which we operate.

### IFRS AOP Results

The IFRS AOP increased significantly over the comparative period to €29 million. The main driver of this was lower administration expenses, and non-recurrence of costs incurred in 2009.

### Life sales summary

| | Gross single premiums | | | Gross regular premiums | | | Total APE | | | Total PVNBP | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **New business (€m)** | **H1 2010** | H1 2009 | +/-% | **H1 2010** | H1 2009 | +/-% | **H1 2010** | H1 2009 | +/-% | **H1 2010** | H1 2009 | +/-% |
| Austria | 4 | 3 | 33% | 9 | 10 | (10%) | 9 | 10 | (10%) | 61 | 63 | (3%) |
| Germany | 16 | 13 | 23% | 13 | 11 | 18% | 15 | 13 | 15% | 123 | 110 | 12% |
| Poland | 10 | 5 | 100% | 7 | 4 | 75% | 9 | 5 | 80% | 51 | 32 | 59% |
| Switzerland | 6 | 7 | (14%) | 4 | 6 | (33%) | 4 | 6 | (33%) | 44 | 50 | (12%) |
| **TOTAL RETAIL EUROPE** | **36** | **28** | **29%** | **33** | **31** | **6%** | **37** | **34** | **9%** | **279** | **255** | **9%** |

APE sales in the first half of 2010 grew by 9% to €37 million, and mutual fund sales grew by 17% to €14 million. Single premium sales improved in all our markets, with the exception of Switzerland, while recurring premiums saw only modest growth. Overall, APE sales in the first half of 2010 increased by 80% in our Polish business and by 15% in Germany.

Underlying sales productivity in terms of new applications for the first six months of the year increased by 30% compared to 2009. However, in all our markets, there has been a reduction in the average policy size due to changing product mix.

We have carried out intense marketing activity in the period. These have included product events and roadshows, further development of cooperation with banking partners, and the launch of new products. We expect these activities to have a positive impact on sales in the second half.

# Business Review

### Value of new business and margins

VNB for the period was €2 million, a significant improvement on the comparative period. This was driven by lower acquisition expense overruns and improved profitability from product mix compared to the prior year. These factors also drove the increased APE margin to 6% from (11%) for the same period last year.

### MCEV Results

Operating MCEV earnings (post-tax) improved by €43 million relative to the comparative period, driven by a better new business contribution, modelling changes to fully recognise the value of the disability insurance business in Switzerland and less negative experience variances than in the comparative period.

### Net client cash flow

NCCF was €226 million for the first six months of 2010, consistent with the comparative period. This was driven by an increase in premiums offset by higher surrender values, given market movements. Across the Retail Europe markets, maturities formed a larger portion of the total outflows during the first half compared to that of the prior year.

### Funds under management

FUM of €5.2 billion at 30 June 2010 reflects the positive NCCF in the period, and continued recovery in the equity markets. In terms of client asset allocation, we continued to see clients defensively positioned in guaranteed and balanced/fixed income funds.

# Long-Term Savings: Wealth Management

**Strong half-year results, driven by UK platform and Italian markets**

| Highlights (£m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **95** | 43 | 121% |
| Return on equity* | **15%** | 7% | |
| Operating MCEV earnings (covered business) (post-tax) | **64** | 13 | 392% |
| Return on embedded value (covered business) (post-tax) | **6.7%** | 1.7% | |
| Life assurance sales (APE) | **412** | 267 | 54% |
| Unit trust/mutual fund sales | **2,207** | 1,291 | 71% |
| PVNBP | **3,611** | 2,231 | 62% |
| Value of new business (post-tax) | **31** | 22 | 41% |
| APE margin | **8%** | 8% | |
| PVNBP margin | **0.9%** | 1.0% | |
| Net client cash flows (£bn) | **2.3** | 0.7 | 229% |

| Highlights (£bn) | H1 2010 | FY 2009 | % Change |
|---|---|---|---|
| Funds under management | **48.8** | 46.9 | 4% |

* Return on equity is IFRS AOP (post tax) divided by average shareholders' equity, excluding goodwill, PVIF and other acquired intangibles

### Overview

The UK economy grew by 1.4% in the first half of the year, although the FTSE-100 fell 9% in the same period, with particular volatility in the second quarter when it declined by 13%.

Improving investor sentiment during the first half led to strong trading performance and significant year-on-year growth in sales across our markets. Increased volatility of equity markets in the second quarter did not noticeably impact new sales, although a prolonged continuation is likely to dampen customer confidence in equity investments and may lead to reduced sales in later periods.

The APE in the second quarter returned to the levels seen at the end of 2009 following higher than usual volumes on the UK platform and in Italy during the first quarter. Surrender experience has improved and NCCF in the second quarter remains broadly in line with the first quarter at £1.2 billion.

Although we do not target growth in market share as a KPI, Skandia UK's market share increased significantly in Q1 2010, to 7.2% across all industry channels compared to 6.4% in the fourth quarter of 2009. This is a record for Skandia in the UK and compares to a range of 3.5% to 5.5% over 2001-07. Given the scale and investment in our UK platform, we are ideally positioned to lead and benefit from this industry shift and are actively looking at how we will further enhance our platform offering and rationalise our suite of life products over the second half of the year.

### IFRS AOP Results

IFRS AOP (pre tax) increased by 121% to £95.1 million. IFRS AOP continues to perform strongly relative to 2009, due to higher FUM and favourable expense levels, and this resulted in a strong boost to return on equity given the operating leverage in the business, even at this stage of the restructuring process. FUM remains strongly positive driven by NCCF and market growth. The main drivers of the increased funds under management are market-related and due to higher sales volumes. In addition, one-off costs in 2009 amounting to £19 million did not re-occur. Profitability for the second half of the year is expected to reduce as spend on the transformation programme and the platform development increases.

# Business Review

### Life sales summary

| New business (£m) | Gross single premiums H1 2010 | H1 2009 | +/-% | Gross regular premiums H1 2010 | H1 2009 | +/-% | Total APE H1 2010 | H1 2009 | +/-% | Total PVNBP H1 2010 | H1 2009 | +/-% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **UK** | | | | | | | | | | | | |
| Pensions | 1,136 | 589 | 93% | 40 | 33 | 21% | 153 | 92 | 66% | 1,300 | n/a | n/a |
| Bonds | 296 | 188 | 57% | | | | 30 | 19 | 58% | 298 | n/a | n/a |
| Protection | | | | 5 | 4 | 25% | 5 | 4 | 25% | 26 | n/a | n/a |
| Savings | | | | 5 | 2 | 150% | 5 | 2 | 150% | 30 | n/a | n/a |
| **Total UK** | **1,432** | **777** | **84%** | **50** | **39** | **28%** | **193** | **117** | **65%** | **1,654** | **1,090** | **52%** |
| **International** | | | | | | | | | | | | |
| Unit-linked | 174 | 68 | 156% | 28 | 32 | (13%) | 45 | 40 | 13% | 230 | n/a | n/a |
| Bonds | 633 | 507 | 25% | 12 | 22 | (45%) | 76 | 71 | 7% | 767 | n/a | n/a |
| **Total International** | **807** | **575** | **40%** | **40** | **54** | **(26%)** | **121** | **111** | **9%** | **997** | **758** | **32%** |
| **Europe** | | | | | | | | | | | | |
| Unit-linked | **936** | 366 | 156% | **3** | 4 | (25%) | **98** | 39 | 151% | **960** | 383 | 151% |
| **TOTAL WEALTH MANAGEMENT** | **3,175** | **1,718** | **85%** | **93** | **97** | **(4%)** | **412** | **267** | **54%** | **3,611** | **2,231** | **62%** |

Total APE improved by 54% to £412 million. This is mainly attributable to sales on the UK platform, and in Continental Europe which improved by 145% (increase of £74 million) and 151% (increase of £59 million) respectively compared to the prior period.

UK platform sales volumes continue to grow at rates much higher than prior year, primarily driven by single premium pensions. There were spikes in March and April driven by tax year-end activity and an increase in the new tax year ISA limits. Our charging structure has remained consistent during the period. First half sales also include switches from UK Legacy (which are currently reported gross as inflows and outflows) as well as transfers of in-force books of business as IFAs register onto the platform. While migration from our Legacy products to the platform is likely to continue going forward, we anticipate a reduction in absolute volume terms over the remainder of the year. Switches onto the platform accounted for 12% of total UK APE sales during the first six months of the year.

UK Legacy sales volume is continuing at reasonable levels, despite strong growth in the platform space. We have been evaluating our Legacy product set in light of changing customer requirements and new regulation being driven by the Retail Distribution Review. The combination of these two factors is increasing demand for platform services that are customer-focused and transparent, whilst at the same time reducing demand for older style life products which are complex and rely on high adviser commission to drive sales.

Sales volume across International is 9% up on the prior year. We continue to sell in Finland to maintain a foothold in the market with a tactical product offering, although volumes are relatively modest. Sales in the Middle and Far East strengthened in the first half following the launch of a qualifying recognised overseas pension scheme (QROPS). We also have worked on improving the efficiency of our sales coordination with other parts of the Old Mutual Group, and with South Africa in particular.

The 2010 Italian fiscal window has now expired, but we continue to sell large volumes due to the strong relationship with one of our distributors, Fideuram. These volumes are expected to return to normal rates in the second half of this year. French volumes remain ahead of prior year but overall, the unit-linked market is proving slower to recover than initially expected.

### Value of new business and margins

The value of new business increased by £9 million relative to the comparative period, with an APE margin for the half year of 8%. There was a slight decrease in margin, mainly due to changes in persistency assumptions for the Finnish business and the shift from UK Legacy business to the platform model. This was partially offset by strong higher margin sales in Italy and the tax legislation change in International.

### MCEV Results

The operating MCEV profit after tax increased by £51 million relative to the comparative period. This was mainly due to much better persistency and paid-up premiums experience on International and UK Legacy business, with higher VNB offset by lower one-year discount rates on in force book.

### Net client cash flow

NCCF is more than triple prior year driven by strong contributions from Italy and the UK platform business. This more than compensated for run-off of the UK Legacy book that did not get recaptured onto the platform.

### Funds under management

Funds under management have grown 4% during the first half of 2010 driven by rising bond values and continuing NCCF.

# Long-Term Savings: US Life

**Steady business performance, improved persistency and credit outlook**

| Highlights ($m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **45** | 44 | 2% |
| Return on equity | **4.6%** | 27.4% | |
| Operating MCEV earnings (covered business) (post-tax) | **194** | 388 | (50%) |
| Return on embedded value (covered business) (post-tax)* | **79.7%** | 34.9% | |
| Life assurance sales (APE) | **68** | 57 | 19% |
| PVNBP | **659** | 521 | 26% |
| Value of new business | **(6)** | 11 | (155%) |
| APE margin | **(9%)** | 19% | |
| PVNBP margin | **(0.9%)** | 2.1% | |
| Net client cash flows ($bn)** | **(0.4)** | (0.9) | 56% |

| Highlights ($bn) | H1 2010 | FY 2009 | |
|---|---|---|---|
| Funds under management** | **17.0** | 16.7 | 2% |

* Calculated as the operating MCEV earnings (post-tax) divided by the absolute value of the opening MCEV

** Stated on a start manager basis as USAM manages $6bn of the funds on behalf of US Life

| GBP/USD exchange rates | H1 2010 | H1 2009 | FY 2009 |
|---|---|---|---|
| Average exchange rate (YTD) | **1.53** | 1.49 | 1.57 |
| Closing exchange rate | **1.50** | 1.65 | 1.61 |

### Overview

The US economy continued to show signs of recovery in the period, although this has not been even across all sectors. Capital markets continued to be adversely affected by Europe's sovereign debt crisis and fiscal challenges, with the ratings downgrades of peripheral countries weighing on investors' confidence in risk assets. As a result, investors sought safe-haven assets such as Gilts and US Treasuries, and in June, the ten-year US Treasury yield dipped below 3% for the first time since April 2009 as a result of demand from increasingly risk-averse investors.

US Life sales results are in line with target levels and reflect the reduction in the product set that was undertaken in 2009 as part of the focus on more profitable products with lower new business capital strain. During the first half of 2010, there was an improvement in net client cash flows due to higher sales and lower surrenders; growth in funds under management due to net unrealised gains; impairment reversals exceeded impairments for the period; and expenses continued to trend lower.

### IFRS AOP Results

Pre-tax adjusted operating profit (IFRS basis) was $45 million compared to $44 million for the comparative period. While gross margins (prior to DAC amortisation) were $218 million, compared to $261 million for the same period in 2009 (higher net investment spread in 2010 was more than offset by an increase in the LTIR default rate adjustment, an increase in hedge losses and negative mortality experience in 2010), there was a reduction in surrender-related adverse DAC unlocking and other movements which depressed profits in 2009. This meant that the AOP has remained broadly level. The RoE has declined as a result of the recovery in the IFRS equity position through the significant reduction in unrealised loss position between 30 June 2009 and 30 June 2010.

### Life sales summary

APE sales for the first half of 2010 increased by 19% to $68 million relative to the comparative period. This is within the budget set for the business and reflects our approach to capital within the business. APE for annuity products increased by 50% over the comparative period, and within this, FIA sales increased by 29% on an APE basis relative to the comparative period driven by revisions launched in March 2010 to the fixed indexed annuity (FIA) *OM Index – Accelerator 10* product, and competitive multi-year guarantee annuity rates in March and April 2010. The Medicaid single premium immediate annuity (SPIA) sales had a good performance in the first half of the year. In July 2010, the Chairman of the SEC confirmed that the SEC will not be seeking to regulate the distribution of FIA products.

### Value of new business and margins

The value of new business decreased by $17 million relative to the comparative period, with an APE margin for the half year of (9%). The decrease in margin was mainly due to extended low yield environment and a lower assumed liquidity premium. Management actions taken during the period included lowering commission rates on certain products in June aiming to achieve the targeted profitability over the balance of the year.

### MCEV Results

The operating MCEV earnings after tax decreased by $194 million relative to the comparative period. Despite a much higher opening MCEV position, significantly lower initial credit spreads in 2010 compared to 2009 caused a much lower expected return in 2010. This was partially offset by the improvement in the operating experience variance which was $107 million higher than in the first half of 2009, primarily due to higher than anticipated persistency on profitable Traditional Life contracts and lower than expected persistency in respect of FIA contracts that are unprofitable on an MCEV basis.

### Net client cash flow

As expected, net client cash flows for the first half of 2010 reflected the expected evolution of the general account given the active management of sales levels in the last two years. They improved compared to the first half of 2009, primarily due to lower surrender activity and higher sales in the current period. The pace of surrender activity continued to trend favourably in the first half of 2010, as in the second half of 2009. Index credits on the fixed indexed annuity product, which are credited (if earned) on the policy anniversary date, have been strong in the first half of 2010 and should facilitate management of persistency. We continued to see benefits from a conservation programme initiated in the second quarter of 2009 which focuses on the reduction of full surrender activity.

### Funds under management

Funds under management ended the period at $17.0 billion, up $0.3 billion from the opening position, primarily due to a $0.6 billion increase in the market value of the investment portfolio and investment income for the period. This was partially offset by $0.4 billion of negative net client cash flows.

### Investment portfolio

The net unrealised position on the fixed income security portfolio improved to a net gain of $138 million at 30 June 2010 ($497 million and $1.6 billion net unrealised loss at 31 December 2009 and 30 June 2009), reflecting lower yields across the credit spectrum, most significantly in corporate bonds, and selective de-risking. Net cash holdings at 30 June 2010 were $268 million. Prices throughout the portfolio continued to improve through the first half of 2010, such that as of 30 June 2010, 85% of the total portfolio had a market to book value ratio greater than 90%. The market to book value ratio of the fixed income portfolio improved from 97% at the beginning of the year to 101% at 30 June. We continue to manage the portfolio closely. Encouragingly, US regional banks have seen increased access to capital and declines in problem loans. The portfolio's commercial mortgage backed securities are of generally high quality and earlier vintage.

There were no defaults in the first half of 2010. Realised gains include $39 million of gains on previously impaired securities that had recovered in fair value and $10 million of trading gains primarily through the sale of corporate bonds and structured securities. Expected cash flows on certain previously impaired structured securities improved significantly in the first half of 2010, resulting in $54 million of revaluation gains. These revaluation gains were partially offset by impairments for the first half of 2010 of $23 million, in line with our long-term assumption of $24 million per annum in the AOP, and compared to $199 million of impairments for the same period in 2009. The 2010 impairments on 21 securities related to corporate bonds as well as structured securities, with the losses on the latter due to adverse changes in expected cash flows, or the likelihood of diminished loss coverage from distressed monoline insurers that guaranteed the performance of the security. The impairment losses were primarily in RMBS ($16 million) and corporate holdings ($6 million).

### Capital

OM Financial Life Insurance Company's risk based capital ratio increased from 312% as at 31 December 2009 to 347% as at 30 June 2010. Regulatory capital grew $85 million during the first half of 2010 driven by strong statutory operating earnings as well as net positive investment results. OM Financial Life's required capital decreased (at the targeted 300% level) primarily due to a lower risk investment portfolio offset by capital required for new business growth. There were no capital transactions between Group and OM Financial Life in the period.

# Nedbank Group (Nedbank)

### Headline earnings improve; outlook remains cautious

| Highlights (Rm) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax)* | **3,052** | 2,890 | 6% |
| Headline earnings** | **2,153** | 1,988 | 8% |
| Net interest income** | **8,082** | 8,185 | (1%) |
| Non-interest revenue** | **6,158** | 5,377 | 15% |
| Net interest margin** | **3.34%** | 3.44% | |
| Credit loss ratio** | **1.46%** | 1.60% | |
| Cost to income ratio** | **55.3%** | 52.5% | |
| ROE** | **10.7%** | 11.6% | |
| ROE (excluding goodwill)** | **12.2%** | 13.1% | |
| Core Tier 1 ratio | **9.9%** | 9.9%* | |

| Highlights (£m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **266** | 211 | 26% |

* FY 2009

** As reported by Nedbank in their report to shareholders as at 30 June 2010

The full text of Nedbank's results for the six months ended 30 June 2010, released on 2 August 2010, can be accessed on Nedbank's website *http://www.nedbankgroup.co.za.* The following is an extract from it.

### Banking environment

"The economy continued to recover in the first half of 2010. However, the upswing comes off a low base and remains fragile. Household spending has been slow to recover, with high personal debt levels, tight credit conditions and further employment losses hampering consumption. High wage settlements and lower interest service costs have led to an improvement in disposable income, but the benefits of these have been thinly spread with many households still under credit related pressure. Capital formation benefited from the strong effort to complete infrastructural projects ahead of the 2010 FIFA World Cup, but the underlying trend in the private sector demand for credit remains weak given low capacity utilisation levels and continuing uncertainty over future prospects.

### Review of results

Headline earnings increased by 8.3% from R1,988 million for the period to June 2009 to R2,153 million for the six months to June 2010. Diluted headline earnings per share increased by 0.2% from 474 cents to 475 cents, which is lower than the increase in headline earnings as a result of the added dilution from the issue of shares for the Nedbank Wealth joint ventures acquired from Old Mutual in June 2009 and a higher than usual acceptance level of the scrip dividend alternative. Diluted earnings per share decreased by 22.4% from 611 cents in June 2009 to 474 cents. As previously reported, 2009 diluted earnings per share were boosted by a once-off IFRS revaluation gain of R547 million (after taxation) from the consolidation of the Nedbank Wealth joint ventures acquired.

These results reflect an improving operating environment. They also highlight the continued endowment related pressure on margins following an unexpected 50 basis points decrease in the prime lending rate in March 2010 and slower than forecast wholesale credit growth. These factors were partially offset by asset re-pricing over the past 18 months and continued low impairments in Nedbank Corporate and Nedbank Business Banking.

Given Nedbank's strategy to grow non-interest revenue (NIR), it is pleasing to report core commission and fee income growth on a comparable basis of 15.7%. Total comparable NIR grew by 7.8%, with NIR being negatively impacted by a R195 million change in the credit-related fair-value adjustments of the bank's own subordinated debt as Nedbank's credit spreads improved.

Nedbank Retail celebrated a milestone with the total retail client base exceeding five million customers.

Lower interest rates have benefited impairments and the downward trend in early arrears remained intact. However, improvements in retail defaulted advances have taken longer to come through, compared to past cycles, as a result of the comparatively higher levels of debt to disposable income. This delay has been increased by challenges experienced in the debt counselling process. Recent discussions between the South African Reserve Bank, commercial banks and the National Credit Regulator on improving the debt counselling process are expected to have a positive impact with new debt counselling inflows slowing and overall levels of advances in the debt counselling process stabilising. The level of defaulted advances in Nedbank Retail has improved to 11.9% from 12.2% in December 2009.

Nedbank achieved a return on average ordinary shareholders' equity (ROE), excluding goodwill, of 12.2% and an ROE of 10.7% (restated), resulting in an overall economic loss (earnings after deducting the cost of capital employed) of R352 million for the period (June 2009: loss of R24 million).

Nedbank's net asset value per share continued to increase, growing by 6.6% (annualised) from 9,100 cents in December 2009 to 9,397 cents in June 2010.

# Business Review

## Financial performance

### Net interest income (NII)

NII decreased by 1.3% to R8,082 million (June 2009: R8,185 million), largely as a result of endowment related margin compression. The net interest margin for the period was 3.34%, down from 3.44% for the period to June 2009 and 3.39% for the year ended December 2009. Average interest-earning banking assets increased by 2.8% (annualised) (June 2009 growth: 17.4%).

Changes in margin were mainly caused by reduced endowment income on capital and current and savings accounts, from the 294 basis point reduction in average interest rates; liability margin compression reflecting a higher cost of funding, including the cost of increased duration; the cost of holding additional liquidity buffers; a relative benefit in interest-earning assets re-pricing more quickly than interest-bearing liabilities as rates did not fall as aggressively nor as quickly as last year; and, the benefit on improved asset pricing on new business.

### Impairments charge on loans and advances

Improving conditions have resulted in the credit loss ratio on the banking book decreasing to 1.46% for June 2010, compared with 1.60% (restated) for the same period in 2009. Given the uncertain global economic conditions, we remain cautious on the wholesale sector as this sector tends to lag retail. Wholesale credit loss ratios, with the exception of Nedbank Capital and Commercial Property Finance within Nedbank Corporate, improved. Nedbank Corporate's credit loss ratios remain below expectations for this stage of the cycle.

In the retail sector impairments for unsecured lending reduced as a result of improving arrears, the better quality of advances and recoveries. Stabilising defaulted advances and higher levels of restructured loans of R2.4 billion (December 2009: R1.2 billion) in the secured lending categories have started to reduce impairments in these categories.

During the period, Nedbank aligned impairment methodologies for common clients of Imperial Bank and Nedbank. Nedbank raised an additional R42 million in impairments through this process.

### Non-interest revenue (NIR)

NIR increased 14.5% to R6,158 million (June 2009: R5,377 million). On a comparable basis, adjusting for the acquisition in 2009 of the Nedbank Wealth joint ventures, NIR growth was 7.8%. The ratio of NIR to expenses was 78.2% (June 2009: 75.5%).

Commission and fee income grew strongly by 21.9% (on a comparable basis by 15.7%) from growth in transactional volumes and annual inflation-linked fee increases. This strong growth is pleasing to see in the light of Nedbank's strategy to grow NIR. In Nedbank Retail the 8.2% year-on-year increase in primary clients as well as an improved mix contributed to NIR growth. This was further supported by strong growth in electronic banking, cash handling and cash management volumes in Nedbank Business Banking and Nedbank Corporate.

Trading income decreased by 3.9% from R928 million in 2009 to R892 million. The high base was due to outperformance in the Treasury and Global Markets businesses that benefited from trading conditions in the cycle of decreasing interest rates in the first half of 2009. Difficult conditions were experienced in the same period this year, although this was partially offset by equity trading that performed reasonably well.

### Expenses

Nedbank maintained a strong cost discipline ensuring that increases in expenses were in line with management's expectations. Expenses grew by 10.5% to R7,872 million (June 2009: R7,121 million), largely as a result of the acquisition of the Nedbank Wealth joint ventures and consolidation of Merchant Bank of Central Africa, and on a comparable  basis, expenses increased by 7.5%.

### Taxation

The taxation charge (excluding taxation on non-trading and capital items) decreased by 10.1% from R642 million in June 2009 to R577 million with a decrease in the effective tax rate from 22.2% to 19.9%.

### Non-trading income

Income after taxation from non-trading and capital items decreased from a R576 million profit to a R3 million loss at June 2010 following the one-off R547 million revaluation of BoE (Pty) Limited and Nedgroup life in the first six months of 2009 on the acquisition of the remaining shares in the joint ventures.

### Capital

Ongoing strong balance sheet management has maintained Nedbank's capital ratios well above Nedbank's internal targets and at levels similar to those of December 2009. As reported at the end of the first quarter, the acquisition of the minority shareholding in Imperial Bank was settled in cash, resulting in an approximate 0.5% decrease in Nedbank's capital adequacy ratios. This was partly offset by a 0.28% increase in capital from higher levels of take up under the scrip dividend alternative in the second quarter.

| **Capital adequacy** | **H1 2010 ratio** | FY 2009 ratio | Target range | Regulatory minimum |
|---|---|---|---|---|
| Core Tier 1 ratio | **9.9%** | **9.9%** | 7.5% to 9.0% | 5.25% |
| Tier 1 ratio | **11.5%** | **11.5%** | 8.5% to 10.0% | 7.00% |
| Total capital ratio | **14.8%** | **14.9%** | 11.5% to 13.0% | 9.75% |

* Capital adequacy ratios include unappropriated profit.

### Liquidity

Nedbank's liquidity position remains sound. Nedbank remains focused on diversifying its funding base, lengthening the funding profile and maintaining appropriate liquidity buffers. Nedbank successfully increased its long-term funding ratio from 18.1% in December 2009 to 23.9% in June 2010, mainly from increased capital market issuances under the domestic medium-term note programme (R6.23 billion) and increased duration in the money market book. Nedbank's liquidity position is further supported by a strong loan-to-deposit ratio of 96.0% and a low reliance on inter-bank funding and foreign markets. Nedbank is able to leverage off its favourable retail, commercial and wholesale deposit mix which compares well with domestic industry averages.

### Advances and Deposits

Advances grew by 4.9% (annualised) to R461 billion at June 2010 (December 2009: R450 billion). Deposits increased by 4.8% (annualised) from R469 billion at December 2009 to R480 billion at June 2010 remaining in line with advances growth.

Nedbank continued to focus on improving its funding mix and building on its strong retail and business banking deposit franchise. However, retail deposit growth remains challenging given the low interest rates and a highly competitive market, while in the professional fund management market the cost of funding has increased as a result of the increased demand for higher yielding negotiable certificates of deposit (NCDs).

## Outlook

Conditions during the remainder of the year will be heavily influenced by developments in the global economy. South Africa has benefited from rising commodity prices and improved capital inflows, but international prospects remain uncertain. Domestic spending is expected to rise although some loss of momentum is probable after the initial boost provided as companies restocked in early 2010 and as 2010 FIFA World Cup-related spend fades. Interest rates are forecast to remain low well into 2011 given low inflation and below-trend economic growth.

Retail banking should fare better as household credit demand improves, house prices edge higher and impairments moderate. Wholesale banking areas are expected to remain under pressure with slow credit growth as fixed investment activity remains subdued, but transactional volumes are expected to gradually improve.

The negative endowment effect on capital and margin compression on current and savings accounts is anticipated to reduce during the second half if rates remain at current levels. At the same time asset quality improvement and impairment reductions are expected to continue, albeit at a gradual pace given the high levels of consumer indebtedness.

Nedbank remains cautious in its outlook for the remainder of 2010 and performance is now expected to reflect:

- Advances growth in the mid-single digits.
- Margin compression, on the 2009 margin, of around 15 to 20 basis points.
- Ongoing, gradual improvement of the credit loss ratio.
- NIR growth for the year in early to mid double digits, subject to unforeseen moves in fair value adjustments.
- Expense growth for the year in early double digits.
- Maintaining strong capital ratios and funding structure.

Given this outlook for the second half we currently anticipate that it will be challenging to meet Nedbank's medium term growth target for diluted headline earning per share of the average consumer price index plus gross domestic product (GDP) growth plus 5%. As a result improvements in ROE for the balance of the year are expected to be muted.

Given the strength of Nedbank's balance sheet, the development of the strategy to grow NIR and the benefits of the acquisitions made in 2009, Nedbank is well positioned to take advantage of the economic upswing when it emerges more fully."

# Mutual & Federal (M & F)

**Improved underwriting result drives profitability**

| Highlights (Rm) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Underwriting result | **88** | (96) | 192% |
| Long-term investment return (LTIR) | **310** | 388 | (20%) |
| Change programme review expense | **(14)** | - | |
| Adjusted operating profit (IFRS basis) (pre-tax) | **384** | 292 | 32% |
| Gross premiums | **4,205** | 4,358 | (4%) |
| Earned premiums | **3,396** | 3,550 | (4%) |
| Claims ratio | **68.5%** | 73.1% | |
| Combined ratio | **97.4%** | 102.7% | |
| Solvency ratio | **62%** | 46% | |
| Return on equity* (1 year average) | **14.5%** | 15.5% | |

| Highlights (£m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **33** | 20 | 65% |

* The ROE is now shown over a one-year average equity base (previously three-year average) to achieve consistency with the rest of the Group.

### Overview

During the first half of 2010, growth has proved difficult due to continued high levels of competition within the industry. The overall results for the period were satisfactory and reflect a significant improvement on the comparative period, with a positive net underwriting surplus of 2.6%. This is despite the difficult trading conditions during the first three months, which saw adverse weather conditions and a number of large industrial claims.

### Underwriting and IFRS AOP results

We have been successful in implementing pricing increases where necessary and this, together with the underlying quality of the insurance business, has resulted in a general improvement in underwriting results during the period. The level of overall premium decline has been driven by the cancellation of certain unprofitable portfolios.

Claim levels during the first quarter were exceptionally high following record rainfall levels in much of South Africa and a higher-than-expected number of commercial fires. Results improved significantly in the second quarter following a return to more normal claims patterns and reflected the implementation of a number of remedial measures.

Over the course of the first half of 2010, the commercial business benefited from a significant turnaround in our retail industry credit insurance book (CGIC) which reported profits ahead of expectations. However, the personal portfolio remains challenging in terms of both growth and profitability but a number of initiatives have been implemented to reduce cost structures, promote growth and develop premium flows through alternative channels. One example of this is the iWyze initiative, which is a joint venture operation with the Retail Mass segment of Old Mutual Emerging Markets.

The long-term investment return for the period was significantly lower due to a reduction in the rate applied, from 13.3% to 9.4%.

We have completed a comprehensive business review, and are now beginning to prioritise and implement measures which will improve efficiencies, reduce expenses and promote profitability. While this will be a three to five year programme, we expect the first tangible impacts of this exercise to be apparent in 2011.

### Solvency margin

There has been a significant improvement in the solvency margin (being the ratio of net assets to net premiums) and this reflects the overall improvement in the investment environment during 2009 and positive underwriting returns in 2010.

# US Asset Management

**Management actions drive improved margins and AOP**

| Highlights ($m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **61** | 46 | 33% |
| Operating margin | **17%** | 15% | |
| Net client cash flows ($bn) | **(8.0)** | 0.6 | |

| Highlights ($bn) | H1 2010 | FY 2009 | |
|---|---|---|---|
| Funds under management | **243** | 261 | (7%) |

| Highlights (£m) | H1 2010 | H1 2009 | % Change |
|---|---|---|---|
| Adjusted operating profit (IFRS basis) (pre-tax) | **40** | 30 | 33% |

### Overview

Our continuing strategic focus areas for 2010 are delivering strong investment performance, enhancing our client service and distribution capabilities to capture assets, and improving operating margins. Investment performance in many long-term institutional asset classes is improving, particularly for some of the quantitative strategies which were affected by the market more severely than the traditional equity strategies in the past few years. Institutional investment consultants continue to allocate towards investment strategies for the long-term rather than be heavily influenced by near-term performance. We continue to look at various opportunities to expand the product offerings of our global business, and in July announced the formation of a new international equity portfolio management team, Echo Point Investment Management. Our diversified investment capabilities will provide the foundation needed for significant long-term growth.

We expect that equity markets will continue to be very volatile in the second half of 2010. While we have a number of accounts at risk at certain affiliates, we are focussed on building our pipeline for the remainder of 2010 to deliver an improvement in net client cash flow. We believe the trends for customers migrating asset allocation decisions toward international, global and alternative strategies will continue for the rest of 2010. We have demonstrated our ability to reduce our expense base, and this is a competitive advantage as market volatility continues. We are on track to achieve our goal of 25% to 30% margin by 2012. Our track record of investment performance and global business focus has historically positioned us well relative to our competitors, and our diversified asset/client mix has helped us weather market volatility.

### Investment Performance

Long-term investment performance of our affiliates remains competitive and our managers' diversification and bias to style purity continues to protect the business from experiencing more dramatic performance swings across the business in volatile markets. Market conditions remained difficult during the first half of 2010 for active equity strategies that focus on security selection, particularly domestic equity strategies. However, relative performance has improved over the shorter term in key strategies at certain of our affiliates, including Acadian Asset Management and Analytic Investors. The majority of assets under management by our affiliates continue to outperform benchmarks over the long-term, though we now trail our peers due to slight underperformance in a few strategies. Improving investment performance throughout our business remains a key area of focus.

### IFRS AOP results

IFRS adjusted operating profit of $61 million increased 33% ($15 million) over the same period last year. Management fees were 16% higher than the first half of 2009 due to strong year over year asset growth. Performance and transaction fees remained at cyclical lows. Additionally our performance fees typically are more heavily weighted to the second half of the year. Operating expenses increased slightly relative to the comparative period, mainly driven by higher average AUM.

### Operating margin and cost management

The 200 basis points improvement in our operating margin demonstrates the success of the expense management actions taken over the past year. Restructuring in 2009, primarily in our retail business, has delivered approximately $15 million of expense savings in the first half of 2010. However, these savings were largely offset by $12 million non-recurring expenses related to equity plan implementations.

### Net client cash flows

Net client cash flows in the period were negative $8.0 billion, or (3%) of opening funds under management. The net outflows included large Real Estate Investment Trust (REIT) outflows at Heitman, solely driven by short-term profit taking after our REIT product provided significant investment gains to investors over the past six to nine months. Of the outflows from Heitman, a significant amount had been invested for less than one year, and despite the outflow, the total funds under management at Heitman are in excess of the amount at 30 June 2009. Dwight's stable value product, which like other short-term investments generally produces modest returns in low interest rate environments, is experiencing outflows as investor appetite towards higher risk investments has returned. Despite the challenging environment in the second quarter, net client cash flows for the business were positive excluding Heitman and Dwight. Global and domestic fixed income products continued to attract new assets, and we are seeing the outflows in global and international equities begin to stabilise as performance improves.

# Business Review

### Funds under management

Funds under management decreased by 7% from the year-end position. This was a result of the net outflows in the period and negative markets in the second quarter.

Growth and diversification through international distribution remains a key element of our strategy, with non-US clients comprising 26% of total funds under management at the end of the period. Last year we took steps to establish an effective centralised distribution coverage model and asset-gathering sales mechanism by creating a UK-registered entity for global distribution. FSA registration was granted with effect from 30 April 2010 and OMAM International is now operational. OMAM International is already enjoying some early success in raising assets, and we are hopeful that it will be an important contributor of our long-term asset growth.

### Affiliate Developments

We are transferring ownership of Thomson Horstmann & Bryant (THB), a $1.7 billion institutional equity manager, to the firm's management team through a management buy-out. The transaction is expected to close on or about 27 August 2010 and represents the culmination of discussions which began in early 2009. Both organisations are committed to ensuring a seamless transition for the clients. Equity plans were implemented at two of our major affiliates during 2010, and we will complete the rollout to the one remaining smaller firm during 2010. Alignment of the interests of affiliate management was a key factor in the success of our cost management initiatives during 2009 and remains a vital component of our long-term strategy, critical to talent retention and positioning the business for sustainable long-term growth.

We recently announced the acquisition of an international equity portfolio management team, led by Hans van den Berg, from Invesco. The team will form a new OMAM affiliate, Echo Point Investment Management, based in Pennsylvania. Hans van den Berg and his investment colleagues have delivered strong long-term results and have worked together for many years. The senior portfolio management team has an average of 20 years of international investment experience and is expected to remain intact during the transition. The addition of this experienced and respected international team will expand OMAM's capabilities in the actively-managed international equity area.

### Retail Developments

The restructuring of our US retail platform in 2009 has improved overall efficiency in our business during the first half of 2010. We streamlined our product offerings and are now focused on distributing to Registered Investment Advisors (RIAs), Family Offices, and Bank Trust channels which are among the fastest growing segments of the financial services industry. A successful retail platform is a key component of our growth, and will also be an important driver of margin improvement. We remain committed to developing this part of the business.

# Index to the financial information

For the six months ended 30 June 2010

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

For the six months ended 30 June 2010

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
6 August 2010

**Philip Broadley**
Group Finance Director
6 August 2010

# Combined IFRS and MCEV report

## 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 2010 which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated statement of financial position, the Consolidated statement of changes in equity, Condensed consolidated statement of cash flows 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 38.

We have also been engaged by the company to review the Market Consistent Embedded Value (MCEV) basis supplementary information ("the supplementary information") for the six months ended 30 June 2010 as set out on pages 81 to 122.

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 on an MCEV basis in accordance with the CFO Forum MCEV Principles as issued in June 2008 and updated in October 2009 ('the MCEV Principles').

As disclosed in note A, 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 MCEV principles, using the methodology and assumptions as detailed in the basis of preparation of the supplementary information on page 85. The supplementary information should be read in conjunction with the group's condensed set of financial statements.

### 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 review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the 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 2010 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 supplementary information for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with the MCEV principles, using the methodology and assumptions as detailed in the basis of preparation of the supplementary information on page 85.

**Alastair W S Barbour**
**for and on behalf of KPMG Audit Plc**
*Chartered Accountants,* 8 Salisbury Square, London EC4Y 8BB, 6 August 2010

# Consolidated income statement

For the six months ended 30 June 2010

£m

| | Notes | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|---|
| **Revenue** | | | | |
| Gross earned premiums | B3 | **2,201** | 1,817 | 3,820 |
| Outward reinsurance | | **(199)** | (180) | (369) |
| Net earned premiums | | **2,002** | 1,637 | 3,451 |
| Investment return (non-banking) | | **1,582** | 1,553 | 11,616 |
| Banking interest and similar income | | **2,005** | 2,112 | 3,989 |
| Banking trading, investment and similar income | | **82** | 73 | 168 |
| Fee and commission income, and income from service activities | | **1,420** | 1,119 | 2,422 |
| Other income | | **108** | 61 | 202 |
| **Total revenues** | | **7,199** | 6,555 | 21,848 |
| **Expenses** | | | | |
| Claims and benefits (including change in insurance contract provisions) | | **(1,983)** | (1,377) | (5,069) |
| Reinsurance recoveries | | **173** | 176 | 328 |
| Net claims and benefits incurred | | **(1,810)** | (1,201) | (4,741) |
| Change in investment contract liabilities | | **(876)** | (1,142) | (8,345) |
| Losses on loans and advances | | **(285)** | (253) | (511) |
| Finance costs | | **(127)** | (19) | (322) |
| Banking interest payable and similar expenses | | **(1,252)** | (1,437) | (2,627) |
| Fee and commission expenses, and other acquisition costs | | **(504)** | (406) | (806) |
| Other operating and administrative expenses | | **(1,764)** | (1,446) | (3,139) |
| Goodwill impairment | C1(b) | **-** | - | (266) |
| Change in third party interest in consolidated funds | | **28** | (282) | (470) |
| Amortisation of PVIF and other acquired intangibles | C1(b) | **(146)** | (164) | (326) |
| **Total expenses** | | **(6,736)** | (6,350) | (21,553) |
| Share of associated undertakings' profit/(loss) after tax | | **2** | - | 2 |
| Loss on disposal of subsidiaries, associated undertakings and strategic investments | C1(c) | **(22)** | (45) | (50) |
| **Profit before tax** | | **443** | 160 | 247 |
| Income tax expense | D1(a) | **(63)** | (133) | (365) |
| **Profit/(loss) after tax for the financial period** | | **380** | 27 | (118) |
| Attributable to | | | | |
| Equity holders of the parent | | **265** | (70) | (340) |
| Non-controlling interests | | | | |
| Ordinary shares | | **84** | 63 | 158 |
| Preferred securities | | **31** | 34 | 64 |
| **Profit/(loss) after tax for the financial period** | | **380** | 27 | (118) |
| **Earnings per share** | | | | |
| **Basic earnings per ordinary share (pence)** | C3(a) | **5.1** | (1.8) | (7.8) |
| **Diluted earnings per ordinary share (pence)** | C3(a) | **4.7** | (1.8) | (7.8) |
| Weighted average number of shares – millions | | **4,849** | 4,757 | 4,758 |

# Consolidated statement of comprehensive income

For the six months ended 30 June 2010

£m

| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| **Profit/(loss) after tax for the financial period** | **380** | 27 | (118) |
| **Other comprehensive income for the financial period** | | | |
| Fair value gains/(losses) | | | |
| Property revaluation | **5** | 2 | (10) |
| Net investment hedge | **(34)** | 2 | (41) |
| Available-for-sale investments | | | |
| Fair value gains | **472** | 453 | 1,087 |
| Recycled to the income statement | **(43)** | 117 | 239 |
| Shadow accounting | **(246)** | (63) | 27 |
| Currency translation differences/exchange differences on translating foreign operations | **318** | (248) | 302 |
| Other movements | **11** | 47 | 21 |
| Income tax relating to components of other comprehensive income | **(53)** | (149) | (397) |
| **Total other comprehensive income for the financial period** | **430** | 161 | 1,228 |
| **Total comprehensive income for the financial period** | **810** | 188 | 1,110 |
| Attributable to | | | |
| Equity holders of the parent | **640** | 1 | 709 |
| Non-controlling interests | | | |
| Ordinary shares | **139** | 151 | 334 |
| Preferred securities | **31** | 36 | 67 |
| **Total comprehensive income for the financial period** | **810** | 188 | 1,110 |

# Reconciliation of adjusted operating profit to profit after tax

For the six months ended 30 June 2010

| | Notes | **6 months ended 30 June 2010** | 6 months ended 30 June 2009* | Year ended 31 December 2009 |
|---|---|---|---|---|
| | | | | £m |
| **Core operations** | | | | |
| Long Term Savings | B2 | **477** | 317 | 685 |
| Nedbank | B2 | **266** | 211 | 470 |
| M&F | B2 | **33** | 20 | 70 |
| USAM | B2 | **40** | 30 | 83 |
| | | **816** | 578 | 1,308 |
| Finance costs | | **(68)** | (47) | (104) |
| Long-term investment return on excess assets | | **16** | 46 | 91 |
| Interest payable to non-core operations – Bermuda | | **(18)** | (21) | (40) |
| Other shareholders' expenses | | **(11)** | (43) | (85) |
| **Adjusted operating profit** | | **735** | 513 | 1,170 |
| Adjusting items | C1(a) | **(238)** | (354) | (1,137) |
| Non core operations – Bermuda | | **(54)** | (24) | 22 |
| **Profit before tax (net of policyholder tax)** | | **443** | 135 | 55 |
| Income tax attributable to policyholder returns | B2 | **-** | 25 | 192 |
| **Profit before tax** | | **443** | 160 | 247 |
| Total income tax expense | D1(a) | **(63)** | (133) | (365) |
| **Profit/(loss) after tax for the financial period** | | **380** | 27 | (118) |

Adjusted operating profit after tax attributable to ordinary equity holders

| | Notes | **6 months ended 30 June 2010** | 6 months ended 30 June 2009* | Year ended 31 December 2009 |
|---|---|---|---|---|
| | | | | £m |
| **Adjusted operating profit before tax** | | **735** | 513 | 1,170 |
| Tax on adjusted operating profit | D1(c) | **(165)** | (149) | (292) |
| **Adjusted operating profit after tax** | | **570** | 364 | 878 |
| Non-controlling interest – ordinary shares | | **(95)** | (72) | (181) |
| Non-controlling interest – preferred securities | | **(31)** | (34) | (64) |
| **Adjusted operating profit after tax attributable to ordinary equity holders** | | **444** | 258 | 633 |
| Adjusted weighted average number of shares (millions) | C3(b) | **5,342** | 5,232 | 5,229 |
| **Adjusted operating earnings per share (pence)** | C3(b) | **8.3** | 4.9 | 12.1 |

* Interim 2009 results have been restated to include Bermuda as a non-core operation.

Basis of preparation

The reconciliation of adjusted operating profit 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 core life assurance and general insurance businesses, adjusted operating profit is based on a long-term investment return, including 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 core 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. Bermuda, which is non-core, is not included in adjusted operating profit.

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 2010

£m

| | Notes | At 30 June 2010 | At 30 June 2009 | At 31 December 2009 |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill and other intangible assets | | **5,003** | 5,397 | 5,159 |
| Mandatory reserve deposits with central banks | | **985** | 856 | 882 |
| Property, plant and equipment | | **871** | 763 | 828 |
| Investment property | | **2,026** | 1,578 | 1,759 |
| Deferred tax assets | | **668** | 1,434 | 570 |
| Investments in associated undertakings and joint ventures | | **145** | 115 | 135 |
| Deferred acquisition costs | | **3,096** | 2,933 | 3,138 |
| Reinsurers' share of life assurance policyholder liabilities | | **1,325** | 1,162 | 1,296 |
| Reinsurers' share of general insurance liabilities | | **125** | 130 | 120 |
| Deposits held with reinsurers | | **41** | 137 | 146 |
| Loans and advances | | **45,071** | 37,835 | 42,393 |
| Investments and securities | | **102,270** | 84,493 | 98,461 |
| Current tax receivable | | **166** | 149 | 169 |
| Client indebtedness for acceptances | | **159** | 146 | 170 |
| Trade, other receivables and other assets | | **3,739** | 3,229 | 3,051 |
| Derivative financial instruments – assets | | **1,933** | 2,486 | 2,546 |
| Cash and cash equivalents | | **3,267** | 2,672 | 2,982 |
| Non-current assets held-for-sale | | **18** | - | 1 |
| **Total assets** | | **170,908** | 145,515 | 163,806 |
| **Liabilities** | | | | |
| Life assurance policyholder liabilities | | **96,826** | 80,801 | 93,876 |
| General insurance liabilities | | **389** | 403 | 372 |
| Third party interests in consolidated funds | | **2,860** | 2,610 | 2,906 |
| Borrowed funds | E1 | **3,928** | 2,515 | 3,309 |
| Provisions | | **226** | 409 | 263 |
| Deferred revenue | | **661** | 604 | 654 |
| Deferred tax liabilities | | **930** | 1,466 | 905 |
| Current tax payable | | **198** | 195 | 210 |
| Trade, other payables and other liabilities | | **4,899** | 3,947 | 4,305 |
| Liabilities under acceptances | | **159** | 146 | 170 |
| Amounts owed to bank depositors | | **47,116** | 40,590 | 44,135 |
| Derivative financial instruments – liabilities | | **1,460** | 2,109 | 1,990 |
| **Total liabilities** | | **159,652** | 135,795 | 153,095 |
| **Net assets** | | **11,256** | 9,720 | 10,711 |
| **Shareholders' equity** | | | | |
| Equity attributable to equity holders of the parent | | **9,047** | 7,731 | 8,464 |
| Non-controlling interests | | | | |
| Ordinary shares | | **1,492** | 1,293 | 1,537 |
| Preferred securities | | **717** | 696 | 710 |
| Total non-controlling interests | | **2,209** | 1,989 | 2,247 |
| **Total equity** | | **11,256** | 9,720 | 10,711 |

# Consolidated statement of changes in equity

For the six months ended 30 June 2010

| | | Millions | | | £m |
|---|---|---|---|---|---|
| **Six months ended 30 June 2010** | Notes | Number of shares issued and fully paid | Attributable to equity holders of the parent | Total non-controlling interests | Total equity |
| **Shareholders' equity at beginning of the period** | | **5,518** | **8,464** | **2,247** | **10,711** |
| **Profit after tax for the financial period** | | **-** | **265** | **115** | **380** |
| **Other comprehensive income** | | | | | |
| Fair value gains/(losses) | | | | | |
| Property revaluation | | **-** | **5** | **-** | **5** |
| Net investment hedge | | **-** | **(34)** | **-** | **(34)** |
| Available-for-sale investments | | | | | |
| Fair value gains | | **-** | **473** | **(1)** | **472** |
| Recycled to the income statement | | **-** | **(43)** | **-** | **(43)** |
| Shadow accounting | | **-** | **(246)** | **-** | **(246)** |
| Currency translation differences/exchange differences on translating foreign operations | | **-** | **259** | **59** | **318** |
| Other movements | | **-** | **14** | **(3)** | **11** |
| Income tax relating to components of other comprehensive income | | **-** | **(53)** | **-** | **(53)** |
| **Total comprehensive income for the financial period** | | **-** | **640** | **170** | **810** |
| Dividends for the period | C4 | **-** | **(99)** | **(77)** | **(176)** |
| Net acquisition of treasury shares | | **-** | **(29)** | **-** | **(29)** |
| Acquisition of non-controlling interest in Mutual & Federal | F2 | **147** | **51** | **(51)** | **-** |
| Change in participation in other subsidiaries | F2 | **-** | **-** | **(81)** | **(81)** |
| Shares issued in lieu of cash dividend | | **14** | **15** | **-** | **15** |
| Exercise of share options | | **2** | **3** | **-** | **3** |
| Other issues of ordinary share capital by the Company | | **1** | **1** | **-** | **1** |
| Change in share-based payments reserve | | **-** | **1** | **1** | **2** |
| **Transactions with shareholders** | | **164** | **(57)** | **(208)** | **(265)** |
| **Shareholders' equity at end of the period** | | **5,682** | **9,047** | **2,209** | **11,256** |

| Six months ended 30 June 2010 | Notes | Share capital | Share premium | Other reserves | Translation reserve | Retained earnings | Perpetual preferred callable securities | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Attributable to equity holders of the parent at beginning of the period** | | **552** | **771** | **3,087** | **469** | **2,897** | **688** | **8,464** |
| **Profit for the financial year attributable to equity holders of the parent** | | **-** | **-** | **-** | **-** | **249** | **16** | **265** |
| **Other comprehensive income** | | | | | | | | |
| Fair value gains/(losses) | | | | | | | | |
| Property revaluation | | **-** | **-** | **5** | **-** | **-** | **-** | **5** |
| Net investment hedge | | **-** | **-** | **-** | **(34)** | **-** | **-** | **(34)** |
| Available-for-sale investments | | | | | | | | |
| Fair value gains | | **-** | **-** | **473** | **-** | **-** | **-** | **473** |
| Recycled to income statement | | **-** | **-** | **(43)** | **-** | **-** | **-** | **(43)** |
| Shadow accounting | | **-** | **-** | **(246)** | **-** | **-** | **-** | **(246)** |
| Currency translation differences/exchange differences on translating foreign operations | | **-** | **-** | **-** | **259** | **-** | **-** | **259** |
| Other movements | | **-** | **-** | **7** | **-** | **7** | **-** | **14** |
| Income tax relating to components of other comprehensive income | | **-** | **-** | **(59)** | **-** | **-** | **6** | **(53)** |
| **Total comprehensive income for the financial period** | | **-** | **-** | **137** | **225** | **256** | **22** | **640** |
| Dividends for the period | | **-** | **-** | **-** | **-** | **(77)** | **(22)** | **(99)** |
| Net acquisition of treasury shares | | **-** | **-** | **-** | **-** | **(29)** | **-** | **(29)** |
| Acquisition of non-controlling interest in Mutual & Federal | F2 | **15** | **-** | **129** | **-** | **(93)** | **-** | **51** |
| Shares issued in lieu of cash dividends | | **1** | **3** | **-** | **-** | **11** | **-** | **15** |
| Exercise of share options | | **-** | **3** | **-** | **-** | **-** | **-** | **3** |
| Other issues of ordinary share capital by the Company | | **-** | **1** | **-** | **-** | **-** | **-** | **1** |
| Change in share-based payments reserve | | **-** | **-** | **1** | **-** | **-** | **-** | **1** |
| **Transactions with shareholders** | | **16** | **7** | **130** | **-** | **(188)** | **(22)** | **(57)** |
| **Attributable to equity holders of the parent at end of the period** | | **568** | **778** | **3,354** | **694** | **2,965** | **688** | **9,047** |

| Other reserves attributable to equity holders of the parent | Merger reserve | Available-for-sale reserve | Property revaluation reserve | Share-based payments reserve | Other reserves | Total £m |
|---|---|---|---|---|---|---|
| **At beginning of the period** | **2,716** | **82** | **87** | **191** | **11** | **3,087** |
| Fair value gains/(losses) | | | | | | |
| Property revaluation | **-** | **-** | **5** | **-** | **-** | **5** |
| Available-for-sale investments | | | | | | |
| Fair value gains | **-** | **473** | **-** | **-** | **-** | **473** |
| Recycled to income statement | **-** | **(43)** | **-** | **-** | **-** | **(43)** |
| Shadow accounting | **-** | **(241)** | **(5)** | **-** | **-** | **(246)** |
| Other movements | **-** | **-** | **(1)** | **8** | **-** | **7** |
| Income tax relating to components of other comprehensive income | **-** | **(59)** | **-** | **-** | **-** | **(59)** |
| Acquisition of non-controlling interest in M&F | **129** | **-** | **-** | **-** | **-** | **129** |
| Change in share-based payments reserve | **-** | **-** | **-** | **1** | **-** | **1** |
| **At end of the period** | **2,845** | **212** | **86** | **200** | **11** | **3,354** |

Retained earnings were reduced by £381 million at 30 June 2010 in respect of own shares held in policyholders' funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

# Consolidated statement of changes in equity continued

For the six months ended 30 June 2010

| | | Millions | | | £m |
|---|---|---|---|---|---|
| **Six months ended 30 June 2009** | Notes | Number of shares issued and fully paid | Attributable to equity holders of the parent | Total non-controlling interest | Total equity |
| **Shareholders' equity 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 | C4 | - | (22) | (81) | (103) |
| Net sale of treasury shares | | - | 5 | (1) | 4 |
| Change in participation in subsidiaries | | - | (4) | 42 | 38 |
| Change in share-based payments reserve | | - | 14 | 2 | 16 |
| **Transactions with shareholders** | | - | (7) | (38) | (45) |
| **Shareholders' equity at end of the period** | | 5,516 | 7,731 | 1,989 | 9,720 |

£m

| Six months ended 30 June 2009 | 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 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 | | - | - | 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 | C4 | - | - | - | - | - | (22) | (22) |
| Net sale of treasury shares | | - | - | - | - | 5 | - | 5 |
| Change in participation in subsidiaries | | - | - | (4) | - | - | - | (4) |
| Change in share-based payments reserve | | - | - | 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

| Other reserves attributable to equity holders of the parent | Merger reserve | Available-for-sale reserve | Property revaluation reserve | Share-based payments reserve | Other reserves | Total |
|---|---|---|---|---|---|---|
| **At beginning of the period** | 2,716 | (844) | 85 | 171 | 2 | 2,130 |
| Fair value gains | | | | | | |
| Property revaluation | - | - | 2 | - | - | 2 |
| Available-for-sale investments | | | | | | |
| Fair value gains | - | 453 | - | - | - | 453 |
| Recycled to income statement | - | 117 | - | - | - | 117 |
| Shadow accounting | - | (61) | (2) | - | - | (63) |
| Other movements | - | 3 | (2) | (6) | (1) | (6) |
| Income tax relating to components of other comprehensive income | - | (150) | - | - | - | (150) |
| Change in participation in subsidiaries | - | - | - | - | (4) | (4) |
| Change in share-based payments reserve | - | - | - | 14 | - | 14 |
| **At end of the period** | 2,716 | (482) | 83 | 179 | (3) | 2,493 |

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

# Consolidated statement of changes in equity continued

For the six months ended 30 June 2010

| | | Millions | | | £m |
|---|---|---|---|---|---|
| **Year ended 31 December 2009** | Notes | Number of shares issued and fully paid | Attributable to equity holders of the parent | Total non-controlling interests | Total equity |
| **Shareholders' equity at beginning of the year** | | 5,516 | 7,737 | 1,840 | 9,577 |
| **(Loss)/profit after tax for the financial year** | | - | (340) | 222 | (118) |
| **Other comprehensive income** | | | | | |
| Fair value gains/(losses) | | | | | |
| Property revaluation | | - | (12) | 2 | (10) |
| Net investment hedge | | - | (41) | - | (41) |
| Available-for-sale investments | | | | | |
| Fair value gains | | - | 1,087 | - | 1,087 |
| Recycled to the income statement | | - | 239 | - | 239 |
| Shadow accounting | | - | 27 | - | 27 |
| Currency translation differences/exchange differences on translating foreign operations | | - | 124 | 178 | 302 |
| Other movements | | - | 22 | (1) | 21 |
| Income tax relating to components of other comprehensive income | | - | (397) | - | (397) |
| **Total comprehensive income for the financial year** | | - | 709 | 401 | 1,110 |
| Dividends for the year | | - | (45) | (145) | (190) |
| Net sale of treasury shares | | - | 39 | - | 39 |
| Issue of ordinary share capital by the Company | | - | 2 | - | 2 |
| Change in participation in subsidiaries | | - | - | 150 | 150 |
| Exercise of share options | | 2 | 3 | - | 3 |
| Change in share-based payments reserve | | - | 19 | 1 | 20 |
| **Transactions with shareholders** | | 2 | 18 | 6 | 24 |
| **Shareholders' equity at end of the year** | | 5,518 | 8,464 | 2,247 | 10,711 |

| Year ended 31 December 2009 | Notes | Share capital | Share premium | Other reserves | Translation reserve | Retained earnings | Perpetual preferred callable securities | Total £m |
|---|---|---|---|---|---|---|---|---|
| **Attributable to equity holders of the parent at beginning of the year** | | 552 | 766 | 2,130 | 386 | 3,215 | 688 | 7,737 |
| **(Loss)/profit for the financial year attributable to equity holders of the parent** | | - | - | - | - | (372) | 32 | (340) |
| **Other comprehensive income** | | | | | | | | |
| Fair value gains/(losses) | | | | | | | | |
| Property revaluation | | - | - | (12) | - | - | - | (12) |
| Net investment hedge | | - | - | - | (41) | - | - | (41) |
| Available-for-sale investments | | | | | | | | |
| Fair value gains | | - | - | 1,087 | - | - | - | 1,087 |
| Recycled to income statement | | - | - | 239 | - | - | - | 239 |
| Shadow accounting | | - | - | 27 | - | - | - | 27 |
| Currency translation differences/exchange differences on translating foreign operations | | - | - | - | 124 | - | - | 124 |
| Other movements | | - | - | 7 | - | 15 | - | 22 |
| Income tax relating to components of other comprehensive income | | - | - | (410) | - | - | 13 | (397) |
| **Total comprehensive income for the financial year** | | - | - | 938 | 83 | (357) | 45 | 709 |
| Dividends for the year | C4 | - | - | - | - | - | (45) | (45) |
| Net sale of treasury shares | | - | - | - | - | 39 | - | 39 |
| Issue of ordinary share capital by the Company | | - | 2 | - | - | - | - | 2 |
| Exercise of share options | | - | 3 | - | - | - | - | 3 |
| Change in share-based payments reserve | | - | - | 19 | - | - | - | 19 |
| **Transactions with shareholders** | | - | 5 | 19 | - | 39 | (45) | 18 |
| **Attributable to equity holders of the parent at end of the year** | | 552 | 771 | 3,087 | 469 | 2,897 | 688 | 8,464 |

| Other reserves attributable to equity holders of the parent | Merger reserve | Available-for-sale reserve | Property revaluation reserve | Share-based payments reserve | Other reserves | Total £m |
|---|---|---|---|---|---|---|
| **At the beginning of the year** | 2,716 | (844) | 85 | 171 | 2 | 2,130 |
| Fair value gains/(losses) | | | | | | |
| Property revaluation | - | - | (12) | - | - | (12) |
| Available-for-sale investments | | | | | | |
| Fair value gains | - | 1,087 | - | - | - | 1,087 |
| Recycled to income statement | - | 239 | - | - | - | 239 |
| Shadow accounting | - | 9 | 18 | - | - | 27 |
| Other movements | - | 1 | (4) | 1 | 9 | 7 |
| Income tax relating to components of other comprehensive income | - | (410) | - | - | - | (410) |
| Change in share-based payments reserve | - | - | - | 19 | - | 19 |
| **At end of the year** | 2,716 | 82 | 87 | 191 | 11 | 3,087 |

Retained earnings were reduced by £379 million at 31 December 2009 in respect of own shares held in policyholders' funds, ESOP trusts, Black Economic Empowerment trusts and other related undertakings.

# Condensed consolidated statement of cash flows

For the six months ended 30 June 2010

| | | | £m |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| **Cash flows from operating activities** | | | |
| Profit before tax | **443** | 160 | 247 |
| Non-cash movements in profit before tax | **1,124** | 1,851 | (8,653) |
| Changes in working capital | **1,204** | (2,616) | 9,997 |
| Taxation paid | **(187)** | (160) | (373) |
| **Net cash (outflow)/inflow from operating activities** | **2,584** | (765) | 1,218 |
| **Cash flows from investing activities** | | | |
| Net disposal/(acquisitions) of financial investments | **(2,864)** | 477 | (2,674) |
| Acquisition of investment properties | **(224)** | (72) | (82) |
| Proceeds from disposal of investment properties | **19** | 50 | 57 |
| Acquisition of property, plant and equipment | **(69)** | (124) | (138) |
| Proceeds from disposal of property, plant and equipment | **10** | 26 | 29 |
| Acquisition of intangible assets | **(30)** | (12) | (43) |
| Acquisition of interests in subsidiaries | **(124)** | (2) | (5) |
| Disposal of interests in subsidiaries, associated undertakings and strategic investments | **2** | 16 | 40 |
| **Net cash inflow/(outflow) from investing activities** | **(3,280)** | 359 | (2,816) |
| **Cash flows from financing activities** | | | |
| Dividends paid to | | | |
| Ordinary equity holders of the Company | **(62)** | - | - |
| Non-controlling interests and preferred security interests | **(99)** | (103) | (190) |
| Interest paid (excluding banking interest paid) | **(38)** | (120) | (57) |
| Proceeds from issue of ordinary shares (including by subsidiaries to non-controlling interests) | **4** | 46 | 100 |
| Net (purchase)/sale of treasury shares | **(29)** | 4 | 38 |
| Issue of subordinated and other debt | **584** | 290 | 1,049 |
| Subordinated and other debt repaid | **(41)** | (33) | (441) |
| **Net cash inflow from financing activities** | **319** | 84 | 499 |
| **Net decrease in cash and cash equivalents** | **(377)** | (322) | (1,099) |
| Effects of exchange rate changes on cash and cash equivalents | **128** | (175) | 160 |
| Cash and cash equivalents at beginning of the period | **4,044** | 4,983 | 4,983 |
| **Cash and cash equivalents at end of the period** | **3,795** | 4,486 | 4,044 |
| **Consisting of** | | | |
| Cash and cash equivalents in the statement of financial position | **3,267** | 2,672 | 2,982 |
| Mandatory reserve deposits with central banks | **984** | 856 | 882 |
| Short term cash balances held in policyholder funds | **441** | 1,743 | 897 |
| Cash and cash equivalents subject to consolidation of funds | **(897)** | (785) | (717) |
| **Total** | **3,795** | 4,486 | 4,044 |

Cash flows presented in this statement include all cash flows relating to policyholders' funds for life assurance.

Except for mandatory reserve deposits with central banks and cash and cash equivalents subject to consolidation of funds, management do not consider that there are any material amounts of cash and cash equivalents which are not available for use in the Group's day to day operations. Mandatory reserve deposits are, however, included in cash and cash equivalents for the purposes of the cash flow statement in line with market practice in South Africa.

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

## A Accounting policies

### A1 Basis of preparation

The Group 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 2010 and the position at that date have been prepared using accounting policies consistent with those applied in the preparation of the Group's 2009 Annual Report and Accounts.

The Group 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 2009 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 498(2) or (3) of the Companies Act 2006.

## B Segment information

### B1 Basis of segmentation

The Group's core operations are Emerging Markets, Nordic, Retail Europe, Wealth Management and US Life (collectively Long Term Savings), Nedbank, Mutual & Federal, US Asset Management and Other operating segments (comprising the Group head office functions). The Bermuda operating segment is regarded as non core. This is consistent with the way that management and the Board of Directors considers information when making operating decisions and is the basis on which resources are allocated and performance assessed by management and the Board of Directors, being in line with that reported in the previous financial year. The Group generates revenue from four principal business activities: life assurance, asset management, banking and general insurance. The types of products and services from which each operating segment derives its revenues are as follows:

**Core operations**

Emerging Markets – life assurance and asset management

Nordic – life assurance, asset management and banking

Retail Europe – life assurance and asset management

Wealth Management – life assurance and asset management

US Life – life assurance

Nedbank – banking and asset management

Mutual & Federal – general insurance

US Asset Management – asset management

Other operating segments

**Non core operations**

Bermuda – life assurance

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.

In the analysis that follows, consolidation adjustments include the elimination of inter segment revenues, expenses, assets and liabilities together with the impacts of the consolidation of the Group's interest in unit trusts, mutual funds and similar entities. The 30 June 2009 comparative has been restated to reflect the revised reporting structure introduced in the second half of 2009.

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

B2 Adjusted operating profit statement – segment information six months ended 30 June 2010

| | Long Term Savings | | | | |
|---|---|---|---|---|---|
| | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| **Revenue** | | | | | |
| Gross earned premiums | 1,111 | 61 | 13 | 163 | 501 |
| Outward reinsurance | (35) | (3) | (4) | (38) | (52) |
| Net earned premiums | 1,076 | 58 | 9 | 125 | 449 |
| Investment return (non-banking) | 541 | 190 | 238 | 358 | 284 |
| Banking interest and similar income | - | 79 | (1) | - | - |
| Banking trading, investment and similar income | - | - | - | - | - |
| Fee and commission income, and income from service activities | 180 | 114 | 99 | 433 | - |
| Other income | 20 | 9 | - | 6 | 1 |
| Inter-segment revenues | 32 | 9 | 2 | 3 | - |
| **Total revenues** | 1,849 | 459 | 347 | 925 | 734 |
| **Expenses** | | | | | |
| Claims and benefits (including change in insurance contract provisions) | (891) | (41) | (14) | (151) | (632) |
| Reinsurance recoveries | 44 | - | 2 | 38 | 55 |
| Net claims and benefits incurred | (847) | (41) | (12) | (113) | (577) |
| Change in investment contract liabilities | (201) | (141) | (231) | (303) | - |
| Losses on loans and advances | - | (2) | (1) | - | - |
| Finance costs (including interest and similar expenses) | - | - | - | - | - |
| Banking interest payable and similar expenses | - | (36) | - | - | - |
| Fee and commission expenses, and other acquisition costs | (99) | (29) | (37) | (223) | (95) |
| Other operating and administrative expenses | (436) | (128) | (40) | (186) | (28) |
| Goodwill impairment | - | - | - | - | - |
| Change in third party interest in consolidated funds | - | - | - | - | - |
| Amortisation of PVIF and other acquired intangibles | - | - | - | - | - |
| Income tax attributable to policyholder returns | 8 | (24) | - | 16 | - |
| Inter-segment expenses | (5) | (1) | (1) | (21) | (4) |
| **Total expenses** | (1,580) | (402) | (322) | (830) | (704) |
| Share of associated undertakings' profit/(loss) after tax | - | 1 | - | - | - |
| Loss on disposal of subsidiaries, associated undertakings and strategic investments | - | - | - | - | - |
| **Adjusted operating profit/(loss) before tax and non-controlling interests** | 269 | 58 | 25 | 95 | 30 |
| Income tax (expense)/credit | (61) | (13) | (7) | (11) | (10) |
| Non-controlling interests | - | - | - | - | - |
| **Adjusted operating profit/(loss) after tax and non-controlling interests** | 208 | 45 | 18 | 84 | 20 |
| Adjusting items net of tax and non-controlling interests | (19) | (39) | (15) | (45) | 98 |
| **Profit/(loss) after tax attributable to equity holders of the parent** | 189 | 6 | 3 | 39 | 118 |

B2 Adjusted operating profit statement – segment information six months ended 30 June 2010 continued

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Other operating segments | Consolidation adjustments | Adjusted operating profit | Adjusting items (Note C1) | Non core operations – Bermuda | IFRS Income statement |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| 1,849 | - | 352 | - | - | - | 2,201 | - | - | 2,201 |
| (132) | - | (67) | - | - | - | (199) | - | - | (199) |
| 1,717 | - | 285 | - | - | - | 2,002 | - | - | 2,002 |
| 1,611 | - | 25 | (2) | 35 | (2) | 1,667 | (47) | (38) | 1,582 |
| 78 | 1,927 | - | - | - | - | 2,005 | - | - | 2,005 |
| - | 82 | - | - | - | - | 82 | - | - | 82 |
| 826 | 408 | 11 | 231 | - | (5) | 1,471 | (51) | - | 1,420 |
| 36 | 50 | 1 | 6 | - | 4 | 97 | - | 11 | 108 |
| 46 | 10 | 12 | 2 | 7 | (95) | (18) | - | 18 | - |
| 4,314 | 2,477 | 334 | 237 | 42 | (98) | 7,306 | (98) | (9) | 7,199 |
| | | | | | | | | | |
| (1,729) | - | (233) | - | - | - | (1,962) | - | (21) | (1,983) |
| 139 | - | 34 | - | - | - | 173 | - | - | 173 |
| (1,590) | - | (199) | - | - | - | (1,789) | - | (21) | (1,810) |
| (876) | - | - | - | - | - | (876) | - | - | (876) |
| (3) | (282) | - | - | - | - | (285) | - | - | (285) |
| - | - | - | - | (68) | - | (68) | (59) | - | (127) |
| (36) | (1,207) | - | - | - | - | (1,243) | (9) | - | (1,252) |
| (483) | (2) | (53) | (9) | - | (19) | (566) | 74 | (12) | (504) |
| (818) | (688) | (42) | (188) | (33) | (6) | (1,775) | 22 | (11) | (1,764) |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | 28 | 28 | - | - | 28 |
| - | - | - | - | - | - | - | (146) | - | (146) |
| - | - | - | - | - | - | - | - | - | - |
| (32) | (32) | (8) | - | (22) | 95 | 1 | - | (1) | - |
| (3,838) | (2,211) | (302) | (197) | (123) | 98 | (6,573) | (118) | (45) | (6,736) |
| 1 | - | 1 | - | - | - | 2 | - | - | 2 |
| - | - | - | - | - | - | - | (22) | - | (22) |
| | | | | | | | | | |
| 477 | 266 | 33 | 40 | (81) | - | 735 | (238) | (54) | 443 |
| (102) | (53) | (8) | (4) | 2 | - | (165) | 102 | - | (63) |
| - | (106) | (1) | - | (19) | - | (126) | 11 | - | (115) |
| | | | | | | | | | |
| 375 | 107 | 24 | 36 | (98) | - | 444 | (125) | (54) | 265 |
| (20) | 6 | (19) | (17) | (75) | - | (125) | 125 | - | - |
| 355 | 113 | 5 | 19 | (173) | - | 319 | - | (54) | 265 |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010 continued

B2 Adjusted operating profit statement – segment information six months ended 30 June 2009

| | Long Term Savings | | | | |
|---|---|---|---|---|---|
| | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| **Revenue** | | | | | |
| Gross earned premiums | 884 | 51 | 14 | 143 | 421 |
| Outward reinsurance | (28) | (3) | (4) | (40) | (51) |
| Net earned premiums | 856 | 48 | 10 | 103 | 370 |
| Investment return (non-banking) | (90) | 867 | 186 | 59 | 303 |
| Banking interest and similar income | - | 96 | - | - | - |
| Banking trading, investment and similar income | - | - | - | - | - |
| Fee and commission income, and income from service activities | 126 | 86 | 92 | 363 | - |
| Other income | 12 | 2 | 1 | 8 | 1 |
| Inter-segment revenues | 32 | 2 | 9 | 9 | - |
| **Total revenues** | 936 | 1,101 | 298 | 542 | 674 |
| **Expenses** | | | | | |
| Claims and benefits (including change in insurance contract provisions) | (231) | (38) | (18) | (150) | (589) |
| Reinsurance recoveries | 28 | 1 | 2 | 52 | 54 |
| Net claims and benefits incurred | (203) | (37) | (16) | (98) | (535) |
| Change in investment contract liabilities | (114) | (841) | (179) | (6) | - |
| Losses on loans and advances | - | (3) | - | - | - |
| Finance costs (including interest and similar expenses) | - | - | - | - | - |
| Banking interest payable and similar expenses | - | (51) | - | - | - |
| Fee and commission expenses, and other acquisition costs | (82) | (24) | (40) | (188) | (71) |
| Other operating and administrative expenses | (316) | (101) | (50) | (186) | (32) |
| Goodwill impairment | - | - | - | - | - |
| Change in third party interest in consolidated funds | - | - | - | - | - |
| Amortisation of PVIF and other acquired intangibles | - | - | - | - | - |
| Income tax attributable to policyholder returns | (2) | (19) | - | (4) | - |
| Inter-segment expenses | (6) | (3) | (5) | (17) | (7) |
| **Total expenses** | (723) | (1,079) | (290) | (499) | (645) |
| Share of associated undertakings' profit/(loss) after tax | 2 | - | - | - | - |
| Loss on disposal of subsidiaries, associated undertakings and strategic investments | - | - | - | - | - |
| **Adjusted operating profit/(loss) before tax and non-controlling interests** | 215 | 22 | 8 | 43 | 29 |
| Income tax (expense)/credit | (66) | 1 | (3) | (2) | (8) |
| Non-controlling interests | (2) | - | - | - | - |
| **Adjusted operating profit/(loss) after tax and non-controlling interests** | 147 | 23 | 5 | 41 | 21 |
| Adjusting items net of tax and non-controlling interests | (109) | (32) | (21) | (61) | (98) |
| **Profit/(loss) after tax attributable to equity holders of the parent** | 38 | (9) | (16) | (20) | (77) |

B2 Adjusted operating profit statement – segment information six months ended 30 June 2009 **continued**

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Other operating segments | Consolidation adjustments | Adjusted operating profit | Adjusting items (Note C1) | Non core operations – Bermuda | IFRS Income statement |
|---|---|---|---|---|---|---|---|---|---|
| 1,513 | - | 297 | - | - | - | 1,810 | - | 7 | 1,817 |
| (126) | - | (54) | - | - | - | (180) | - | - | (180) |
| 1,387 | - | 243 | - | - | - | 1,630 | - | 7 | 1,637 |
| 1,325 | - | 26 | - | 43 | 310 | 1,704 | (226) | 75 | 1,553 |
| 96 | 2,016 | - | - | - | - | 2,112 | - | - | 2,112 |
| - | 73 | - | - | - | - | 73 | - | - | 73 |
| 667 | 293 | 9 | 206 | - | - | 1,175 | (56) | - | 1,119 |
| 24 | 24 | - | 2 | - | - | 50 | - | 11 | 61 |
| 52 | 14 | 18 | 5 | 7 | (117) | (21) | - | 21 | - |
| 3,551 | 2,420 | 296 | 213 | 50 | 193 | 6,723 | (282) | 114 | 6,555 |
| (1,026) | - | (221) | - | - | - | (1,247) | - | (130) | (1,377) |
| 137 | - | 40 | - | - | - | 177 | - | (1) | 176 |
| (889) | - | (181) | - | - | - | (1,070) | - | (131) | (1,201) |
| (1,140) | - | - | - | - | - | (1,140) | - | (2) | (1,142) |
| (3) | (250) | - | - | - | - | (253) | - | - | (253) |
| - | - | - | - | (47) | - | (47) | 28 | - | (19) |
| (51) | (1,392) | - | - | - | - | (1,443) | 6 | - | (1,437) |
| (405) | - | (53) | (8) | - | (25) | (491) | 81 | 4 | (406) |
| (685) | (529) | (30) | (175) | (38) | (3) | (1,460) | 22 | (8) | (1,446) |
| - | - | - | - | - | - | - | - | - | - |
| - | - | - | - | - | (282) | (282) | - | - | (282) |
| - | - | - | - | - | - | - | (164) | - | (164) |
| (25) | - | - | - | - | - | (25) | 25 | - | - |
| (38) | (40) | (12) | - | (26) | 117 | 1 | - | (1) | - |
| (3,236) | (2,211) | (276) | (183) | (111) | (193) | (6,210) | (2) | (138) | (6,350) |
| 2 | 2 | - | - | (4) | - | - | - | - | - |
| - | - | - | - | - | - | - | (45) | - | (45) |
| 317 | 211 | 20 | 30 | (65) | - | 513 | (329) | (24) | 160 |
| (78) | (48) | (4) | (9) | (10) | - | (149) | 16 | - | (133) |
| (2) | (84) | (4) | - | (16) | - | (106) | 9 | - | (97) |
| 237 | 79 | 12 | 21 | (91) | - | 258 | (304) | (24) | (70) |
| (321) | 10 | (5) | 11 | 1 | - | (304) | 304 | - | - |
| (84) | 89 | 7 | 32 | (90) | - | (46) | - | (24) | (70) |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010 continued

B2 Adjusted operating profit statement – segment information year ended 31 December 2009

| | Long Term Savings | | | | |
|---|---|---|---|---|---|
| | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| **Revenue** | | | | | |
| Gross earned premiums | 1,946 | 109 | 31 | 315 | 800 |
| Outward reinsurance | (56) | (5) | (8) | (81) | (102) |
| Net earned premiums | 1,890 | 104 | 23 | 234 | 698 |
| Investment return (non-banking) | 2,636 | 2,035 | 564 | 4,997 | 654 |
| Banking interest and similar income | - | 157 | - | - | - |
| Banking trading, investment and similar income | - | - | - | - | - |
| Fee and commission income, and income from service activities | 305 | 190 | 189 | 746 | - |
| Other income | 65 | 6 | - | 24 | 6 |
| Inter-segment revenues | 55 | 32 | 10 | 27 | - |
| **Total revenues** | 4,951 | 2,524 | 786 | 6,028 | 1,358 |
| **Expenses** | | | | | |
| Claims and benefits (including change in insurance contract provisions) | (2,551) | (72) | (37) | (255) | (1,283) |
| Reinsurance recoveries | 76 | 2 | 5 | 46 | 128 |
| Net claims and benefits incurred | (2,475) | (70) | (32) | (209) | (1,155) |
| Change in investment contract liabilities | (1,040) | (1,972) | (554) | (4,775) | - |
| Losses on loans and advances | - | (5) | (1) | - | - |
| Finance costs (including interest and similar expenses) | - | - | - | - | - |
| Banking interest payable and similar expenses | - | (70) | - | - | - |
| Fee and commission expenses, and other acquisition costs | (184) | (53) | (79) | (394) | (78) |
| Other operating and administrative expenses | (768) | (215) | (96) | (380) | (67) |
| Goodwill impairment | - | - | - | - | - |
| Change in third party interest in consolidated funds | - | - | - | - | - |
| Amortisation of PVIF and other acquired intangibles | - | - | - | - | - |
| Income tax attributable to policyholder returns | (37) | (39) | - | (116) | - |
| Inter-segment expenses | (5) | (38) | (2) | (48) | (9) |
| **Total expenses** | (4,509) | (2,462) | (764) | (5,922) | (1,309) |
| Share of associated undertakings' profit/(loss) after tax | 4 | - | - | - | - |
| Loss on disposal of subsidiaries, associated undertakings and strategic investments | - | - | - | - | - |
| **Adjusted operating profit/(loss) before tax and non-controlling interests** | 446 | 62 | 22 | 106 | 49 |
| Income tax (expense)/credit | (130) | 9 | (8) | (20) | (9) |
| Non-controlling interests | (2) | - | - | - | - |
| **Adjusted operating profit/(loss) after tax and non-controlling interests** | 314 | 71 | 14 | 86 | 40 |
| Adjusting items net of tax and non-controlling interests | (200) | (4) | (228) | (225) | (120) |
| **Profit/(loss) after tax attributable to equity holders of the parent** | 114 | 67 | (214) | (139) | (80) |

B2 Adjusted operating profit statement – segment information year ended 31 December 2009 continued

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Other operating segments | Consolidation adjustments | Adjusted operating profit | Adjusting items (Note C1) | Non core operations – Bermuda | IFRS Income statement |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| 3,201 | - | 612 | - | - | - | 3,813 | - | 7 | 3,820 |
| (252) | - | (117) | - | - | - | (369) | - | - | (369) |
| 2,949 | - | 495 | - | - | - | 3,444 | - | 7 | 3,451 |
| 10,886 | - | 58 | 13 | 91 | 509 | 11,557 | (425) | 484 | 11,616 |
| 157 | 3,832 | - | - | - | - | 3,989 | - | - | 3,989 |
| - | 168 | - | - | - | - | 168 | - | - | 168 |
| 1,430 | 663 | 22 | 429 | - | (6) | 2,538 | (116) | - | 2,422 |
| 101 | 70 | 1 | 7 | - | 1 | 180 | - | 22 | 202 |
| 124 | 31 | 29 | 6 | 21 | (251) | (40) | - | 40 | - |
| 15,647 | 4,764 | 605 | 455 | 112 | 253 | 21,836 | (541) | 553 | 21,848 |
| | | | | | | | | | |
| (4,198) | - | (412) | - | - | - | (4,610) | - | (459) | (5,069) |
| 257 | - | 72 | - | - | - | 329 | - | (1) | 328 |
| (3,941) | - | (340) | - | - | - | (4,281) | - | (460) | (4,741) |
| (8,341) | - | - | - | - | - | (8,341) | - | (4) | (8,345) |
| (6) | (505) | - | - | - | - | (511) | - | - | (511) |
| - | - | - | - | (104) | - | (104) | (218) | - | (322) |
| (70) | (2,557) | - | - | - | - | (2,627) | - | - | (2,627) |
| (788) | (2) | (106) | (18) | - | (12) | (926) | 167 | (47) | (806) |
| (1,526) | (1,167) | (64) | (354) | (84) | (22) | (3,217) | 97 | (19) | (3,139) |
| - | - | - | - | - | - | - | (266) | - | (266) |
| - | - | - | - | - | (470) | (470) | - | - | (470) |
| - | - | - | - | - | - | - | (326) | - | (326) |
| (192) | - | - | - | - | - | (192) | 192 | - | - |
| (102) | (65) | (25) | - | (58) | 251 | 1 | - | (1) | - |
| (14,966) | (4,296) | (535) | (372) | (246) | (253) | (20,668) | (354) | (531) | (21,553) |
| 4 | 2 | - | - | (4) | - | 2 | - | - | 2 |
| - | - | - | - | - | - | - | (50) | - | (50) |
| | | | | | | | | | |
| 685 | 470 | 70 | 83 | (138) | - | 1,170 | (945) | 22 | 247 |
| (158) | (96) | (15) | (19) | (4) | - | (292) | (84) | 11 | (365) |
| (2) | (193) | (16) | - | (34) | - | (245) | 23 | - | (222) |
| | | | | | | | | | |
| 525 | 181 | 39 | 64 | (176) | - | 633 | (1,006) | 33 | (340) |
| (777) | 15 | - | (3) | (241) | - | (1,006) | 1,006 | - | - |
| (252) | 196 | 39 | 61 | (417) | - | (373) | - | 33 | (340) |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

## B3 Gross earned premiums

| **Six months ended 30 June 2010** | **Long Term Savings** | | | | |
|---|---|---|---|---|---|
| | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** |
| Life assurance – insurance contracts | **726** | **61** | **13** | **163** | **501** |
| Life assurance – investment contracts with discretionary participation features | **385** | **-** | **-** | **-** | **-** |
| General insurance | **-** | **-** | **-** | **-** | **-** |
| **Gross earned premiums** | **1,111** | **61** | **13** | **163** | **501** |
| **Life assurance – other investment contracts recognised as deposits** | **983** | **561** | **365** | **3,489** | **124** |

| Six months ended 30 June 2009 | Long Term Savings | | | | |
|---|---|---|---|---|---|
| | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| Life assurance – insurance contracts | 589 | 51 | 14 | 143 | 421 |
| Life assurance – investment contracts with discretionary participation features | 295 | - | - | - | - |
| General insurance | - | - | - | - | - |
| **Gross earned premiums** | 884 | 51 | 14 | 143 | 421 |
| **Life assurance – other investment contracts recognised as deposits** | 1,223 | 611 | 315 | 2,128 | 82 |

| Year ended 31 December 2009 | Long Term Savings | | | | |
|---|---|---|---|---|---|
| | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| Life assurance – insurance contracts | 1,287 | 109 | 31 | 315 | 800 |
| Life assurance – investment contracts with discretionary participation features | 659 | - | - | - | - |
| General insurance | - | - | - | - | - |
| **Gross earned premiums** | 1,946 | 109 | 31 | 315 | 800 |
| **Life assurance – other investment contracts recognised as deposits** | 2,726 | 1,199 | 733 | 4,906 | 171 |

## B4 Impairments of financial assets

| | | | **£m** |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| Nordic | **3** | 3 | 5 |
| US Life | **(20)** | 133 | 248 |
| **Total Long Term Savings** | **(17)** | 136 | 253 |
| Nedbank | **282** | 250 | 504 |
| Bermuda | **-** | 14 | 13 |
| **Total** | **265** | 400 | 770 |

B3 Gross earned premiums continued

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Total core operations | Non-core operations – Bermuda | Total |
|---|---|---|---|---|---|---|
| **1,464** | **-** | **-** | **-** | **1,464** | **-** | **1,464** |
| **385** | **-** | **-** | **-** | **385** | **-** | **385** |
| **-** | **-** | **352** | **-** | **352** | **-** | **352** |
| **1,849** | **-** | **352** | **-** | **2,201** | **-** | **2,201** |
| **5,522** | **-** | **-** | **-** | **5,522** | **-** | **5,522** |

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Total core operations | Non-core operations – Bermuda | Total |
|---|---|---|---|---|---|---|
| 1,218 | - | - | - | 1,218 | 7 | 1,225 |
| 295 | - | - | - | 295 | - | 295 |
| - | - | 297 | - | 297 | | 297 |
| 1,513 | - | 297 | - | 1,810 | 7 | 1,817 |
| 4,359 | - | - | - | 4,359 | 8 | 4,367 |

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Total core operations | Non-core operations – Bermuda | Total |
|---|---|---|---|---|---|---|
| 2,542 | - | - | - | 2,542 | 7 | 2,549 |
| 659 | - | - | - | 659 | - | 659 |
| - | - | 612 | - | 612 | - | 612 |
| 3,201 | - | 612 | - | 3,813 | 7 | 3,820 |
| 9,735 | - | - | - | 9,735 | 8 | 9,743 |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

## B5 Funds under management

| As at 30 June 2010 | Long Term Savings Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
|---|---|---|---|---|---|
| Life assurance policyholder funds | **25,636** | **9,509** | **3,731** | **35,636** | **7,058** |
| Unit trusts and mutual funds | **8,677** | **1,465** | **370** | **12,239** | **-** |
| Third party client funds | **9,469** | **-** | **-** | **-** | **-** |
| Total client funds under management | **43,782** | **10,974** | **4,101** | **47,875** | **7,058** |
| Shareholder funds | **2,370** | **408** | **199** | **899** | **-** |
| **Total funds under management** | **46,152** | **11,382** | **4,300** | **48,774** | **7,058** |

| As at 30 June 2009 | Long Term Savings Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
|---|---|---|---|---|---|
| Life assurance policyholder funds | 21,743 | 7,108 | 2,871 | 29,017 | 347 |
| Unit trusts and mutual funds | 6,451 | 1,026 | 361 | 8,874 | - |
| Third party client funds | 6,988 | - | - | - | - |
| Total client funds under management | 35,182 | 8,134 | 3,232 | 37,891 | 347 |
| Shareholder funds | 1,819 | 237 | 167 | 842 | - |
| **Total funds under management** | 37,001 | 8,371 | 3,399 | 38,733 | 347 |

| As at 31 December 2009 | Long Term Savings Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
|---|---|---|---|---|---|
| Life assurance policyholder funds | 25,454 | 9,221 | 3,569 | 34,721 | 6,689 |
| Unit trusts and mutual funds | 7,686 | 1,428 | 391 | 11,308 | - |
| Third party client funds | 8,229 | - | - | - | - |
| Total client funds under management | 41,369 | 10,649 | 3,960 | 46,029 | 6,689 |
| Shareholder funds | 2,130 | 360 | 210 | 830 | - |
| **Total funds under management** | 43,499 | 11,009 | 4,170 | 46,859 | 6,689 |

B5 Funds under management **continued**

£m

| **Total Long Term Savings** | **Nedbank** | **M&F** | **USAM** | **Total core operations** | **Non-core operations – Bermuda** | **Total** |
|---|---|---|---|---|---|---|
| **81,570** | **711** | **-** | **7,667** | **89,948** | **2,877** | **92,825** |
| **22,751** | **4,341** | **-** | **3,992** | **31,084** | **-** | **31,084** |
| **9,469** | **3,973** | **-** | **150,706** | **164,148** | **-** | **164,148** |
| **113,790** | **9,025** | **-** | **162,365** | **285,180** | **2,877** | **288,057** |
| **3,876** | **-** | **171** | **192** | **4,239** | **-** | **4,239** |
| **117,666** | **9,025** | **171** | **162,557** | **289,419** | **2,877** | **292,296** |

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Total core operations | Non-core operations – Bermuda | Total |
|---|---|---|---|---|---|---|
| 61,086 | 549 | - | 12,359 | 73,994 | 2,327 | 76,321 |
| 16,712 | 2,863 | - | 3,132 | 22,707 | - | 22,707 |
| 6,988 | 3,361 | - | 134,529 | 144,878 | - | 144,878 |
| 84,786 | 6,773 | - | 150,020 | 241,579 | 2,327 | 243,906 |
| 3,065 | - | 139 | 163 | 3,367 | - | 3,367 |
| 87,851 | 6,773 | 139 | 150,183 | 244,946 | 2,327 | 247,273 |

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Total core operations | Non-core operations – Bermuda | Total |
|---|---|---|---|---|---|---|
| 79,654 | 658 | - | 6,789 | 87,101 | 2,913 | 90,014 |
| 20,813 | 3,775 | - | 4,095 | 28,683 | - | 28,683 |
| 8,229 | 3,800 | - | 150,423 | 162,452 | - | 162,452 |
| 108,696 | 8,233 | - | 161,307 | 278,236 | 2,913 | 281,149 |
| 3,530 | - | 162 | 169 | 3,861 | - | 3,861 |
| 112,226 | 8,233 | 162 | 161,476 | 282,097 | 2,913 | 285,010 |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

B6 Statement of financial position – segment information at 30 June 2010

| | Long Term Savings | | | | |
|---|---|---|---|---|---|
| **At 30 June 2010** | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** |
| **Assets** | | | | | |
| Goodwill and other intangible assets | 109 | 960 | 510 | 1,536 | 42 |
| Mandatory reserve deposits with central banks | - | - | - | - | - |
| Property, plant and equipment | 345 | 11 | 3 | 14 | - |
| Investment property | 1,648 | - | - | - | - |
| Deferred tax assets | 66 | 94 | 70 | 24 | 197 |
| Investments in associated undertakings and joint ventures | 28 | 1 | - | - | - |
| Deferred acquisition costs | 126 | 56 | 261 | 828 | 1,589 |
| Reinsurers' share of long-term business policyholder liabilities | 19 | 8 | 7 | 744 | 520 |
| Reinsurers' share of general insurance liabilities | - | - | - | - | - |
| Deposits held with reinsurers | - | - | - | - | 40 |
| Loans and advances | 285 | 4,444 | 1 | 165 | 57 |
| Investments and securities | 28,185 | 11,145 | 3,854 | 36,151 | 11,264 |
| Current tax receivable | 6 | 4 | 18 | 106 | - |
| Client indebtedness for acceptances | - | - | - | - | - |
| Trade, other receivables and other assets | 727 | 164 | 55 | 243 | 236 |
| Derivative financial instruments – assets | 322 | 6 | - | - | 57 |
| Cash and cash equivalents | 384 | 374 | 73 | 223 | 8 |
| Non-current assets held-for-sale | - | - | - | 7 | - |
| Inter-segment assets | 1,078 | 44 | 31 | 250 | 62 |
| **Total assets** | **33,328** | **17,311** | **4,883** | **40,291** | **14,072** |
| **Liabilities** | | | | | |
| Long-term business policyholder liabilities | 29,364 | 9,704 | 3,852 | 36,531 | 12,439 |
| General insurance liabilities | - | - | - | - | - |
| Third party interests in consolidated funds | - | - | - | - | - |
| Borrowed funds | 283 | 2 | - | - | - |
| Provisions | 143 | (14) | 4 | 33 | - |
| Deferred revenue | 22 | 1 | 148 | 481 | - |
| Deferred tax liabilities | 203 | 109 | 172 | 138 | 126 |
| Current tax payable | 64 | 25 | 2 | 38 | 2 |
| Trade, other payables and other liabilities | 1,456 | 260 | 76 | 515 | 261 |
| Liabilities under acceptances | - | - | - | - | - |
| Amounts owed to bank depositors | - | 5,666 | - | - | - |
| Derivative financial instruments – liabilities | 109 | 14 | 4 | - | 9 |
| Inter-segment liabilities | 87 | 4 | 1 | 169 | 172 |
| **Total liabilities** | **31,731** | **15,771** | **4,259** | **37,905** | **13,009** |
| **Net assets** | **1,597** | **1,540** | **624** | **2,386** | **1,063** |
| Equity attributable to equity holders of the parent | 1,593 | 1,540 | 624 | 2,386 | 1,063 |
| Non-controlling interests | 4 | - | - | - | - |
| Non-controlling interests – ordinary shares | 4 | - | - | - | - |
| Non-controlling interests – preference shares | - | - | - | - | - |
| **Total equity** | **1,597** | **1,540** | **624** | **2,386** | **1,063** |

B6 Statement of financial position – segment information at 30 June 2010 **continued**

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Bermuda | Other operating segments | Consolidation adjustments | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 3,157 | 568 | 31 | 1,233 | 1 | 13 | - | 5,003 |
| - | 985 | - | - | - | - | - | 985 |
| 373 | 454 | 23 | 18 | - | 3 | - | 871 |
| 1,648 | 18 | - | - | - | - | 360 | 2,026 |
| 451 | 36 | 10 | 162 | - | 9 | - | 668 |
| 29 | 83 | 1 | 8 | - | 24 | - | 145 |
| 2,860 | 2 | 16 | 26 | 192 | - | - | 3,096 |
| 1,298 | 27 | - | - | - | - | - | 1,325 |
| - | - | 125 | - | - | - | - | 125 |
| 40 | - | 1 | - | - | - | - | 41 |
| 4,952 | 40,117 | 2 | - | - | - | - | 45,071 |
| 90,599 | 6,341 | 464 | 184 | 2,870 | 39 | 1,773 | 102,270 |
| 134 | 32 | - | - | - | - | - | 166 |
| - | 159 | - | - | - | - | - | 159 |
| 1,425 | 541 | 92 | 128 | 919 | 58 | 576 | 3,739 |
| 385 | 1,115 | - | - | 6 | 89 | 338 | 1,933 |
| 1,062 | 704 | 90 | 160 | 55 | 299 | 897 | 3,267 |
| 7 | - | - | 11 | - | - | - | 18 |
| 1,465 | 161 | 29 | - | 614 | 1,467 | (3,736) | - |
| 109,885 | 51,343 | 884 | 1,930 | 4,657 | 2,001 | 208 | 170,908 |
| | | | | | | | |
| 91,890 | 712 | - | - | 4,224 | - | - | 96,826 |
| - | - | 389 | - | - | - | - | 389 |
| - | - | - | - | - | - | 2,860 | 2,860 |
| 285 | 2,237 | - | - | - | 1,406 | - | 3,928 |
| 166 | (4) | 25 | 3 | - | 36 | - | 226 |
| 652 | 1 | 8 | - | - | - | - | 661 |
| 748 | 153 | 7 | - | - | 22 | - | 930 |
| 131 | 13 | 1 | 8 | 6 | 39 | - | 198 |
| 2,568 | 1,164 | 120 | 171 | 8 | 106 | 762 | 4,899 |
| - | 159 | - | - | - | - | - | 159 |
| 5,666 | 41,450 | - | - | - | - | - | 47,116 |
| 136 | 952 | - | - | - | 50 | 322 | 1,460 |
| 433 | 496 | - | 1,324 | - | 1,483 | (3,736) | - |
| 102,675 | 47,333 | 550 | 1,506 | 4,238 | 3,142 | 208 | 159,652 |
| 7,210 | 4,010 | 334 | 424 | 419 | (1,141) | - | 11,256 |
| | | | | | | | |
| 7,206 | 2,296 | 321 | 392 | 419 | (1,587) | - | 9,047 |
| 4 | 1,714 | 13 | 32 | - | 446 | - | 2,209 |
| 4 | 1,443 | 13 | 32 | - | - | - | 1,492 |
| - | 271 | - | - | - | 446 | - | 717 |
| 7,210 | 4,010 | 334 | 424 | 419 | (1,141) | - | 11,256 |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

B6 Statement of financial position – segment information at 30 June 2009

| | Long Term Savings | | | | |
|---|---|---|---|---|---|
| At 30 June 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| **Assets** | | | | | |
| Goodwill and other intangible assets | 95 | 1,005 | 744 | 1,734 | 101 |
| Mandatory reserve deposits with central banks | - | - | - | - | - |
| Property, plant and equipment | 336 | 3 | 5 | 21 | 1 |
| Investment property | 1,406 | - | - | 2 | - |
| Deferred tax assets | 58 | 73 | 42 | 168 | 918 |
| Investments in associated undertakings and joint ventures | 5 | 1 | - | - | - |
| Deferred acquisition costs | 115 | 40 | 237 | 719 | 1,554 |
| Reinsurers' share of long-term business policyholder liabilities | 11 | 11 | 6 | 665 | 450 |
| Reinsurers' share of general insurance liabilities | - | - | - | - | - |
| Deposits held with reinsurers | - | 99 | - | - | 35 |
| Loans and advances | 151 | 3,598 | 2 | 139 | 56 |
| Investments and securities | 23,581 | 8,429 | 2,962 | 29,483 | 9,376 |
| Current tax receivable | 6 | 2 | 11 | 85 | - |
| Client indebtedness for acceptances | - | - | - | - | - |
| Trade, other receivables and other assets | 573 | 158 | 60 | 237 | 288 |
| Derivative financial instruments – assets | 99 | 6 | - | - | 68 |
| Cash and cash equivalents | 92 | 618 | 76 | 220 | (17) |
| Inter-segment assets | 1,210 | 275 | 43 | 229 | 57 |
| **Total assets** | 27,738 | 14,318 | 4,188 | 33,702 | 12,887 |
| **Liabilities** | | | | | |
| Long-term business policyholder liabilities | 24,493 | 7,388 | 2,969 | 29,797 | 11,475 |
| General insurance liabilities | - | - | - | - | - |
| Third party interests in consolidated funds | - | - | - | - | - |
| Borrowed funds | 255 | 24 | - | 1 | - |
| Provisions | 136 | 138 | 7 | 32 | - |
| Deferred revenue | 23 | 4 | 133 | 436 | - |
| Deferred tax liabilities | 169 | 85 | 150 | 235 | 647 |
| Current tax payable | 64 | 30 | 2 | 20 | (9) |
| Trade, other payables and other liabilities | 946 | 147 | 80 | 435 | 331 |
| Liabilities under acceptances | - | - | - | - | - |
| Amounts owed to bank depositors | 1 | 4,906 | - | - | - |
| Derivative financial instruments – liabilities | 6 | 22 | - | 1 | 16 |
| Inter-segment liabilities | 57 | 261 | 38 | 242 | 142 |
| **Total liabilities** | 26,150 | 13,005 | 3,379 | 31,199 | 12,602 |
| **Net assets** | 1,588 | 1,313 | 809 | 2,503 | 285 |
| **Equity** | | | | | |
| Equity attributable to equity holders of the parent | 1,589 | 1,313 | 809 | 2,503 | 285 |
| Non-controlling interests | (1) | | | | |
| Non-controlling interests – ordinary shares | (1) | - | - | - | - |
| Non-controlling interests – preference shares | - | - | - | - | - |
| **Total equity** | 1,588 | 1,313 | 809 | 2,503 | 285 |

B6 Statement of financial position – segment information at 30 June 2009 continued

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Bermuda | Other operating segments | Consolidation adjustments | Total |
|---|---|---|---|---|---|---|---|
| 3,679 | 508 | 31 | 1,163 | 3 | 13 | - | 5,397 |
| - | 856 | - | - | - | - | - | 856 |
| 366 | 351 | 22 | 21 | - | 3 | - | 763 |
| 1,408 | 18 | - | - | - | - | 152 | 1,578 |
| 1,259 | 17 | 8 | 141 | - | 9 | - | 1,434 |
| 6 | 76 | - | 7 | - | 26 | - | 115 |
| 2,665 | 2 | 17 | 34 | 215 | - | - | 2,933 |
| 1,143 | 18 | - | - | 1 | - | - | 1,162 |
| - | - | 130 | - | - | - | - | 130 |
| 134 | - | 3 | - | - | - | - | 137 |
| 3,946 | 33,886 | 3 | - | - | - | - | 37,835 |
| 73,831 | 5,194 | 370 | 156 | 2,915 | 76 | 1,951 | 84,493 |
| 104 | 44 | 1 | - | - | - | - | 149 |
| - | 146 | - | - | - | - | - | 146 |
| 1,316 | 376 | 84 | 124 | 831 | 45 | 453 | 3,229 |
| 173 | 1,401 | - | - | (35) | 163 | 784 | 2,486 |
| 989 | 632 | 80 | 125 | 38 | 23 | 785 | 2,672 |
| 1,814 | 33 | 45 | 2 | 508 | 691 | (3,093) | - |
| 92,833 | 43,558 | 794 | 1,773 | 4,476 | 1,049 | 1,032 | 145,515 |
| | | | | | | | |
| 76,122 | 548 | - | - | 4,131 | - | - | 80,801 |
| - | - | 403 | - | - | - | - | 403 |
| - | - | - | - | - | - | 2,610 | 2,610 |
| 280 | 1,064 | - | - | - | 1,171 | - | 2,515 |
| 313 | - | 18 | 2 | - | 76 | - | 409 |
| 596 | - | 8 | - | - | - | - | 604 |
| 1,286 | 158 | 1 | - | - | 21 | - | 1,466 |
| 107 | 18 | - | 7 | 16 | 47 | - | 195 |
| 1,939 | 877 | 97 | 180 | 20 | 99 | 735 | 3,947 |
| - | 146 | - | - | - | - | - | 146 |
| 4,907 | 35,683 | - | - | - | - | - | 40,590 |
| 45 | 1,244 | - | - | - | 40 | 780 | 2,109 |
| 740 | 412 | | 803 | 3 | 1,135 | (3,093) | - |
| 86,335 | 40,150 | 527 | 992 | 4,170 | 2,589 | 1,032 | 135,795 |
| 6,498 | 3,408 | 267 | 781 | 306 | (1,540) | - | 9,720 |
| | | | | | | | |
| 6,499 | 1,941 | 217 | 754 | 306 | (1,986) | - | 7,731 |
| (1) | 1,467 | 50 | 27 | - | 446 | - | 1,989 |
| (1) | 1,217 | 50 | 27 | - | - | - | 1,293 |
| - | 250 | - | - | - | 446 | - | 696 |
| 6,498 | 3,408 | 267 | 781 | 306 | (1,540) | - | 9,720 |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

B6 Statement of financial position – segment information at 31 December 2009

| | Long Term Savings | | | | |
|---|---|---|---|---|---|
| At 31 December 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| **Assets** | | | | | |
| Goodwill and other intangible assets | 106 | 1,035 | 563 | 1,602 | 94 |
| Mandatory reserve deposits with central banks | - | - | - | - | - |
| Property, plant and equipment | 336 | 7 | 4 | 19 | 1 |
| Investment property | 1,518 | - | - | 2 | - |
| Deferred tax assets | 54 | 108 | 17 | 23 | 183 |
| Investments in associated undertakings and joint ventures | 20 | 2 | - | - | - |
| Deferred acquisition costs | 123 | 49 | 275 | 778 | 1,671 |
| Reinsurers' share of long-term business policyholder liabilities | 11 | 10 | 6 | 772 | 475 |
| Reinsurers' share of general insurance liabilities | - | - | - | - | - |
| Deposits held with reinsurers | - | 108 | - | - | 35 |
| Loans and advances | 340 | 4,209 | 2 | 148 | 54 |
| Investments and securities | 27,603 | 10,836 | 3,693 | 35,120 | 10,045 |
| Current tax receivable | 4 | 4 | 16 | 86 | - |
| Client indebtedness for acceptances | - | - | - | - | - |
| Trade, other receivables and other assets | 630 | 155 | 58 | 232 | 213 |
| Derivative financial instruments – assets | 327 | 9 | - | - | 187 |
| Cash and cash equivalents | 189 | 344 | 81 | 278 | 4 |
| Non-current assets held-for-sale | - | - | - | - | - |
| Inter-segment assets | 1,352 | 59 | 23 | 277 | 74 |
| **Total assets** | 32,613 | 16,935 | 4,738 | 39,337 | 13,036 |
| **Liabilities** | | | | | |
| Long-term business policyholder liabilities | 28,655 | 9,514 | 3,689 | 35,554 | 11,625 |
| General insurance liabilities | - | - | - | - | - |
| Third party interests in consolidated funds | - | - | - | - | - |
| Borrowed funds | 272 | 26 | - | - | - |
| Provisions | 147 | 11 | 8 | 33 | - |
| Deferred revenue | 23 | 5 | 160 | 456 | - |
| Deferred tax liabilities | 200 | 113 | 124 | 167 | 126 |
| Current tax payable | 70 | 20 | 2 | 37 | - |
| Trade, other payables and other liabilities | 1,512 | 203 | 79 | 550 | 359 |
| Liabilities under acceptances | - | - | - | - | - |
| Amounts owed to bank depositors | - | 5,448 | - | - | - |
| Derivative financial instruments – liabilities | 141 | 22 | - | - | 9 |
| Inter-segment liabilities | 51 | 37 | - | 181 | 170 |
| **Total liabilities** | 31,071 | 15,399 | 4,062 | 36,978 | 12,289 |
| **Net assets** | 1,542 | 1,536 | 676 | 2,359 | 747 |
| **Equity** | | | | | |
| Equity attributable to equity holders of the parent | 1,540 | 1,536 | 676 | 2,359 | 747 |
| Non-controlling interests | 2 | - | - | - | - |
| Non-controlling interests – ordinary shares | 2 | - | - | - | - |
| Non-controlling interests – preference shares | - | - | - | - | - |
| **Total equity** | 1,542 | 1,536 | 676 | 2,359 | 747 |

B6 Statement of financial position – segment information at 31 December 2009 **continued**

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Bermuda | Other operating segments | Consolidation adjustments | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| 3,400 | 543 | 30 | 1,171 | 2 | 13 | | 5,159 |
| - | 882 | - | - | - | - | - | 882 |
| 367 | 417 | 23 | 19 | - | 2 | - | 828 |
| 1,520 | 18 | - | - | - | - | 221 | 1,759 |
| 385 | 24 | 6 | 147 | - | 8 | - | 570 |
| 22 | 82 | - | 7 | - | 24 | - | 135 |
| 2,896 | 2 | 17 | 29 | 194 | - | - | 3,138 |
| 1,274 | 22 | - | - | - | - | - | 1,296 |
| - | - | 120 | - | - | - | - | 120 |
| 143 | - | 3 | - | - | - | - | 146 |
| 4,753 | 37,638 | 2 | - | - | - | - | 42,393 |
| 87,297 | 5,501 | 425 | 162 | 2,942 | 43 | 2,091 | 98,461 |
| 110 | 51 | - | - | - | 8 | - | 169 |
| - | 170 | - | - | - | - | - | 170 |
| 1,288 | 432 | 96 | 126 | 878 | 111 | 120 | 3,051 |
| 523 | 1,067 | - | - | - | 154 | 802 | 2,546 |
| 896 | 660 | 79 | 173 | 32 | 425 | 717 | 2,982 |
| - | 1 | - | - | - | - | - | 1 |
| 1,785 | 148 | 48 | 1 | 564 | 1,363 | (3,909) | - |
| 106,659 | 47,658 | 849 | 1,835 | 4,612 | 2,151 | 42 | 163,806 |
| | | | | | | | |
| 89,037 | 661 | - | - | 4,178 | - | - | 93,876 |
| - | - | 372 | - | - | - | - | 372 |
| - | - | - | - | - | - | 2,906 | 2,906 |
| 298 | 1,614 | - | - | - | 1,397 | - | 3,309 |
| 199 | 1 | 21 | 2 | - | 40 | - | 263 |
| 644 | 1 | 9 | - | - | - | - | 654 |
| 730 | 148 | 2 | - | - | 25 | - | 905 |
| 129 | 21 | - | 10 | 5 | 45 | - | 210 |
| 2,703 | 897 | 118 | 221 | (9) | 120 | 255 | 4,305 |
| - | 170 | - | - | - | - | - | 170 |
| 5,448 | 38,687 | - | - | - | - | - | 44,135 |
| 172 | 969 | - | - | - | 59 | 790 | 1,990 |
| 439 | 697 | - | 1,202 | - | 1,571 | (3,909) | - |
| 99,799 | 43,866 | 522 | 1,435 | 4,174 | 3,257 | 42 | 153,095 |
| 6,860 | 3,792 | 327 | 400 | 438 | (1,106) | - | 10,711 |
| | | | | | | | |
| 6,858 | 2,084 | 265 | 371 | 438 | (1,552) | - | 8,464 |
| 2 | 1,708 | 62 | 29 | | 446 | - | 2,247 |
| 2 | 1,444 | 62 | 29 | - | - | - | 1,537 |
| - | 264 | - | - | - | 446 | - | 710 |
| 6,860 | 3,792 | 327 | 400 | 438 | (1,106) | - | 10,711 |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

## C Other key performance information

### C1 Operating profit adjusting items

*(a) 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.

| | | Long Term Savings | | | | |
|---|---|---|---|---|---|---|
| **Six months ended 30 June 2010** | Notes | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** |
| **Income/(expense)** | | | | | | |
| Goodwill impairment and impact of acquisition accounting | C1(b) | **(1)** | **(40)** | **(21)** | **(38)** | **(1)** |
| (Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments | C1(c) | **-** | **-** | **-** | **-** | **-** |
| Short-term fluctuations in investment return | C1(d) | **(39)** | **-** | **-** | **(19)** | **23** |
| Investment return adjustment for Group equity and debt instruments held in life funds | C1(e) | **19** | **-** | **-** | **-** | **-** |
| Dividends declared to holders of perpetual preferred callable securities | C1(f) | **-** | **-** | **-** | **-** | **-** |
| US Asset Management equity plans and non-controlling interests | C1(g) | **-** | **-** | **-** | **-** | **-** |
| Credit-related fair value losses on Group debt instruments | C1(h) | **-** | **-** | **-** | **-** | **-** |
| **Total adjusting items** | | **(21)** | **(40)** | **(21)** | **(57)** | **22** |
| Tax on adjusting items | | **2** | **1** | **6** | **12** | **76** |
| Non-controlling interest in adjusting items | | **-** | **-** | **-** | **-** | **-** |
| **Total adjusting items after tax and non-controlling interests** | | **(19)** | **(39)** | **(15)** | **(45)** | **98** |

| | | Long Term Savings | | | | |
|---|---|---|---|---|---|---|
| **Six months ended 30 June 2009** | Notes | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| Income/(expense) | | | | | | |
| Goodwill impairment and impact of acquisition accounting | C1(b) | (1) | (35) | (27) | (46) | (9) |
| (Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments | C1(c) | (46) | - | - | - | - |
| Short-term fluctuations in investment return | C1(d) | (32) | (1) | - | (26) | (93) |
| Investment return adjustment for Group equity and debt instruments held in life funds | C1(e) | (40) | - | - | - | - |
| Dividends declared to holders of perpetual preferred callable securities | C1(f) | - | - | - | - | - |
| US Asset Management equity plans and non-controlling interests | C1(g) | - | - | - | - | - |
| Credit-related fair value losses on Group debt instruments | C1(h) | - | - | - | - | - |
| **Total adjusting items** | | (119) | (36) | (27) | (72) | (102) |
| Tax on adjusting items | | 10 | 4 | 6 | 11 | 4 |
| Non-controlling interest in adjusting items | | - | - | - | - | - |
| **Total adjusting items after tax and non-controlling interests** | | (109) | (32) | (21) | (61) | (98) |

C1 Operating profit adjusting items

*(a) Summary of adjusting items*

**£m**

| **Total Long Term Savings** | **Nedbank** | **M&F** | **USAM** | **Other** | **Total** |
|---|---|---|---|---|---|
| **(101)** | **-** | **-** | **(1)** | **-** | **(102)** |
| **-** | **(2)** | **-** | **(20)** | **-** | **(22)** |
| **(35)** | **-** | **(19)** | **-** | **(12)** | **(66)** |
| **19** | **-** | **-** | **-** | **-** | **19** |
| **-** | **-** | **-** | **-** | **22** | **22** |
| **-** | **-** | **-** | **1** | **-** | **1** |
| **-** | **(9)** | **-** | **-** | **(81)** | **(90)** |
| **(117)** | **(11)** | **(19)** | **(20)** | **(71)** | **(238)** |
| **97** | **3** | **-** | **6** | **(4)** | **102** |
| **-** | **14** | **-** | **(3)** | **-** | **11** |
| **(20)** | **6** | **(19)** | **(17)** | **(75)** | **(125)** |

£m

| Total Long Term Savings | Nedbank | M&F | USAM | Other | Total |
|---|---|---|---|---|---|
| (118) | - | - | - | - | (118) |
| (46) | - | - | 1 | - | (45) |
| (152) | - | (11) | - | (23) | (186) |
| (40) | - | - | - | - | (40) |
| - | - | - | - | 22 | 22 |
| - | - | - | 1 | - | 1 |
| - | 6 | - | - | 6 | 12 |
| (356) | 6 | (11) | 2 | 5 | (354) |
| 35 | (2) | 3 | 9 | (4) | 41 |
| - | 6 | 3 | - | - | 9 |
| (321) | 10 | (5) | 11 | 1 | (304) |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

C1 Operating profit adjusting items **continued**

*(a) Summary of adjusting items continued*

| | | | | | | £m |
|---|---|---|---|---|---|---|
| | | Long Term Savings | | | | |
| **Year ended 31 December 2009** | Notes | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life |
| **Income/(expense)** | | | | | | |
| Goodwill impairment and impact of acquisition accounting | C1(b) | (1) | (12) | (243) | (167) | (14) |
| (Loss)/profit on disposal of subsidiaries, associated undertakings and strategic investments | C1(c) | (51) | - | - | (7) | - |
| Short-term fluctuations in investment return | C1(d) | (38) | (1) | 1 | (88) | (150) |
| Investment return adjustment for Group equity and debt instruments held in life funds | C1(e) | (109) | - | - | - | - |
| Dividends declared to holders of perpetual preferred callable securities | C1(f) | - | - | - | - | - |
| US Asset Management equity plans and non-controlling interests | C1(g) | - | - | - | - | - |
| Credit-related fair value losses on Group debt instruments | C1(h) | - | - | - | - | - |
| **Total adjusting items** | | (199) | (13) | (242) | (262) | (164) |
| Tax on adjusting items | | (1) | 9 | 14 | 37 | 44 |
| Non-controlling interest in adjusting items | | - | - | - | - | - |
| **Total adjusting items after tax and non-controlling interests** | | (200) | (4) | (228) | (225) | (120) |

C1 Operating profit adjusting items continued

*(a) Summary of adjusting items continued*

**£m**

| Total Long Term Savings | Nedbank | M&F | USAM | Other | Total |
|---|---|---|---|---|---|
| (437) | (4) | - | (2) | - | (443) |
| (58) | - | - | 1 | 7 | (50) |
| (276) | - | (10) | - | (30) | (316) |
| (109) | - | - | - | - | (109) |
| - | - | - | - | 45 | 45 |
| - | - | - | (1) | - | (1) |
| - | - | - | - | (263) | (263) |
| (880) | (4) | (10) | (2) | (241) | (1,137) |
| 103 | - | 3 | 2 | - | 108 |
| - | 19 | 7 | (3) | - | 23 |
| (777) | 15 | - | (3) | (241) | (1,006) |

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

C1 Operating profit adjusting items **continued**

*(b) 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:

**£m**

| **Six months ended 30 June 2010** | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** | **Nedbank** | **USAM** | **Total** |
|---|---|---|---|---|---|---|---|---|
| Amortisation of acquired PVIF | **-** | **(57)** | **(10)** | **(38)** | **(1)** | **-** | **-** | **(106)** |
| Amortisation of acquired deferred costs and revenue | **-** | **13** | **(4)** | **14** | **-** | **-** | **-** | **23** |
| Amortisation of other acquired intangible assets | **(1)** | **(13)** | **(7)** | **(18)** | **-** | **-** | **(1)** | **(40)** |
| Change in acquisition date provisions | **-** | **17** | **-** | **4** | **-** | **-** | **-** | **21** |
| | **(1)** | **(40)** | **(21)** | **(38)** | **(1)** | **-** | **(1)** | **(102)** |

£m

| Six months ended 30 June 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Nedbank | USAM | Total |
|---|---|---|---|---|---|---|---|---|
| Amortisation of acquired PVIF | - | (55) | (19) | (43) | (9) | - | - | (126) |
| Amortisation of acquired deferred costs and revenue | - | 9 | (1) | 15 | - | - | - | 23 |
| Amortisation of other acquired intangible assets | (1) | (12) | (7) | (18) | - | - | - | (38) |
| Change in acquisition date provisions | - | 23 | - | - | - | - | - | 23 |
| | (1) | (35) | (27) | (46) | (9) | - | - | (118) |

£m

| Year ended 31 December 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Nedbank | USAM | Total |
|---|---|---|---|---|---|---|---|---|
| Amortisation of acquired PVIF | - | (106) | (37) | (86) | (14) | - | - | (243) |
| Amortisation of acquired deferred costs and revenue | 1 | 21 | (5) | 34 | - | - | - | 51 |
| Amortisation of other acquired intangible assets | (2) | (25) | (14) | (36) | - | (4) | (2) | (83) |
| Change in acquisition date provisions | - | 98 | - | - | - | - | - | 98 |
| Goodwill impairment | - | - | (187) | (79) | - | - | - | (266) |
| | (1) | (12) | (243) | (167) | (14) | (4) | (2) | (443) |

C1 Operating profit adjusting items continued

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

At 30 June 2010 a subsidiary of USAM was classified as held-for-sale in anticipation of its pending disposal. On reclassification the disposal group was impaired to reflect expected net consideration with the resulting loss reported in the period as a loss on disposal.

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.

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

| | | | £m |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| Emerging Markets | **-** | (46) | (51) |
| Wealth Management | **-** | - | (7) |
| Total Long Term Savings | **-** | (46) | (58) |
| Nedbank | **(2)** | - | - |
| USAM | **(20)** | 1 | 1 |
| Other | **-** | - | 7 |
| **Loss on disposal of subsidiaries, associated undertakings and strategic investments** | **(22)** | (45) | (50) |

*(d) Long-term investment return*

Profit before tax includes actual investment returns earned on the shareholder assets of the Group's life assurance 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 Emerging Markets, the return is applied to an average value of investible shareholders' assets, adjusted for net fund flows. For Nordic, Retail Europe, Wealth Management and US Life, the return is applied to average investible assets. For M&F general insurance business, the return is an average value of investible assets supporting shareholders' funds and insurance liabilities, adjusted for net fund flows.

# Notes to the consolidated financial statements

For the six months ended 30 June 2010

C1 Operating profit adjusting items continued

*(d) Long-term investment return continued*

| Long-term investment rates | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| | | | % |
| Emerging Markets | **9.4%** | 13.3% | 13.3% |
| Nordic | **1.8%** | 1.8% | 1.8% |
| Retail Europe | **2.5%** | 2.8% | 2.8% |
| Wealth Management | **2.0%** | 5.0% | 5.0% |
| US Life | **5.9%** | 5.6% | 5.9% |
| M&F | **9.4%** | 13.3% | 13.3% |

**Analysis of short-term fluctuations in investment return**

£m

| **Six months ended 30 June 2010** | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** | **Total Long Term Savings** | **M&F** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| Long-term investment return | **52** | **-** | **1** | **61** | **283** | **397** | **27** | **16** | **440** |
| Less: Actual shareholder investment return | **13** | **-** | **1** | **42** | **306** | **362** | **8** | **4** | **374** |
| **Short-term fluctuations in investment return** | **39** | **-** | **-** | **19** | **(23)** | **35** | **19** | **12** | **66** |

£m

| Six months ended 30 June 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Total Long Term Savings | M&F | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Long-term investment return | 61 | - | 1 | 52 | 303 | 417 | 28 | 46 | 491 |
| Less: Actual shareholder investment return | 29 | (1) | 1 | 26 | 210 | 265 | 17 | 23 | 305 |
| Short-term fluctuations in investment return | 32 | 1 | - | 26 | 93 | 152 | 11 | 23 | 186 |

£m

| Year ended 31 December 2009 | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Total Long Term Savings | M&F | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| Long-term investment return | 126 | 1 | 1 | 109 | 539 | 776 | 60 | 91 | 927 |
| Less: Actual shareholder investment return | 88 | - | 2 | 21 | 389 | 500 | 50 | 61 | 611 |
| Short-term fluctuations in investment return | 38 | 1 | (1) | 88 | 150 | 276 | 10 | 30 | 316 |

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.

**C1 Operating profit adjusting items** continued

*(e) 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 held by the Group's life funds. These include investments in the Company's ordinary shares, and the subordinated liabilities and ordinary securities of Nedbank. These investment returns are eliminated within the consolidated income statement in arriving at profit before tax, but are included in adjusted operating profit. In the six months ended 30 June 2010 the investment return adjustment decreased adjusted operating profit by £19 million (six months ended 30 June 2009: increase of £40 million, year ended 31 December 2009: increase of £109 million).

*(f) 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 2010 (six months ended 30 June 2009: £22 million, year ended 31 December 2009: £45 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.

*(g) 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 gain recognised in the six months ended 30 June 2010 was £1 million (six months ended 30 June 2009: less than £1 million, year ended 31 December 2009: £1 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 2010 these instruments were revalued, the impact of which was £nil million (six months ended 30 June 2009: £1 million, year ended 31 December 2009: £nil).

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

The narrowing of credit spread of the Group's debt instruments in the market price has resulted in a reversal of previous gains in the six months ended 30 June 2010 of £81 million (six months ended 30 June 2009: gains of £6 million, year ended 31 December 2009: losses of £263 million) on Other operating segments and a reversal of previous gains in the six months ended 30 June 2010 of £9 million (six months ended 30 June 2009: gains of £6 million, year ended 31 December 2009: £nil) in Nedbank being recorded in the Group's income statement for those instruments that are recorded at fair value.

In the directors' view, such movements are not reflective of the underlying performance of the Group and will reverse over time. They have therefore been excluded from adjusted operating profit.

## C2 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 2010** | | |
| Rand | **11.4878** | **11.4531** |
| US Dollars | **1.5265** | **1.4963** |
| Swedish Kronor | **11.2744** | **11.6254** |
| Euro | **1.1487** | **1.2208** |
| 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 |
| 31 December 2009 | | |
| Rand | 13.1746 | 11.9172 |
| US Dollars | 1.5655 | 1.6148 |
| Swedish Kronor | 11.9743 | 11.5562 |
| Euro | 1.1227 | 1.1268 |

# Notes to the consolidated financial statements

## For the six months ended 30 June 2010

### C3 Earnings and earnings per share

*(a) Basic and diluted earnings per share*

Basic earnings per share is calculated by dividing the 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 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| Profit/(loss) for the financial period attributable to equity holders of the parent | **265** | (70) | (340) |
| Dividends declared to holders of perpetual preferred callable securities | **(16)** | (16) | (32) |
| **Profit/(loss) attributable to ordinary equity holders** | **249** | (86) | (372) |

Total dividends declared to holders of perpetual preferred callable securities of £22 million for the six months ended 30 June 2010 (six months ended 30 June 2009: £22 million, year ended 31 December 2009: £45 million) are stated net of tax credits of £6 million (six months ended 30 June 2009: £6 million, year ended 31 December 2009: £13 million).

| | | | Millions |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| **Weighted average number of ordinary shares in issue** | **5,397** | 5,277 | 5,277 |
| Shares held in charitable foundations | **(7)** | (7) | (7) |
| Shares held in ESOP trusts | **(48)** | (38) | (41) |
| **Adjusted weighted average number of ordinary shares** | **5,342** | 5,232 | 5,229 |
| Shares held in life funds | **(206)** | (239) | (236) |
| Shares held in Black Economic Empowerment trusts | **(287)** | (236) | (235) |
| **Weighted average number of ordinary shares** | **4,849** | 4,757 | 4,758 |
| **Basic earnings/(loss) per ordinary share (pence)** | **5.1** | (1.8) | (7.8) |

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 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| Weighted average number of ordinary shares | **4,849** | 4,757 | 4,758 |
| Adjustments for share options held by ESOP trusts | **173** | - | - |
| Adjustments for shares held in Black Economic Empowerment trusts | **287** | - | - |
| | **5,309** | 4,757 | 4,758 |
| **Diluted earnings/(loss) per ordinary share (pence)** | **4.7** | (1.8) | (7.8) |

No adjustments to the weighted average number of ordinary shares have been effected for 2009 in order to calculate the diluted earnings per ordinary share as any adjustments would be antidilutive.

### C3 Earnings and earnings per share continued

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

| | | | £m |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| **Profit/(loss) for the financial period attributable to equity holders of the parent** | **265** | (70) | (340) |
| Adjusting items | **238** | 354 | 1,137 |
| Non core operations - Bermuda | **54** | 24 | (33) |
| Tax on adjusting items | **(102)** | (41) | (108) |
| Non-controlling interest on adjusting items | **(11)** | (9) | (23) |
| **Adjusted operating profit after tax attributable to ordinary equity holders** | **444** | 258 | 633 |
| Adjusted weighted average number of ordinary shares (millions) | **5,342** | 5,232 | 5,229 |
| **Adjusted operating earnings per ordinary share (pence)** | **8.3** | 4.9 | 12.1 |

*(c) 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 2010** | | 6 months ended 30 June 2009 | | Year ended 31 December 2009 | |
| | **Gross** | **Net** | Gross | Net | Gross | Net |
| **Profit/(loss) for the financial period attributable to equity holders of the parent** | **265** | **265** | (70) | (70) | (340) | (340) |
| Dividends declared to holders of perpetual preferred callable securities | **(16)** | **(16)** | (16) | (16) | (32) | (32) |
| **Profit/(loss) attributable to ordinary equity holders** | **249** | **249** | (86) | (86) | (372) | (372) |
| Adjustments: | | | | | | |
| Impairments of goodwill and intangible assets | **-** | **-** | - | - | 266 | 266 |
| Loss on disposal of subsidiaries, associated undertakings and strategic investments | **22** | **16** | 45 | 45 | 50 | 53 |
| Realised gains/(losses) (including impairments) on available-for-sale financial assets | **(43)** | **(43)** | 117 | 111 | 239 | 239 |
| **Headline earnings** | **228** | **222** | 76 | 70 | 183 | 186 |
| **Weighted average number of ordinary shares** | **4,849** | **4,849** | 4,757 | 4,757 | 4,758 | 4,758 |
| **Diluted weighted average number of ordinary shares** | **5,309** | **5,309** | 5,102 | 5,102 | 5,109 | 5,109 |
| **Headline earnings per share (pence)** | **4.7** | **4.6** | 1.6 | 1.5 | 3.8 | 3.9 |
| **Diluted headline earnings per share (pence)** | **4.3** | **4.2** | 1.5 | 1.4 | 3.6 | 3.6 |

# Notes to the consolidated financial statements

For the year ended 30 June 2010

### C4 Dividends

Dividends paid were as follows:

| | Note | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|---|
| | | | | **£m** |
| 2009 Final dividend paid – 1.5p per 10p share | | **77** | - | - |
| **Dividends to ordinary equity holders** | | **77** | - | - |
| Dividends declared to holders of perpetual preferred callable securities | | **22** | 22 | 45 |
| **Dividend payments for the period** | | **99** | 22 | 45 |

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 2010 £22 million was declared and paid to holders of perpetual preferred callable securities (March 2009: £22 million and November 2009: £23 million).

An interim dividend of 1.1 pence per 10p share has been declared by the directors. The dividend will be paid on 30 November 2010 to shareholders on the register at the close of business on 15 October 2010. The dividend will absorb an estimated £60 million of shareholders' funds. The Company is planning to offer, as with the final dividend for 2009, a scrip dividend alternative for eligible shareholders.

## D Other income statement notes

### D1 Income tax expense

*(a) Analysis of total income tax expense/(credit)*

| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| | | | **£m** |
| **Current tax** | | | |
| United Kingdom tax | | | |
| Corporation tax | **16** | 65 | 46 |
| Double tax relief | **-** | (44) | - |
| Overseas tax | | | |
| South Africa | **128** | 107 | 257 |
| United States | **2** | 2 | - |
| Europe | **25** | 22 | 49 |
| Secondary Tax on Companies (STC) | **(2)** | 5 | 13 |
| Prior year adjustments | **-** | 6 | 14 |
| **Total current tax** | **169** | 163 | 379 |
| **Deferred tax** | | | |
| Origination and reversal of temporary differences | **(41)** | (73) | 45 |
| Changes in tax rates/bases | **-** | - | - |
| Write down/recognition of deferred tax assets | **(65)** | 43 | (59) |
| **Total deferred tax** | **(106)** | (30) | (14) |
| **Total income tax expense** | **63** | 133 | 365 |

# Notes to the consolidated financial statements

For the year ended 30 June 2010

D1 Income tax expense continued

*(b) Reconciliation of total income tax expense/(credit)*

| | | | £m |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| **Profit before tax** | **443** | 160 | 247 |
| Tax at standard rate of 28% (2009: 28%) | **124** | 44 | 69 |
| Different tax rate or basis on overseas operations | **(2)** | 9 | (9) |
| Untaxed and low taxed income | **(66)** | (49) | (86) |
| Disallowable expenses | **22** | 66 | 180 |
| Net movement on deferred tax assets not recognised | **(5)** | 49 | 83 |
| Effect on deferred tax of changes in tax rates | **-** | (2) | (2) |
| STC | **(1)** | 6 | 19 |
| Income tax attributable to policyholder returns | **2** | 20 | 142 |
| Other | **(11)** | (10) | (31) |
| **Total income tax expense** | **63** | 133 | 365 |

(c) Income tax on adjusted operating profit

| | | | £m |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| **Income tax expense** | **63** | 133 | 365 |
| **Tax on adjusting items** | | | |
| Impact of acquisition accounting | **14** | 19 | 40 |
| Loss/profit on disposal of subsidiaries, associated undertakings and strategic investments | **5** | - | (2) |
| Short-term fluctuations in investment return | **86** | 23 | 83 |
| Income tax attributable to policyholders returns | **-** | (25) | (192) |
| Tax on dividends declared to holders of perpetual preferred callable securities recognised in equity | **(6)** | (6) | (13) |
| Fair value gains and losses on group debt instruments | **3** | (3) | - |
| IAS 34 effective tax rate adjustment | **-** | 8 | - |
| Tax on non core operations | **-** | - | 11 |
| **Income tax on adjusted operating profit** | **165** | 149 | 292 |

# Notes to the consolidated financial statements

For the year ended 30 June 2010

## E Financial assets and liabilities

### E1 Borrowed funds

| | Group excluding Nedbank | Nedbank | At 30 June 2010 |
|---|---|---|---|
| Senior debt securities and term loans | **622** | **1,061** | **1,683** |
| Mortgage backed securities | **-** | **114** | **114** |
| Subordinated debt securities (net of Group holdings) | **1,069** | **1,062** | **2,131** |
| Borrowed funds | **1,691** | **2,237** | **3,928** |

| | |
|---|---|
| Other issues treated as equity for IFRS accounting purposes | |
| US$750 million cumulative preference securities | **458** |
| €500 million perpetual preferred callable securities | **338** |
| £350 million perpetual preferred callable securities | **350** |
| | **1,146** |
| | |
| **Total: Book value** | **2,837** |
| **Nominal value of the above** | **3,085** |

| | Group excluding Nedbank | Nedbank | At 30 June 2009 |
|---|---|---|---|
| Senior debt securities and term loans | 732 | - | 732 |
| Mortgage backed securities | - | 111 | 111 |
| Subordinated debt securities (net of Group holdings) | 720 | 952 | 1,672 |
| Borrowed funds | 1,452 | 1,063 | 2,515 |

| | |
|---|---|
| Other issues treated as equity for IFRS accounting purposes | |
| US$750 million cumulative preference securities | 458 |
| €500 million perpetual preferred callable securities | 338 |
| £350 million perpetual preferred callable securities | 350 |
| | 1,146 |
| | |
| **Total: Book value** | 2,598 |
| **Nominal value of the above** | 3,154 |

| | Group excluding Nedbank | Nedbank | At 31 December 2009 |
|---|---|---|---|
| Senior debt securities and term loans | 662 | 484 | 1,146 |
| Mortgage backed securities | - | 119 | 119 |
| Subordinated debt securities (net of Group holdings) | 1,034 | 1,010 | 2,044 |
| Borrowed funds | 1,696 | 1,613 | 3,309 |

| | |
|---|---|
| Other issues treated as equity for IFRS accounting purposes | |
| US$750 million cumulative preference securities | 458 |
| €500 million perpetual preferred callable securities | 338 |
| £350 million perpetual preferred callable securities | 350 |
| | 1,146 |
| | |
| **Total: Book value** | 2,842 |
| **Nominal value of the above** | 3,162 |

# Notes to the consolidated financial statements

For the year ended 30 June 2010

## E1 Borrowed funds **continued**

*(a) Senior debt securities and term loans*

| | | | £m |
|---|---|---|---|
| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
| Floating rate notes[1] | **737** | 67 | 379 |
| Fixed rate notes[2] | **946** | 137 | 767 |
| Revolving credit facility[3] | **-** | 528 | - |
| **Total senior debt securities and term loan** | **1,683** | 732 | 1,146 |

Senior debt securities and term loan comprise:

**1 Floating rate notes**

- £3 million note repayable in December 2010, with holders having the option to elect for early redemption every six months with coupon referenced against six month LIBOR less 0.50%.
- US$50 million repayable September 2011 at 3 month LIBOR plus 0.50%.
- R550 million repayable August 2010 at 3 month ZAR – JIBAR-SAFEX + 4.5%.
- R100 million repayable February 2011 at 3 month ZAR – JIBAR-SAFEX + 4.5%.
- €22 million repayable January 2010 at 3 month EURIBOR plus 0.35% - repaid.
- SEK50 million repayable March 2010 at 3 month STIBOR plus 0.38% - repaid.
- R1,690 million unsecured senior debt repayable September 2012 at 3 month JIBAR + 1.5%.
- R1,044 million unsecured senior debt repayable September 2015 at JIBAR + 2.20%.
- R1,750 million unsecured senior debt repayable March 2013 inflation linked (3.9% real yield).
- R98 million unsecured senior debt repayable March 2013 inflation linked (3.8% real yield).
- R1,552 million unsecured senior debt repayable April 2013 JIBAR +1.48%.
- R1,027 million unsecured senior debt repayable April 2015 JIBAR +1.75%.
- R80 million unsecured senior debt repayable April 2020 JIBAR +2.15%.

**2 Fixed rate notes**

- €30 million Euro bond repayable July 2010, capital and interest swapped into fixed rate US dollars at 5.28%.
- €10 million Euro bond repayable December 2010, capital and interest swapped into floating rate US dollars at 3 month LIBOR + 0.95%.
- €20 million Euro bond repayable August 2013, capital and interest swapped into floating rate US dollars at 3 month LIBOR + 1.30%. Repaid 15 April 2010
- £500 million Euro bond repayable October 2016 at 7.125%.
- R130 million unsecured senior debt repayable October 2024 at zero coupon.
- R3,244 million unsecured senior debt repayable September 2015 at 10.55%.
- R762 million unsecured senior debt repayable September 2019 at 11.39%.
- R478 million unsecured senior debt repayable April 2013 JIBAR +1.48%.

The total fair value of the swap derivatives associated with the Senior notes is £5 million (June 2009: £11 million). These are recognised as assets.

**3 Revolving credit facilities and irrevocable letters of credit**

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 2010 £517 million (June 2009: £999 million, December 2009 £480 million) of this facility was utilised, £nil (June 2009: £528 million, December 2009: £nil) in the form of drawn debt and £517 million (June 2009: £471 million, December 2009: £480 million) in the form of irrevocable letters of credit.

The Group has a SEK1,000 million revolving credit facility, which had a maturity date of 2 July 2010 which has subsequently been extended to 1 July 2011. At 30 June 2010 this facility was undrawn (June 2009 and December 2009: undrawn)

E1 Borrowed funds **continued**

*(b) Mortgage backed securities - Nedbank*

| | | | £m |
|---|---|---|---|
| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
| R291 million notes (class A1) repayable 18 November 2039 (11.467%)[1] | **17** | 23 | 25 |
| R1.4 billion notes (class A2A) repayable 18 November 2039 (11.817%)[1] | **87** | 78 | 84 |
| R98 million notes (class B note) repayable 18 November 2039 (12.067%)[1] | **6** | 6 | 6 |
| R76 million notes (class C note) repayable 18 November 2039 (13.317%)[1] | **4** | 4 | 4 |
| | **114** | 111 | 119 |

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

*(c) Subordinated debt securities*

| | | | £m |
|---|---|---|---|
| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
| **Nedbank** | | | |
| US$18 million repayable 31 August 2009 (6 month LIBOR less 1.5%) – repaid[1] | **-** | 10 | - |
| R1.5 billion repayable 24 April 2016 (7.85%)[2] | **132** | 116 | 126 |
| R1.8 billion repayable 20 September 2018 (9.84%)[3] | **160** | 139 | 149 |
| R500 million repayable on 30 December 2010 (8.38%)[4] | **44** | 38 | 41 |
| R650 million repayable 8 February 2017 (9.03%)[5] | **58** | 51 | 55 |
| R1.7 billion repayable 8 February 2019 (8.9%)[6] | **147** | 125 | 138 |
| R2.0 billion repayable 6 July 2022 (3 month JIBAR plus 0.47%)[7] | **178** | 160 | 171 |
| R500 million repayable 15 August 2017 (3 month JIBAR plus 0.45%)[8] | **44** | 40 | 42 |
| R1.0 billion repayable 17 September 2015 (10.54%)[9] | **92** | 78 | 84 |
| R500 million repayable 14 December 2017 (3 month JIBAR plus 0.70%)[10] | **44** | 40 | 42 |
| R120 million repayable 14 December 2017 (10.38%)[11] | **11** | 9 | 10 |
| R487 million repayable 20 November 2018 (15.05%)[12] | **45** | 38 | 41 |
| R1,265 million repayable 20 November 2018 (JIBAR plus 4.75%)[13] | **112** | 101 | 108 |
| R300 million repayable on 4 December 2013 (JIBAR + 2.5%)[14] | **13** | 12 | 13 |
| US$100 million repayable on 3 March 2022 (3 month USD LIBOR)[15] | **67** | 61 | 62 |
| | **1,147** | 1,018 | 1,082 |
| Less: banking subordinated debt securities held by other Group companies | **(85)** | (66) | (72) |
| **Banking subordinated debt securities (net of Group holdings)** | **1,062** | 952 | 1,010 |
| **Group excluding Nedbank** | | | |
| R3.0 billion repayable 27 October 2020 (8.9%)[16] | **262** | 235 | 252 |
| £300 million repayable 21 January 2016 (5.0%)[17] | **273** | 147 | 252 |
| R250 million preference shares repayable 9 June 2011[18] | **22** | 20 | 21 |
| €750 million repayable 18 January 2017 (4.5%)[19] | **512** | 318 | 509 |
| | **1,069** | 720 | 1,034 |
| **Total subordinated liabilities** | **2,131** | 1,672 | 2,044 |

# Notes to the consolidated financial statements

For the year ended 30 June 2010

E1 Borrowed funds continued

*(c) Subordinated debt securities*

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 – repaid.
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 30 March 2006.
5. Unsecured secondary callable note was issued 8 February 2007 with a call date of 8 February 2012.
6. Unsecured secondary callable note was issued 8 February 2007 at R1.0 billion. On 19 March 2007 an additional R0.7 billion was issued.
7. Unsecured secondary capital callable note issued 6 July 2007 and has a call date of 6 July 2017.
8. This bond issued on 15 August 2007 is an unsecured secondary capital callable floating rate note with a call date 15 August 2012.
9. This bond issued on 17 September 2007 is an unsecured fixed rate note with a term of 13 years (non-call 8 year).
10. This bond issued on 14 December 2007 is a 10 year (non-call 5 year) floating rate note. After its call date on 14 December 2012 its terms become JIBAR plus 1.70% until maturity.
11. This bond issued on 14 December 2007 is a 10 year (non-call 5 year) fixed rate note. After its call date its terms become floating 3 month JIBAR plus initial margin over mid swaps plus 1.0% until maturity.
12. This bond issued on 20 May 2008 is a perpetual (non-call 10 year) fixed rate note with a call date on 20 November 2018.
13. 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.
14. This bond issued on 4 December 2008 is a floating rate note with a call date of 4 December 2013.
15. Dated Tier 2 notes issued 3 March 2009 with call date 2 March 2017.
16. These bonds have a maturity date of 27 October 2020 and pay a coupon of 8.92% to 27 October 2015 and 3 month JIBAR plus 1.59% thereafter. The Group has the option to repay the bonds at par on 27 October 2015 and at 3 monthly intervals thereafter.
17. These bonds, issued on 20 January 2006, have a maturity date of 21 January 2016 and pay a coupon of 5.0% to 21 January 2011 and 6 month LIBOR plus 1.13% thereafter. The coupon on the bonds was swapped into floating rate of 6 month STIBOR plus 0.50%. The Group has the option to repay the bonds at par on 21 January 2011 and at 6 monthly intervals thereafter.
18. These preference shares are redeemable on 9 June 2011 and pay a variable cumulative coupon of 61.0% 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.
19. This bond, issued on 16 January 2007, has a maturity date of 18 January 2017 and pays a coupon of 4.5% to 17 January 2012 and 6 month EURIBOR plus 0.96% 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% and 6 month US LIBOR plus 0.31% respectively. The Group has the option to repay the bonds at par on 17 January 2012 and at 6 monthly intervals thereafter.

## F Other notes

### F1 Contingent liabilities

| | | | £m |
|---|---|---|---|
| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
| Guarantees and assets pledged as collateral security | **2,484** | 2,038 | 2,375 |
| Irrevocable letters of credit | **130** | 110 | 125 |
| Secured lending | **697** | 412 | 555 |
| Other contingent liabilities | **36** | 36 | 49 |

The Group has pledged debt securities as collateral for deposits received under re-purchase agreements. These amounts represent assets that have been transferred but do not qualify for derecognition under IAS39.These transactions are entered into under terms and conditions that are standard industry practice to securities borrowing and lending activities.

*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.

*Nedbank litigation*

There are a number of legal or potential claims against Nedbank and its subsidiary companies, the outcome of which cannot at present be foreseen. The largest of these potential actions is a claim in the South African High Court for R1.3 billion against Nedbank by certain shareholders in Pinnacle Point Group Limited, alleging that Nedbank had a legal duty of care to them arising from a share swap transaction. Nedbank and its legal advisers are of the opinion that the claim is without merit and it will be defended vigorously.

### F2 Acquisition of non-controlling interests

*Acquisition of non-controlling interest in Mutual & Federal*

On 5 February 2010, the Group completed the acquisition of the remaining non-controlling shareholdings in Mutual & Federal Insurance Company Limited, following the fulfilment of all outstanding conditions precedent. On 8 February 2010, 147,313,449 new Old Mutual plc ordinary shares were issued in exchange for Mutual & Federal shares and listed on the London Stock Exchange, of which 68,378,851 were issued to Black Economic Empowerment trusts and 78,934,598 to other previous holders.

*Other acquisitions*

On 8 February 2010 Nedbank announced that it had obtained regulatory approval for the acquisition of the remaining 49.9% indirect interest in Imperial Bank Limited thereby satisfying all conditions precedent for the acquisition.

The purchase consideration was approximately £162 million (£155 million plus a Johannesburg Interbank Agreed Rate (JIBAR) factor applied up to 5 February 2010) which is being settled in four instalments out of existing cash resources of Nedbank Limited. The total amount, which will include interest at the three-month JIBAR, amounts to £165 million with only the final instalment of £42 million (including interest) outstanding which will be settled on 13 August 2010.

### F3 Sale of US Life

The Group announced today that it has agreed terms to sell 100% of its interest in US Life to Harbinger Capital Partners for a consideration of $350 million (£220 million at a $1.59:£ exchange rate). Completion is expected before 31 December 2010 and is subject to inter- alia regulatory approvals. This has resulted in a write-off of £689 million in the Group's net assets on an IFRS basis at 30 June 2010 or (12.7) pence per share. The Market Consistent Embedded Value ('MCEV') as at 30 June 2010 increases by £718 million or a Group MCEV value per share of 13.2 pence. Old Mutual Reassurance (Ireland) Limited which has previously been reported within US Life will remain part of the Group and its net assets have been excluded from the above. As a result of this sale agreement the US Life business will be treated as non-core and as a discontinued operation in the 2010 Annual Report.

# Group Market Consistent Embedded Value statement of earnings

For the 6 months ended 30 June 2010

| | Notes | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|---|
| | | | | **£m** |
| **Long Term Savings** | | | | |
| Covered business | | **498** | 488 | 554 |
| Asset management | | **64** | (7) | 26 |
| Banking | | **8** | 8 | 16 |
| | | **570** | 489 | 596 |
| **Nedbank** | | | | |
| Banking | | **266** | 211 | 470 |
| **Mutual and Federal** | | | | |
| General insurance | | **33** | 20 | 70 |
| **US Asset Management** | | | | |
| Asset management | | **40** | 30 | 83 |
| **Other operating segments** | | | | |
| Finance costs* | | **(86)** | (68) | (144) |
| Other shareholders' expenses | | **(5)** | (33) | (69) |
| **Adjusted operating Group MCEV earnings before tax from core operations** | | **818** | 649 | 1,006 |
| Bermuda non-core operations | | | | |
| Long-term business | | **30** | 106 | 8 |
| Adjusted operating Group MCEV earnings before tax** | | **848** | 755 | 1,014 |
| Adjusting items | C1 | **(391)** | 509 | 913 |
| **Total Group MCEV earnings before tax for the financial period** | | **457** | 1,264 | 1,927 |
| Income tax attributable to shareholders | | **(39)** | (143) | (145) |
| **Total Group MCEV earnings after tax for the financial period** | | **418** | 1,121 | 1,782 |
| **Total Group MCEV earnings for the financial period attributable to:** | | | | |
| Equity holders of the parent | | **302** | 1,026 | 1,562 |
| Non-controlling interests | | | | |
| Ordinary shares | | **85** | 61 | 156 |
| Preferred securities | | **31** | 34 | 64 |
| **Total Group MCEV earnings after tax for the financial period** | | **418** | 1,121 | 1,782 |
| **Basic total Group MCEV earnings per ordinary share (pence)** | | **6.0** | 20.5 | 31.3 |
| Weighted average number of shares – millions | | **5,057** | 4,996 | 4,994 |

* This includes interest payable from Old Mutual plc to non-core operations of £18 million for the six months ended 30 June 2010 (six months ended 30 June 2009: £21million; year ended 31 December 2010: £40 million). Part of the interest earned by Bermuda from the loan note with Old Mutual plc has been reclassified for the 6 months ended 30 June 2009 from non-operating to operating earnings to be consistent with the treatment applied for the year ended 31 December 2009 and the 6 months ended 30 June 2010.

** For long-term business and general insurance businesses, adjusted operating Group MCEV earnings are based on short-term and long-term investment returns respectively, include investment returns on life fund investments in Group equity and debt instruments, and are 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 exclude 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.

# Adjusted operating Group MCEV earnings per share

For the 6 months ended 30 June 2010

| | Notes | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|---|
| | | | | £m |
| **Adjusted operating Group MCEV earnings before tax** | | **848** | 755 | 1,014 |
| Tax on adjusted operating Group MCEV earnings | B2 | **(155)** | (183) | (209) |
| **Adjusted operating Group MCEV earnings after tax** | | **693** | 572 | 805 |
| Non-controlling interests | | | | |
| Ordinary shares | | **(95)** | (70) | (179) |
| Preferred securities | | **(31)** | (34) | (64) |
| Adjusted operating Group MCEV earnings after tax attributable to ordinary equity holders | | **567** | 468 | 562 |
| **Adjusted operating Group MCEV earnings from core operations** | | **537** | 390 | 581 |
| Adjusted operating Group MCEV earnings from non-core operations | | **30** | 78 | (19) |
| **Adjusted operating Group MCEV earnings per share from core operations** | | **10.0** | 7.5 | 11.1 |
| Adjusted operating Group MCEV earnings per share from non-core operations | | **0.6** | 1.4 | (0.4) |
| **Adjusted operating Group MCEV earnings per share* (pence)** | | **10.6** | 8.9 | 10.7 |
| Adjusted weighted average number of shares – millions | | **5,343** | 5,232 | 5,229 |

* Adjusted operating Group MCEV earnings per share is calculated on the same basis as adjusted operating Group MCEV earnings and 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.

# Components of Group MCEV and adjusted Group MCEV

For the 6 months ended 30 June 2010

### Components of Group MCEV

£m

| | Notes | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
|---|---|---|---|---|
| **Adjusted net worth attributable to ordinary equity holders of the parent** | | **4,845** | 3,860 | 4,417 |
| Equity | | **9,047** | 7,731 | 8,464 |
| Adjustment to include long-term business on a statutory solvency basis: | | | | |
| Long Term Savings | C3 | **(2,766)** | (2,167) | (2,626) |
| Bermuda | C3 | **(13)** | (27) | (6) |
| Adjustment for market value of life funds' investments in Group equity and debt instruments held in life funds | | **244** | 235 | 268 |
| 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 | C3 | **(979)** | (1,224) | (995) |
| **Value of in-force business** | | **3,208** | 2,741 | 3,212 |
| Present value of future profits | | **4,269** | 3,481 | 4,255 |
| Additional time value of financial options and guarantees | | **(456)** | (127) | (416) |
| Frictional costs | | **(235)** | (199) | (221) |
| Cost of residual non-hedgeable risks | | **(370)** | (414) | (406) |
| **Group MCEV** | | **8,053** | 6,601 | 7,629 |
| **Group MCEV value per share (pence)** | | **148.0** | 125.1 | 144.5 |
| **Return on Group MCEV (RoEV) per annum from core operations** | | **14.2%** | 13.1% | 11.1% |
| Return on Group MCEV (RoEV) per annum from non-core operations | | **0.5%** | 1.7% | (0.4)% |
| Return on Group MCEV (RoEV) per annum | | **14.7%** | 14.8% | 10.7% |
| **Number of shares in issue at the end of the financial period less treasury shares – millions** | | **5,442** | 5,277 | 5,279 |

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 shareholder funds. In South Africa, these values exclude items that are eliminated or shown separately on consolidation (such as Nedbank and inter-company loans). For some European countries the value reflected in the adjustment to include long-term business on a statutory solvency basis includes the value of the deferred acquisition cost asset, which is part of the equity.

The RoEV is calculated as the adjusted operating Group MCEV earnings after tax and non-controlling interests of £567 million (6 months ended 30 June 2009: £468 million; year ended 31 December 2009: £562 million) divided by the opening Group MCEV. The operating assumption changes of £0 million (6 months ended 30 June 2009: £26 million) and other operating variances of £12 million (6 months ended 30 June 2009: £128 million) are not annualised.

# Components of Group MCEV and adjusted Group MCEV

For the 6 months ended 30 June 2010

## Components of adjusted Group MCEV

£m

| | Notes | At 30June 2010 | At 30 June 2009 | At 31 December 2009 |
|---|---|---|---|---|
| **Group MCEV** | | **8,053** | 6,601 | 7,629 |
| **Pro forma adjustments to bring Group investments to market value** | | | | |
| Adjustment to bring listed subsidiaries to market value | | **495** | 133 | 805 |
| Nedbank | | **495** | 78 | 623 |
| Mutual & Federal | | **-** | 55 | 182 |
| Adjustment for value of own shares in ESOP schemes* | | **73** | 57 | 71 |
| Adjustment for present value of Black Economic Empowerment scheme deferred consideration | | **241** | 194 | 221 |
| Adjustment to bring external debt to market value | | **206** | 604 | 302 |
| **Adjusted Group MCEV** | B1 | **9,068** | 7,589 | 9,028 |
| **Adjusted Group MCEV per share (pence)** | | **166.6** | 143.8 | 171.0 |
| **Number of shares in issue at the end of the financial period less treasury shares – millions** | | **5,442** | 5,277 | 5,279 |

* Includes adjustment for value of excess own shares in employee share scheme trusts. The movement in value between 31 December 2009 and 30 June 2010 is the net effect of the decrease in the Old Mutual plc share price, the reduction in excess own shares following employee share grants in March 2010 and the reduction in overall shares held due to exercises of rights to take delivery of, or net settle, share grants during the financial period.

## Reconciliation of movements in Group MCEV (after tax)

£m

| | | **6 months ended 30 June 2010** | | | 6 months ended 30 June 2009 | | |
|---|---|---|---|---|---|---|---|
| | Notes | **Covered business MCEV** | **Non-covered business IFRS** | **Total Group MCEV** | Covered business MCEV | Non-covered business IFRS | Total Group MCEV |
| **Opening Group MCEV** | | **6,027** | **1,602** | **7,629** | 4,183 | 1,079 | 5,262 |
| Adjusted operating MCEV earnings | | **452** | **115** | **567** | 487 | (19) | 468 |
| Non-operating MCEV earnings | | **(164)** | **(101)** | **(265)** | 569 | (11) | 558 |
| **Total Group MCEV earnings** | | **288** | **14** | **302** | 1,056 | (30) | 1,026 |
| Other movements in IFRS net equity | C2 | **(141)** | **263** | **122** | 117 | 196 | 313 |
| **Closing Group MCEV** | | **6,174** | **1,879** | **8,053** | 5,356 | 1,245 | 6,601 |

£m

| | | Year ended 31 December 2009 | | |
|---|---|---|---|---|
| | Notes | Covered business MCEV | Non-covered business IFRS | Total Group MCEV |
| **Opening Group MCEV** | | 4,183 | 1,079 | 5,262 |
| Adjusted operating MCEV earnings | | 492 | 70 | 562 |
| Non-operating MCEV earnings | | 1,191 | (191) | 1,000 |
| **Total Group MCEV earnings** | | 1,683 | (121) | 1,562 |
| Other movements in IFRS net equity | C2 | 161 | 644 | 805 |
| **Closing Group MCEV** | | 6,027 | 1,602 | 7,629 |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010

## A MCEV policies

### A1 Basis of preparation

The Market Consistent Embedded Value methodology (referred to herein and in the supplementary statements on pages 81 to 122 as 'MCEV') adopts the Market Consistent Embedded Value Principles (Copyright © Stichting CFO Forum Foundation 2008) issued in June 2008 and updated in October 2009 by the CFO Forum ('the Principles') as the basis for the methodology used in preparing the supplementary information.

The CFO Forum announced changes to the MCEV Principles in October 2009 to reflect *inter alia* the inclusion of a liquidity premium. These changes affirm that the risk free reference rate to be applied under MCEV should include both the swap yield curve appropriate to the currency of the cash flows and a liquidity premium where appropriate. The CFO Forum is undertaking further work to develop more detailed application guidance.

The Principles have been fully complied with for all businesses as at 30 June 2010. Any changes in the methodology and assumptions made in presenting this supplementary information compared to those disclosed in the annual report and accounts 2009 are set out in notes A2 and A3.

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. Non-covered business is valued at the IFRS net asset value detailed in the primary financial statements adjusted to eliminate inter-company loans.
- The adjusted Group MCEV, a measure used by management 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 subsidiary, marking the value of deferred consideration due in respect of Black Economic Empowerment arrangements in South Africa ('the BEE schemes') to market, as well as including the market value of excess own shares held in ESOP schemes.

### A2 Methodology

**Required capital**

Required capital is the market value of assets that is attributed to support the covered business, over and above that required to back statutory liabilities for covered business, whose distribution to shareholders is restricted. The following capital measures are considered in determining the required capital held for covered business so that it reflects the level of capital considered by the directors to be appropriate to manage the business:

- Economic capital;
- Regulatory capital (ie the level of solvency capital which the local regulators require);
- Capital required by rating agencies in respect of the North American business in order to maintain the desired credit rating; and
- Any other required capital definition to meet internal management objectives.

Economic capital for the covered business is based upon Old Mutual's own internal assessment of risks inherent in the underlying business. It measures capital requirements on an economic statement of financial position, with MCEV as the available capital, consistent with a 99.93% confidence level over a one-year time horizon.

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

**£m**

| | **At 30 June 2010** | | | At 30 June 2009 | | | At 31 December 2009 | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Required capital (a)** | **Regulatory capital (b)** | **Ratio (a/b)** | Required capital (a) | Regulatory capital (b) | Ratio (a/b) | Required capital (a) | Regulatory capital (b) | Ratio (a/b) |
| Emerging Markets | **1,318** | **1,011** | **1.3** | 1,110 | 852 | 1.3 | 1,225 | 930 | 1.3 |
| Nordic | **109** | **95** | **1.1** | 120 | 71 | 1.7 | 104 | 92 | 1.1 |
| Retail Europe* | **38** | **52** | **0.7** | 57 | 43 | 1.3 | 32 | 52 | 0.6 |
| Wealth Management** | **215** | **142** | **1.5** | 213 | 131 | 1.6 | 213 | 143 | 1.5 |
| US Life | **491** | **204** | **2.4** | 523 | 210 | 2.5 | 462 | 193 | 2.4 |
| Bermuda*** | **341** | **-** | **n/a** | 279 | - | n/a | 363 | - | n/a |
| **Total** | **2,512** | **1,504** | **1.7** | 2,302 | 1,307 | 1.8 | 2,399 | 1,410 | 1.7 |

* Local regulators within many of the Retail Europe countries allow intangible assets to be included as admissible regulatory capital. In such cases the required capital reported for MCEV is net of these items, although each of the countries continues to be sufficiently capitalised on the local solvency basis. Skandia Leben in Germany is permitted under local regulations to include the unallocated policyholder profit sharing liability as admissible capital.

** The regulatory capital requirement for Wealth Management has been restated at 30 June 2009 and 31 December 2009 to exclude the impact of a policyholder tax credit in Italy, which may be used to offset the capital requirement.

*** The Bermudan regulator allows intangible assets to be included as admissible regulatory capital.

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

**Cost of residual non-hedgeable risks**

The cost of residual non-hedgeable risks ('CNHR') is calculated using a cost of capital approach, ie it is determined as the present value of capital charges for all future non-hedgeable risk capital requirements until the liabilities have run off. The capital charge in each year is the product of the projected expected non-hedgeable risk capital held after allowance for some diversification benefits and the cost of capital charge.

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

**Capital held in respect of non-hedgeable risks**

| | | | £m |
|---|---|---|---|
| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
| Emerging Markets | **643** | 503 | 606 |
| Nordic | **315** | 295 | 333 |
| Retail Europe | **128** | 150 | 143 |
| Wealth Management* | **553** | 562 | 563 |
| US Life | **703** | 549 | 661 |
| Bermuda** | **285** | 510 | 619 |
| **Total** | **2,627** | 2,569 | 2,925 |

* The capital held in respect of non-hedgeable risks for Weath Management at 31 December 2009 has been restated from £640 million to £563 million due to calculation refinements.

** The capital held in respect of non-hedgeable risks for Bermuda has reduced from 31 December 2009 to 30 June 2010 as a result of the change in the allowance for hedging basis risk, that is now made in the determination of reserves for guaranteed benefits, as well as other calculation refinements.

A weighted average cost of capital charge of 2.0% has been applied to residual non-hedgeable capital at a business unit level over the life of the contracts. This translates into an equivalent cost of capital charge of approximately 2.7% being applied to the Group diversified capital required in respect of such non-hedgeable risks.

**Taxation**

There is currently uncertainty around both the basis and effective date for possible taxation of fee income earned from fund managers by Swedish insurance companies and the expenses that can be relieved against such income. At present we continue to treat fee income from our Swedish unit-linked business as being exempt from corporation tax within our MCEV.

The Emergency Budget of 22 June 2010 announced a reduction in the UK corporation tax rate by 1% per year for four years from April 2011, ultimately bringing the corporation tax rate down to 24%. The MCEV results at 30 June 2010 have been calculated using an ongoing UK corporation tax rate of 28% and each reduction in the tax rate will be included in future results as and when they are enacted. The estimated positive impact on the value of in-force business ('VIF') in respect of Wealth Management at 30 June 2010, assuming that all the annual reductions in the tax rate will be enacted, is £17 million.

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010

## A3 Assumptions

**Non-economic assumptions**

The management expenses attributable to life assurance business have been allocated to 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 table below shows the future expenses attributable to long-term business. 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.

**Group holding Company expenses attributable to long-term business**

| | | | % |
|---|---|---|---|
| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
| Emerging Markets | **16** | 14 | 16 |
| Nordic | **4** | 4 | 4 |
| Retail Europe | **2** | 3 | 3 |
| Wealth Management | **8** | 8 | 8 |
| US Life | **-** | 4 | 2 |
| Bermuda | **-** | - | - |
| **Total** | **30** | 33 | 33 |

**Economic assumptions**

*Risk free reference rates and inflation*

A wide range of liquidity market data and literature was reviewed at 30 June 2010, such as the Barrie+Hibbert calibration of US corporate bond spreads using a structural Merton-style model applied to actual corporate bonds held in the portfolio and a comparison of the yields of similar durations on South African government bonds and bonds issued by state-owned enterprises. It is the directors' view that a significant proportion of corporate bond spreads at 30 June 2010 is attributable to liquidity premium allowances rather than credit and default allowances 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 OMLAC(SA)'s Retail Affluent Immediate Annuity business the currency, credit quality and duration of the actual corporate bond portfolios were considered and adjusted risk free reference rates were derived at 30 June 2010 by adding 75bps of liquidity premium for the US Life business (30 June 2009: 175bps; 31 December 2009: 100bps) and adding 50bps of liquidity premium for OMLAC(SA)'s Retail Affluent Immediate Annuity business (30 June 2009: 50bps; 31 December 2009: 50bps) to the swap rates used for setting investment return and discounting assumptions. These adjustments reflect the liquidity premium component in corporate bond spreads over swap rates that is expected to be earned on the portfolios. Old Mutual believes that the differences between market yields on US Life's and OMLAC(SA)'s Retail Affluent bond portfolios and the adjusted risk free reference rates still provide substantial implied margins for default.

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

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

| **Risk free reference spot yields (excluding any applicable liquidity adjustments)** | | | | | **%** |
|---|---|---|---|---|---|
| **At 30 June 2010** | **GBP** | **EUR** | **USD** | **ZAR** | **SEK** |
| 1 year | **0.9** | **1.2** | **0.7** | **6.7** | **1.3** |
| 5 years | **3.8** | **2.1** | **2.1** | **8.0** | **2.3** |
| 10 years | **4.4** | **2.9** | **3.0** | **8.6** | **3.1** |
| 20 years | **3.9** | **3.4** | **3.6** | **8.2** | **3.6** |
| At 30 June 2009 | | | | | |
| 1 year | 2.0 | 1.4 | 0.9 | 7.7 | 1.0 |
| 5 years | 3.7 | 2.9 | 2.9 | 9.0 | 2.9 |
| 10 years | 4.0 | 3.7 | 3.7 | 9.2 | 3.9 |
| 20 years | 2.9 | 4.3 | 4.1 | 7.9 | 4.2 |
| At 31 December 2009 | | | | | |
| 1 year | 0.9 | 1.3 | 0.7 | 7.3 | 0.8 |
| 5 years | 4.7 | 2.8 | 3.0 | 8.9 | 2.9 |
| 10 years | 4.8 | 3.6 | 3.5 | 9.2 | 3.7 |
| 20 years | 4.0 | 4.1 | 4.0 | 8.2 | 4.1 |

| **Expense inflation** | | | | | **%** |
|---|---|---|---|---|---|
| **At 30 June 2010** | **GBP** | **EUR** | **USD** | **ZAR** | **SEK** |
| 1 year | **3.3** | **1.0-3.3** | **3.0** | **6.2** | **1.5** |
| 5 years | **3.5** | **1.0-3.3** | **3.0** | **6.3** | **2.3** |
| 10 years | **4.0** | **1.0-3.3** | **3.0** | **6.7** | **2.6** |
| 20 years | **4.5** | **1.0-3.3** | **3.0** | **6.4** | **2.9** |
| At 30 June 2009 | | | | | |
| 1 year | 0.1 | 2.3-3.0 | 3.0 | 5.9 | 1.3 |
| 5 years | 1.9 | 2.3-3.0 | 3.0 | 7.2 | 2.5 |
| 10 years | 2.9 | 2.3-3.0 | 3.0 | 7.4 | 3.0 |
| 20 years | 4.2 | 2.3-3.0 | 3.0 | 6.2 | 2.7 |
| At 31 December 2009 | | | | | |
| 1 year | 3.3 | 2.5-3.0 | 3.0 | 6.4 | 1.1 |
| 5 years | 3.8 | 2.5-3.0 | 3.0 | 7.5 | 2.6 |
| 10 years | 4.4 | 2.5-3.0 | 3.0 | 7.7 | 2.8 |
| 20 years | 4.8 | 2.5-3.0 | 3.0 | 6.7 | 3.0 |

*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 swap | 5 year swap | 10 year swap | 20 year swap | Equity (total return index) | Property (total return index) |
|---|---|---|---|---|---|---|
| | | | | | | % |
| **At 30 June 2010** | | | | | | |
| 1 year | **15.6** | **13.9** | **12.9** | **12.4** | **28.4** | **16.9** |
| 5 years | **14.5** | **13.7** | **13.2** | **12.8** | **26.3** | **14.8** |
| 10 years | **13.6** | **13.2** | **12.8** | **12.3** | **26.6** | **14.3** |
| 20 years | **12.8** | **12.2** | **11.7** | **10.9** | **26.9** | **14.2** |
| At 30 June 2009 | | | | | | |
| 1 year | 18.6 | 17.3 | 16.6 | 16.8 | 27.4 | 17.3 |
| 5 years | 18.5 | 17.6 | 17.3 | 17.3 | 26.3 | 15.7 |
| 10 years | 18.0 | 17.3 | 16.7 | 16.1 | 26.5 | 14.1 |
| 20 years | 16.4 | 15.7 | 15.1 | 14.0 | 27.4 | 14.5 |
| At 31 December 2009 | | | | | | |
| 1 year | 18.3 | 16.2 | 15.1 | 14.8 | 27.4 | 17.1 |
| 5 years | 16.9 | 15.8 | 15.3 | 15.1 | 25.5 | 14.8 |
| 10 years | 15.7 | 15.2 | 14.7 | 14.1 | 26.2 | 14.1 |
| 20 years | 14.5 | 13.8 | 13.1 | 12.0 | 27.0 | 14.2 |

* Due to limited liquidity in the ZAR swaption and equity option market, the market consistent asset model 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 swap | 5 year swap | 10 year swap | 20 year swap |
|---|---|---|---|---|
| | | | | % |
| **At 30 June 2010** | | | | |
| 1 year | **71.0** | **39.6** | **32.3** | **27.2** |
| 5 years | **29.1** | **26.5** | **24.1** | **22.0** |
| 10 years | **23.3** | **21.4** | **20.5** | **18.7** |
| 20 years | **19.4** | **17.9** | **17.2** | **16.0** |
| At 30 June 2009 | | | | |
| 1 year | 61.3 | 41.9 | 37.8 | 33.0 |
| 5 years | 27.8 | 26.5 | 25.0 | 22.4 |
| 10 years | 20.8 | 19.6 | 19.3 | 16.9 |
| 20 years | 16.1 | 15.6 | 15.0 | 13.7 |
| At 31 December 2009 | | | | |
| 1 year | 62.3 | 36.8 | 30.1 | 25.9 |
| 5 years | 26.9 | 24.7 | 22.6 | 20.6 |
| 10 years | 18.6 | 18.3 | 17.9 | 16.3 |
| 20 years | 15.6 | 14.6 | 14.3 | 12.8 |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

**International equity volatilities (applicable to Old Mutual Bermuda)***

| Option term | SPX | RTY | TPX | HSCEI | TWY | KOSP12 | NIFTY | SX5E | UKX |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | % |
| **At 30 June 2010** | | | | | | | | | |
| 1 year | **29.0** | **37.2** | **29.1** | **31.0** | **24.3** | **23.1** | **21.9** | **29.7** | **27.3** |
| 5 years | **28.0** | **39.0** | **29.3** | **31.8** | **27.3** | **23.7** | **23.5** | **27.9** | **26.9** |
| 10 years | **28.0** | **39.0** | **29.3** | **31.8** | **27.3** | **23.7** | **23.5** | **27.9** | **26.9** |
| At 30 June 2009 | | | | | | | | | |
| 1 year | 25.9 | 33.0 | 29.4 | 39.3 | 30.6 | 27.0 | 31.6 | 29.5 | 27.0 |
| 5 years | 26.5 | 36.1 | 27.5 | 36.4 | 30.0 | 26.8 | 29.0 | 27.7 | 26.5 |
| 10 years | 23.1 | 30.6 | 25.8 | 35.2 | 29.3 | 27.9 | 29.4 | 26.8 | 25.6 |
| At 31 December 2009 | | | | | | | | | |
| 1 year | 22.1 | 28.6 | 28.3 | 33.5 | 22.9 | 23.3 | 26.5 | 24.7 | 23.1 |
| 5 years | 24.4 | 32.9 | 29.4 | 34.2 | 26.4 | 24.2 | 26.4 | 25.4 | 24.1 |
| 10 years | 25.0 | 32.6 | 29.0 | 37.4 | 27.5 | 30.0 | 31.2 | 27.4 | 25.9 |

**International equity volatilities (applicable to Old Mutual Bermuda)***

| Option term | EEM | USAgg | EUAgg | APAgg |
|---|---|---|---|---|
| | | | | % |
| **At 30 June 2010** | | | | |
| 1 year | **35.2** | **5.5** | **13.0** | **12.6** |
| 5 years | **32.4** | **5.5** | **13.0** | **12.6** |
| 10 years | **32.4** | **5.5** | **13.0** | **12.6** |
| At 30 June 2009 | | | | |
| 1 year | 35.5 | 4.5 | 11.5 | 10.8 |
| 5 years | 32.8 | 4.5 | 11.5 | 10.8 |
| 10 years | 35.9 | 4.5 | 11.5 | 10.8 |
| At 31 December 2009 | | | | |
| 1 year | 31.6 | 4.5 | 12.0 | 11.6 |
| 5 years | 30.8 | 4.5 | 12.0 | 11.6 |
| 10 years | 36.7 | 4.5 | 12.0 | 11.6 |

* In prior reporting periods, the volatilities disclosed for Bermuda were on a 1-year forward basis for most indices. The assumptions at 30 June 2010, as well as the comparatives for prior reporting periods, are now shown as the annualised volatilities applicable over the entire option term specified, consistent with the disclosure of volatilities for other regions. These volatilities, as represented by their Bloomberg codes, refer to price indices. Due to ongoing enhancements in the fund mapping process, the indices referenced may vary from period to period.

*Tax*

The weighted average effective tax rates that apply to the cash flow projections at 30 June 2010 are set out below:

- OMLAC(SA) – 34% (30 June 2009: 31%; 31 December 2009: 33%)
- Namibia – 0% (30 June 2009: 0%; 31 December 2009: 0%)
- Nordic – 0% (30 June 2009: 0%; 31 December 2009: 4%)
- Retail Europe – 27% (30 June 2009: 29%; 31 December 2009: 28%)
- Wealth Management – 13% (30 June 2009: 18%; 31 December 2009: 13%)
- US Life* – 0% (30 June 2009: 0%; 31 December 2009: 0%)*
- Bermuda* – 0% (30 June 2009: 0%; 31 December 2009: 0%)*

* The weighted average effective tax rates for US Life and Bermuda at 31 December 2009 have been restated to 0% from 5% and 10% respectively due to a calculation correction.

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

### B Segment information

B1 Adjusted Group MCEV presented per business line

| | **At 30 June 2010** | At 30 June 2009 | At 31 December 2009 |
|---|---|---|---|
| | | | £m |
| **MCEV of the covered business** | **6,174** | 5,356 | 6,027 |
| Adjusted net worth* | **2,966** | 2,615 | 2,815 |
| Value of in-force business | **3,208** | 2,741 | 3,212 |
| **Adjusted net worth of the asset management businesses** | **1,968** | 1,712 | 1,716 |
| Emerging Markets | **250** | 290 | 216 |
| Nordic** | **32** | (130) | (75) |
| Retail Europe | **13** | 11 | 12 |
| Wealth Management | **157** | 226 | 152 |
| US Asset Management | **1,516** | 1,315 | 1,411 |
| **Value of the banking business** | **2,998** | 2,208 | 2,948 |
| Nordic (adjusted net worth) | **292** | 259 | 314 |
| Nedbank (market value) | **2,706** | 1,949 | 2,634 |
| **Value of the general insurance business** | | | |
| Mutual & Federal*** | **321** | 272 | 448 |
| **Net other business** | **(88)** | (235) | 123 |
| **Adjustment for present value of Black Economic Empowerment scheme deferred consideration** | **241** | 194 | 221 |
| **Adjustment for value of own shares in ESOP schemes******** | **73** | 57 | 71 |
| **Perpetual preferred securities (US$ denominated)** | **(435)** | (292) | (385) |
| **Perpetual preferred callable securities** | **(487)** | (273) | (477) |
| GBP denominated | **(236)** | (125) | (224) |
| Euro denominated | **(251)** | (148) | (253) |
| **Debt** | **(1,697)** | (1,410) | (1,664) |
| Rand denominated | **(309)** | (213) | (290) |
| USD denominated | **(323)** | (248) | (338) |
| GBP denominated | **(790)** | (653) | (759) |
| SEK denominated | **(273)** | (190) | (256) |
| Euro denominated | **(2)** | (106) | (21) |
| **Adjusted Group MCEV** | **9,068** | 7,589 | 9,028 |

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

** Includes the adjusted net worth of Nordic holding companies that are classified as non-covered business, net of the holding companies investment in Group subsidiaries.

*** Reflected at IFRS net asset value at 30 June 2010 and at market value for 30 June 2009 and 30 December 2009 as a result of the acquisition of the remaining non-controlling interest in Mutual & Federal.

**** Includes adjustment for value of excess own shares in employee share scheme trusts. The movement in value between 31 December 2009 and 30 June 2010 is the net effect of the decrease in the Old Mutual plc share price, the reduction in excess own shares following employee share grants in March 2010 and the reduction in overall shares held due to exercises of rights to take delivery of, or net settle, share grants during the financial period.

B2 Adjusted operating MCEV earnings for the covered business

| | 6 months ended 30 June 2010 | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| | | | £m |
| **Adjusted operating MCEV earnings before tax for the covered business** | **528** | 594 | 562 |
| **Long Term Savings** | **498** | 488 | 554 |
| Emerging Markets | **182** | 151 | 272 |
| Nordic | **79** | 42 | 78 |
| Retail Europe | **31** | (17) | (58) |
| Wealth Management | **77** | 15 | (40) |
| US Life | **129** | 297 | 302 |
| **Bermuda** | **30** | 106 | 8 |
| | | | |
| **Tax on adjusted operating MCEV earnings for the covered business** | **(76)** | (107) | (70) |
| **Long Term Savings** | **(76)** | (79) | (43) |
| Emerging Markets | **(38)** | (41) | (60) |
| Nordic | **(16)** | - | 3 |
| Retail Europe | **(7)** | 2 | 14 |
| Wealth Management | **(13)** | (2) | 36 |
| US Life | **(2)** | (38) | (36) |
| **Bermuda** | **-** | (28) | (27) |
| | | | |
| **Adjusted operating MCEV earnings after tax for the covered business** | **452** | 487 | 492 |
| **Long Term Savings** | **422** | 409 | 511 |
| Emerging Markets | **144** | 110 | 212 |
| Nordic | **63** | 42 | 81 |
| Retail Europe | **24** | (15) | (44) |
| Wealth Management | **64** | 13 | (4) |
| US Life | **127** | 259 | 266 |
| **Bermuda** | **30** | 78 | (19) |
| | | | |
| **Tax on adjusted operating MCEV earnings comprises** | | | |
| Tax on adjusted operating MCEV earnings for the covered business | **(76)** | (107) | (70) |
| Tax on adjusted operating MCEV earnings for other business | **(79)** | (76) | (139) |
| **Tax on adjusted operating MCEV earnings** | **(155)** | (183) | (209) |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

## B3 Components of MCEV of the covered business

| | At 30 June 2010 | At 30 June 2009 | At 31 December 2009 |
|---|---|---|---|
| | | | £m |
| **MCEV of the covered business** | **6,174** | 5,356 | 6,027 |
| Adjusted net worth | **2,966** | 2,615 | 2,815 |
| Value of in-force business | **3,208** | 2,741 | 3,212 |
| **Long Term Savings** | | | |
| **Adjusted net worth** | **2,625** | 2,336 | 2,452 |
| Free surplus | **454** | 313 | 416 |
| Required capital | **2,171** | 2,023 | 2,036 |
| **Value of in-force business** | **3,381** | 2,924 | 3,377 |
| Present value of future profits | **4,192** | 3,573 | 4,156 |
| Additional time value of financial options and guarantees | **(239)** | (112) | (220) |
| Frictional costs | **(232)** | (194) | (217) |
| Cost of residual non-hedgeable risks | **(340)** | (343) | (342) |
| **Emerging Markets** | | | |
| **Adjusted net worth** | **1,415** | 1,170 | 1,305 |
| Free surplus | **97** | 60 | 80 |
| Required capital | **1,318** | 1,110 | 1,225 |
| **Value of in-force business** | **1,231** | 1,054 | 1,158 |
| Present value of future profits | **1,525** | 1,302 | 1,424 |
| Additional time value of financial options and guarantees | **-** | - | - |
| Frictional costs | **(204)** | (156) | (181) |
| Cost of residual non-hedgeable risks | **(90)** | (92) | (85) |
| **Nordic** | | | |
| **Adjusted net worth** | **143** | 180 | 195 |
| Free surplus | **34** | 60 | 91 |
| Required capital | **109** | 120 | 104 |
| **Value of in-force business** | **1,154** | 917 | 1,114 |
| Present value of future profits | **1,210** | 992 | 1,196 |
| Additional time value of financial options and guarantees | **-** | - | - |
| Frictional costs | **(5)** | (9) | (11) |
| Cost of residual non-hedgeable risks | **(51)** | (66) | (71) |
| **Retail Europe** | | | |
| **Adjusted net worth** | **84** | 95 | 78 |
| Free surplus | **46** | 38 | 46 |
| Required capital | **38** | 57 | 32 |
| **Value of in-force business** | **451** | 441 | 453 |
| Present value of future profits | **504** | 505 | 507 |
| Additional time value of financial options and guarantees | **(10)** | (5) | (6) |
| Frictional costs | **(6)** | (12) | (7) |
| Cost of residual non-hedgeable risks | **(37)** | (47) | (41) |

B3 Components of MCEV of the covered business continued

| | At 30 June 2010 | At 30 June 2009 | At 31 December 2009 |
|---|---|---|---|
| | | | £m |
| **Wealth management** | | | |
| **Adjusted net worth** | **389** | 341 | 376 |
| Free surplus | **174** | 128 | 163 |
| Required capital | **215** | 213 | 213 |
| **Value of in-force business** | **1,526** | 1,358 | 1,468 |
| Present value of future profits | **1,601** | 1,438 | 1,540 |
| Additional time value of financial options and guarantees | **(1)** | (1) | (1) |
| Frictional costs | **(8)** | (14) | (12) |
| Cost of residual non-hedgeable risks | **(66)** | (65) | (59) |
| **US Life** | | | |
| **Adjusted net worth** | **594** | 550 | 498 |
| Free surplus | **103** | 27 | 36 |
| Required capital | **491** | 523 | 462 |
| **Value of in-force business** | **(981)** | (846) | (816) |
| Present value of future profits | **(648)** | (664) | (511) |
| Additional time value of financial options and guarantees | **(228)** | (106) | (213) |
| Frictional costs | **(9)** | (3) | (6) |
| Cost of residual non-hedgeable risks | **(96)** | (73) | (86) |
| **Bermuda** | | | |
| **Adjusted net worth** | **341** | 279 | 363 |
| Free surplus | **-** | - | - |
| Required capital | **341** | 279 | 363 |
| **Value of in-force business** | **(173)** | (183) | (165) |
| Present value of future profits | **77** | (92) | 99 |
| Additional time value of financial options and guarantees | **(217)** | (15) | (196) |
| Frictional costs | **(3)** | (5) | (4) |
| Cost of residual non-hedgeable risks | **(30)** | (71) | (64) |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax)

**Total covered business** £m

| | 6 months ended 30 June 2010 | | | | |
|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| **Opening MCEV** | **416** | **2,399** | **2,815** | **3,212** | **6,027** |
| New business value | (263) | 124 | (139) | 231 | 92 |
| Expected existing business contribution (reference rate) | 8 | 43 | 51 | 94 | 145 |
| Expected existing business contribution (in excess of reference rate) | - | 14 | 14 | 81 | 95 |
| Transfers from VIF and required capital to free surplus | 482 | (151) | 331 | (331) | - |
| Experience variances | 54 | 7 | 61 | 47 | 108 |
| Assumption changes | 2 | 2 | 4 | (4) | - |
| Other operating variance | 27 | (39) | (12) | 24 | 12 |
| **Operating MCEV earnings** | **310** | **-** | **310** | **142** | **452** |
| Economic variances | (105) | 8 | (97) | (67) | (164) |
| Other non-operating variance | (1) | - | (1) | 1 | - |
| **Total MCEV earnings** | **204** | **8** | **212** | **76** | **288** |
| Closing adjustments | (166) | 105 | (61) | (80) | (141) |
| Capital and dividend flows | (165) | (6) | (171) | (1) | (172) |
| Foreign exchange variance | (1) | 111 | 110 | (79) | 31 |
| MCEV of acquired/sold business | - | - | - | - | - |
| Closing MCEV | 454 | 2,512 | 2,966 | 3,208 | 6,174 |
| **Return on MCEV (RoEV) % per annum** | | | | | **14.8%** |

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 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| 358 | 2,025 | 2,383 | 1,800 | 4,183 | 358 | 2,025 | 2,383 | 1,800 | 4,183 |
| (254) | 80 | (174) | 244 | 70 | (473) | 170 | (303) | 470 | 167 |
| 6 | 55 | 61 | 58 | 119 | 7 | 114 | 121 | 142 | 263 |
| 25 | 2 | 27 | 199 | 226 | 32 | 6 | 38 | 355 | 393 |
| 379 | (90) | 289 | (289) | - | 813 | (244) | 569 | (569) | - |
| (11) | 5 | (6) | (76) | (82) | 54 | (111) | (57) | (120) | (177) |
| 2 | - | 2 | 24 | 26 | (3) | (22) | (25) | (258) | (283) |
| (217) | 240 | 23 | 105 | 128 | (191) | 301 | 110 | 19 | 129 |
| (70) | 292 | 222 | 265 | 487 | 239 | 214 | 453 | 39 | 492 |
| (112) | 32 | (80) | 632 | 552 | (29) | 93 | 64 | 940 | 1,004 |
| 24 | (6) | 18 | (1) | 17 | 39 | (20) | 19 | 168 | 187 |
| (158) | 318 | 160 | 896 | 1,056 | 249 | 287 | 536 | 1,147 | 1,683 |
| 113 | (41) | 72 | 45 | 117 | (191) | 87 | (104) | 265 | 161 |
| 110 | - | 110 | - | 110 | (189) | (1) | (190) | - | (190) |
| (21) | (36) | (57) | 70 | 13 | (15) | 85 | 70 | 289 | 359 |
| 24 | (5) | 19 | (25) | (6) | 13 | 3 | 16 | (24) | (8) |
| 313 | 2,302 | 2,615 | 2,741 | 5,356 | 416 | 2,399 | 2,815 | 3,212 | 6,027 |
| | | | | 19.6% | | | | | 11.8% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| Long Term Savings (LTS) | 6 months ended 30 June 2010 | | | | |
|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| **Opening MCEV** | **416** | **2,036** | **2,452** | **3,377** | **5,829** |
| New business value | **(263)** | **124** | **(139)** | **231** | **92** |
| Expected existing business contribution (reference rate) | **8** | **42** | **50** | **89** | **139** |
| Expected existing business contribution (in excess of reference rate) | **-** | **(2)** | **(2)** | **65** | **63** |
| Transfers from VIF and required capital to free surplus | **476** | **(129)** | **347** | **(347)** | **-** |
| Experience variances | **62** | **7** | **69** | **66** | **135** |
| Assumption changes | **-** | **2** | **2** | **(4)** | **(2)** |
| Other operating variance | **(43)** | **5** | **(38)** | **33** | **(5)** |
| **Operating MCEV earnings** | **240** | **49** | **289** | **133** | **422** |
| Economic variances | **(35)** | **8** | **(27)** | **(62)** | **(89)** |
| Other non-operating variance | **(1)** | **-** | **(1)** | **1** | **-** |
| **Total MCEV earnings** | **204** | **57** | **261** | **72** | **333** |
| Closing adjustments | **(166)** | **78** | **(88)** | **(68)** | **(156)** |
| Capital and dividend flows | **(165)** | **(6)** | **(171)** | **(1)** | **(172)** |
| Foreign exchange variance | **(1)** | **84** | **83** | **(67)** | **16** |
| MCEV of acquired/sold business | **-** | **-** | **-** | **-** | **-** |
| **Closing MCEV** | **454** | **2,171** | **2,625** | **3,381** | **6,006** |
| **Return on MCEV (RoEV) % per annum** | | | | | **14.6%** |

Return on MCEV 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 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| 16 | 1,991 | 2,007 | 2,225 | 4,232 | 16 | 1,991 | 2,007 | 2,225 | 4,232 |
| (254) | 80 | (174) | 244 | 70 | (473) | 170 | (303) | 470 | 167 |
| 3 | 55 | 58 | 61 | 119 | 2 | 113 | 115 | 146 | 261 |
| 4 | 2 | 6 | 178 | 184 | (1) | 6 | 5 | 316 | 321 |
| 385 | (88) | 297 | (297) | - | 818 | (240) | 578 | (578) | - |
| 14 | 5 | 19 | (68) | (49) | 126 | (111) | 15 | (99) | (84) |
| 2 | - | 2 | 24 | 26 | 33 | (22) | 11 | (212) | (201) |
| 58 | (35) | 23 | 36 | 59 | 154 | (44) | 110 | (63) | 47 |
| 212 | 19 | 231 | 178 | 409 | 659 | (128) | 531 | (20) | 511 |
| (61) | 32 | (29) | 505 | 476 | (131) | 93 | (38) | 773 | 735 |
| 24 | (6) | 18 | (1) | 17 | 39 | (20) | 19 | 168 | 187 |
| 175 | 45 | 220 | 682 | 902 | 567 | (55) | 512 | 921 | 1,433 |
| 122 | (13) | 109 | 17 | 126 | (167) | 100 | (67) | 231 | 164 |
| 110 | - | 110 | - | 110 | (189) | (1) | (190) | - | (190) |
| (12) | (8) | (20) | 42 | 22 | 9 | 98 | 107 | 255 | 362 |
| 24 | (5) | 19 | (25) | (6) | 13 | 3 | 16 | (24) | (8) |
| 313 | 2,023 | 2,336 | 2,924 | 5,260 | 416 | 2,036 | 2,452 | 3,377 | 5,829 |
| | | | | 17.3% | | | | | 12.1% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| **Emerging Markets*** | **6 months ended 30 June 2010** | | | | |
|---|---|---|---|---|---|
| | **Free surplus** | **Required capital** | **Adjusted net worth** | **Value of in-force** | **MCEV** |
| **Opening MCEV** | **80** | **1,225** | **1,305** | **1,158** | **2,463** |
| New business value | **(74)** | **59** | **(15)** | **53** | **38** |
| Expected existing business contribution (reference rate) | **4** | **35** | **39** | **59** | **98** |
| Expected existing business contribution (in excess of reference rate) | **-** | **(2)** | **(2)** | **8** | **6** |
| Transfers from VIF and required capital to free surplus | **183** | **(83)** | **100** | **(100)** | **-** |
| Experience variances | **4** | **13** | **17** | **2** | **19** |
| Assumption changes | **-** | **-** | **-** | **-** | **-** |
| Other operating variance | **1** | **-** | **1** | **(18)** | **(17)** |
| **Operating MCEV earnings** | **118** | **22** | **140** | **4** | **144** |
| Economic variances | **(45)** | **22** | **(23)** | **22** | **(1)** |
| Other non-operating variance | **-** | **-** | **-** | **-** | **-** |
| **Total MCEV earnings** | **73** | **44** | **117** | **26** | **143** |
| Closing adjustments | **(56)** | **49** | **(7)** | **47** | **40** |
| Capital and dividend flows | **(61)** | **-** | **(61)** | **-** | **(61)** |
| Foreign exchange variance | **5** | **49** | **54** | **47** | **101** |
| MCEV of acquired/sold business | **-** | **-** | **-** | **-** | **-** |
| **Closing MCEV** | **97** | **1,318** | **1,415** | **1,231** | **2,646** |
| **Return on MCEV (RoEV) % per annum** | | | | | **11.9%** |

* The MCEV for Emerging Markets is presented after the adjustment for market value of life fund investments in Group equity and debt instruments.

The positive experience variances are mainly attributable to favourable persistency experience, as well as smaller positive contributions from expense and mortality experience.

The negative other operating variance was caused by various methodology changes and error corrections.

The small impact from economic variances was a combination of large negative investment variances, mainly caused by a decline in equity markets over the first half of 2010, and a positive effect from economic assumptions changes, mainly caused by the change in the shape of the swap yield curve.

The capital and dividend flows mainly consist of the purchase of additional Nedbank shares.

Return on MCEV is the operating MCEV earnings after tax divided by opening MCEV in rand (including conversion of results for Mexico to rand). The operating assumption changes and other operating variances are not annualised.

£m

| | 6 months ended 30 June 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| | (92) | 1,075 | 983 | 1,090 | 2,073 | (92) | 1,075 | 983 | 1,090 | 2,073 |
| | (52) | 40 | (12) | 35 | 23 | (136) | 110 | (26) | 91 | 65 |
| | (3) | 39 | 36 | 61 | 97 | (7) | 85 | 78 | 129 | 207 |
| | - | 2 | 2 | 7 | 9 | - | 5 | 5 | 16 | 21 |
| | 151 | (70) | 81 | (81) | - | 314 | (146) | 168 | (168) | - |
| | (1) | (15) | (16) | (22) | (38) | (9) | (9) | (18) | (35) | (53) |
| | 2 | - | 2 | (1) | 1 | 40 | (29) | 11 | (90) | (79) |
| | 57 | (35) | 22 | (4) | 18 | 46 | (27) | 19 | 32 | 51 |
| | 154 | (39) | 115 | (5) | 110 | 248 | (11) | 237 | (25) | 212 |
| | 14 | 1 | 15 | (81) | (66) | 54 | 1 | 55 | (39) | 16 |
| | (1) | - | (1) | - | (1) | - | - | - | - | - |
| | 167 | (38) | 129 | (86) | 43 | 302 | (10) | 292 | (64) | 228 |
| | (15) | 73 | 58 | 50 | 108 | (130) | 160 | 30 | 132 | 162 |
| | (44) | - | (44) | - | (44) | (146) | (3) | (149) | - | (149) |
| | 5 | 78 | 83 | 75 | 158 | 3 | 160 | 163 | 156 | 319 |
| | 24 | (5) | 19 | (25) | (6) | 13 | 3 | 16 | (24) | (8) |
| | 60 | 1,110 | 1,170 | 1,054 | 2,224 | 80 | 1,225 | 1,305 | 1,158 | 2,463 |
| | | | | | 9.7% | | | | | 9.8% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| Nordic | 6 months ended 30 June 2010 | | | | |
|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| **Opening MCEV** | 91 | 104 | 195 | 1,114 | 1,309 |
| New business value | (24) | 3 | (21) | 46 | 25 |
| Expected existing business contribution (reference rate) | 1 | - | 1 | 8 | 9 |
| Expected existing business contribution (in excess of reference rate) | - | - | - | 13 | 13 |
| Transfers from VIF and required capital to free surplus | 55 | (4) | 51 | (51) | - |
| Experience variances | 10 | 6 | 16 | 1 | 17 |
| Assumption changes | - | - | - | (4) | (4) |
| Other operating variance | (39) | - | (39) | 42 | 3 |
| **Operating MCEV earnings** | 3 | 5 | 8 | 55 | 63 |
| Economic variances | 5 | - | 5 | (2) | 3 |
| Other non-operating variance | - | - | - | - | - |
| **Total MCEV earnings** | 8 | 5 | 13 | 53 | 66 |
| Closing adjustments | (65) | - | (65) | (13) | (78) |
| Capital and dividend flows | (59) | - | (59) | - | (59) |
| Foreign exchange variance | (6) | - | (6) | (13) | (19) |
| **Closing MCEV** | 34 | 109 | 143 | 1,154 | 1,297 |
| **Return on MCEV (RoEV) % per annum** | | | | | 9.5% |

The positive experience variances were largely caused by profit made on the sale of a private equity investment and higher than expected fee income. There were no one-off expense variances.

Operating assumption changes were made to recognise adjustments to pricing on the Waiver of Premium business.

The other operating variance was mainly due to modelling corrections related to the cost of non-hedgeable risk and modelling refinements to deferred tax assets.

The economic variances were mainly due to the positive effect of market movements on funds under management.

The capital and dividend flows mainly represent dividends, repayment of loans, internal re-classification and capital injections.

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

£m

| 6 months ended 30 June 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| 58 | 105 | 163 | 882 | 1,045 | 58 | 105 | 163 | 882 | 1,045 |
| (28) | 3 | (25) | 46 | 21 | (57) | 6 | (51) | 95 | 44 |
| 1 | - | 1 | 9 | 10 | 4 | - | 4 | 18 | 22 |
| - | - | - | 7 | 7 | - | - | - | 14 | 14 |
| 14 | 17 | 31 | (31) | - | 81 | (17) | 64 | (64) | - |
| 13 | (2) | 11 | 2 | 13 | 28 | (7) | 21 | 10 | 31 |
| - | - | - | 1 | 1 | 3 | - | 3 | (30) | (27) |
| - | - | - | (10) | (10) | - | - | - | (3) | (3) |
| - | 18 | 18 | 24 | 42 | 59 | (18) | 41 | 40 | 81 |
| (7) | 8 | 1 | 102 | 103 | (5) | 17 | 12 | 192 | 204 |
| 21 | - | 21 | 1 | 22 | 18 | - | 18 | 1 | 19 |
| 14 | 26 | 40 | 127 | 167 | 72 | (1) | 71 | 233 | 304 |
| (12) | (11) | (23) | (92) | (115) | (39) | - | (39) | (1) | (40) |
| (6) | - | (6) | - | (6) | (37) | - | (37) | - | (37) |
| (6) | (11) | (17) | (92) | (109) | (2) | - | (2) | (1) | (3) |
| 60 | 120 | 180 | 917 | 1,097 | 91 | 104 | 195 | 1,114 | 1,309 |
| | | | | 9.4% | | | | | 8.1% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| Retail Europe | 6 months ended 30 June 2010 | | | | |
|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| **Opening MCEV** | **46** | **32** | **78** | **453** | **531** |
| New business value | **(33)** | **-** | **(33)** | **35** | **2** |
| Expected existing business contribution (reference rate) | **-** | **-** | **-** | **5** | **5** |
| Expected existing business contribution (in excess of reference rate) | **-** | **-** | **-** | **2** | **2** |
| Transfers from VIF and required capital to free surplus | **51** | **1** | **52** | **(52)** | **-** |
| Experience variances | **(6)** | **1** | **(5)** | **-** | **(5)** |
| Assumption changes | **2** | **-** | **2** | **(2)** | **-** |
| Other operating variance | **(5)** | **5** | **-** | **20** | **20** |
| **Operating MCEV earnings** | **9** | **7** | **16** | **8** | **24** |
| Economic variances | **1** | **1** | **2** | **11** | **13** |
| Other non-operating variance | **(1)** | **-** | **(1)** | **1** | **-** |
| **Total MCEV earnings** | **9** | **8** | **17** | **20** | **37** |
| Closing adjustments | **(9)** | **(2)** | **(11)** | **(22)** | **(33)** |
| Capital and dividend flows | **(7)** | **-** | **(7)** | **-** | **(7)** |
| Foreign exchange variance | **(2)** | **(2)** | **(4)** | **(22)** | **(26)** |
| Closing MCEV | **46** | **38** | **84** | **451** | **535** |
| **Return on MCEV (RoEV) % per annum** | | | | | **5.1%** |

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)'.

Experience variances were mainly due to higher than anticipated profit sharing on participating contracts in Germany, partly offset by positive mortality and morbidity experience and higher than expected fee income across all Retail Europe countries. There were no one-off expense variances.

There were no material operating assumption changes.

The other operating variance was mainly due to enhanced modelling of the Waiver of Premium business in Switzerland.

The economic variances were mainly due to the positive effect of market movements on funds under management as well as the beneficial impact of lower swap rates across the region.

There were no material other non-operating variances.

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 euro. The operating assumption changes and other operating variances are not annualised.

£m

| 6 months ended 30 June 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| 15 | 64 | 79 | 517 | 596 | 15 | 64 | 79 | 517 | 596 |
| (37) | 1 | (36) | 33 | (3) | (74) | 1 | (73) | 68 | (5) |
| 1 | - | 1 | 5 | 6 | 1 | - | 1 | 10 | 11 |
| - | - | - | 1 | 1 | - | - | - | 3 | 3 |
| 53 | - | 53 | (53) | 0 | 97 | 7 | 104 | (104) | - |
| (8) | 1 | (7) | (2) | (9) | (20) | 1 | (19) | (4) | (23) |
| - | - | - | 0 | - | - | - | - | (26) | (26) |
| - | - | - | (10) | (10) | 18 | (19) | (1) | (3) | (4) |
| 9 | 2 | 11 | (26) | (15) | 22 | (10) | 12 | (56) | (44) |
| 1 | 1 | 2 | 11 | 13 | (1) | 4 | 3 | 26 | 29 |
| 1 | (3) | (2) | - | (2) | 20 | (20) | - | 3 | 3 |
| 11 | - | 11 | (15) | (4) | 41 | (26) | 15 | (27) | (12) |
| 12 | (7) | 5 | (61) | (56) | (10) | (6) | (16) | (37) | (53) |
| 17 | - | 17 | - | 17 | (10) | (3) | (13) | - | (13) |
| (5) | (7) | (12) | (61) | (73) | - | (3) | (3) | (37) | (40) |
| 38 | 57 | 95 | 441 | 536 | 46 | 32 | 78 | 453 | 531 |
| | | | | (3.6)% | | | | | (7.9)% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| **Wealth Management** | **6 months ended 30 June 2010** | | | | |
|---|---|---|---|---|---|
| | **Free surplus** | **Required capital** | **Adjusted net worth** | **Value of in-force** | **MCEV** |
| **Opening MCEV** | **163** | **213** | **376** | **1,468** | **1,844** |
| New business value | **(96)** | **14** | **(82)** | **113** | **31** |
| Expected existing business contribution (reference rate) | **3** | **3** | **6** | **11** | **17** |
| Expected existing business contribution (in excess of reference rate) | **-** | **-** | **-** | **6** | **6** |
| Transfers from VIF and required capital to free surplus | **146** | **(20)** | **126** | **(126)** | **-** |
| Experience variances | **(26)** | **11** | **(15)** | **20** | **5** |
| Assumption changes | **(2)** | **2** | **-** | **-** | **-** |
| Other operating variance | **-** | **-** | **-** | **5** | **5** |
| **Operating MCEV earnings** | **25** | **10** | **35** | **29** | **64** |
| Economic variances | **19** | **(3)** | **16** | **42** | **58** |
| Other non-operating variance | **-** | **-** | **-** | **-** | **-** |
| **Total MCEV earnings** | **44** | **7** | **51** | **71** | **122** |
| Closing adjustments | **(33)** | **(5)** | **(38)** | **(13)** | **(51)** |
| Capital and dividend flows | **(30)** | **(6)** | **(36)** | **(1)** | **(37)** |
| Foreign exchange variance | **(3)** | **1** | **(2)** | **(12)** | **(14)** |
| **Closing MCEV** | **174** | **215** | **389** | **1,526** | **1,915** |
| **Return on MCEV (RoEV) % per annum** | | | | | **6.7%** |

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)'.

Experience variances were caused by positive persistency experience and higher than expected fee income across all divisions, partly offset by adverse expense experience.

There were no material operating assumption changes.

The other operating variance was mainly due to the impact of modelling and methodology changes.

The economic variances were caused by lower swap yields and favourable exchange rate movements.

The capital and dividend flows mainly represent dividends, repayments 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.

£m

| 6 months ended 30 June 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| 120 | 197 | 317 | 1,461 | 1,778 | 120 | 197 | 317 | 1,461 | 1,778 |
| (103) | 3 | (100) | 122 | 22 | (171) | 12 | (159) | 208 | 49 |
| 5 | 5 | 10 | 17 | 27 | 7 | 7 | 14 | 34 | 48 |
| - | - | - | 13 | 13 | (1) | - | (1) | 26 | 25 |
| 142 | (6) | 136 | (136) | - | 274 | (30) | 244 | (244) | - |
| 2 | (4) | (2) | (43) | (45) | (10) | 7 | (3) | (35) | (38) |
| - | - | - | 11 | 11 | (10) | 7 | (3) | (96) | (99) |
| 1 | - | 1 | (16) | (15) | 90 | 2 | 92 | (81) | 11 |
| 47 | (2) | 45 | (32) | 13 | 179 | 5 | 184 | (188) | (4) |
| (28) | 22 | (6) | (61) | (67) | 2 | 12 | 14 | 38 | 52 |
| 3 | (3) | - | (2) | (2) | 1 | - | 1 | 164 | 165 |
| 22 | 17 | 39 | (95) | (56) | 182 | 17 | 199 | 14 | 213 |
| (14) | (1) | (15) | (8) | (23) | (139) | (1) | (140) | (7) | (147) |
| (9) | - | (9) | - | (9) | (142) | 5 | (137) | - | (137) |
| (5) | (1) | (6) | (8) | (14) | 3 | (6) | (3) | (7) | (10) |
| 128 | 213 | 341 | 1,358 | 1,699 | 163 | 213 | 376 | 1,468 | 1,844 |
| | | | | 1.7% | | | | | (0.3)% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| US Life | 6 months ended 30 June 2010 | | | | |
|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| **Opening MCEV** | **36** | **462** | **498** | **(816)** | **(318)** |
| New business value | (36) | 48 | 12 | (16) | (4) |
| Expected existing business contribution (reference rate) | - | 4 | 4 | 6 | 10 |
| Expected existing business contribution (in excess of reference rate) | - | - | - | 36 | 36 |
| Transfers from VIF and required capital to free surplus | 41 | (23) | 18 | (18) | - |
| Experience variances | 80 | (24) | 56 | 43 | 99 |
| Assumption changes | - | - | - | 2 | 2 |
| Other operating variance | - | - | - | (16) | (16) |
| **Operating MCEV earnings** | **85** | **5** | **90** | **37** | **127** |
| Economic variances | (15) | (12) | (27) | (135) | (162) |
| Other non-operating variance | - | - | - | - | - |
| **Total MCEV earnings** | **70** | **(7)** | **63** | **(98)** | **(35)** |
| Closing adjustments | (3) | 36 | 33 | (67) | (34) |
| Capital and dividend flows | (8) | - | (8) | - | (8) |
| Foreign exchange variance | 5 | 36 | 41 | (67) | (26) |
| **Closing MCEV** | **103** | **491** | **594** | **(981)** | **(387)** |
| **Return on MCEV (RoEV) % per annum** | | | | | **79.7%** |

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

The 'expected existing business contribution (in excess of reference rate)' is calculated using the corporate bond spread that is expected to be earned over and above the adjusted risk free reference rate (inclusive of the liquidity premium adjustment). The expected existing business contribution for US Life is weighted towards the latter half of each reporting period because product crediting rates are set in advance of the reporting period and therefore there is less flexibility to improve earnings by varying crediting rates in the first half of the reporting period than in the second half.

The experience variances were largely caused by positive persistency experience.  There were no material experience variance items that were one-off in nature.

There were no material operating assumption changes.

The other operating variance was mainly due to modelling changes and error corrections.

The economic variances were mainly due to the reduction in the assumed liquidity premium from 100bps to 75bps and an increase in interest rate volatilities, partially offset by gains in the underlying investment portfolio.

The capital and dividend flows reflect interest payments on the capital injection made in 2009.

Return on MCEV was calculated as the operating MCEV earnings after tax divided by the absolute value of the opening MCEV in US dollars. The operating assumption changes and other operating variances are not annualised.

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| 6 months ended 30 June 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| (85) | 550 | 465 | (1,725) | (1,260) | (85) | 550 | 465 | (1,725) | (1,260) |
| (34) | 33 | (1) | 8 | 7 | (35) | 41 | 6 | 8 | 14 |
| (1) | 11 | 10 | (31) | (21) | (3) | 21 | 18 | (45) | (27) |
| 4 | - | 4 | 150 | 154 | - | 1 | 1 | 257 | 258 |
| 25 | (29) | (4) | 4 | - | 52 | (54) | (2) | 2 | - |
| 8 | 25 | 33 | (3) | 30 | 137 | (103) | 34 | (35) | (1) |
| - | - | - | 13 | 13 | - | - | - | 30 | 30 |
| - | - | - | 76 | 76 | - | - | - | (8) | (8) |
| 2 | 40 | 42 | 217 | 259 | 151 | (94) | 57 | 209 | 266 |
| (41) | - | (41) | 534 | 493 | (181) | 59 | (122) | 556 | 434 |
| - | - | - | - | - | - | - | - | - | - |
| (39) | 40 | 1 | 751 | 752 | (30) | (35) | (65) | 765 | 700 |
| 151 | (67) | 84 | 128 | 212 | 151 | (53) | 98 | 144 | 242 |
| 152 | - | 152 | - | 152 | 146 | - | 146 | - | 146 |
| (1) | (67) | (68) | 128 | 60 | 5 | (53) | (48) | 144 | 96 |
| 27 | 523 | 550 | (846) | (296) | 36 | 462 | 498 | (816) | (318) |
| | | | | 34.9% | | | | | 22.7% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

B4 Analysis of covered business MCEV earnings (after tax) continued

£m

| Bermuda | 6 months ended 30 June 2010 | | | | |
|---|---|---|---|---|---|
| | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| **Opening MCEV** | **-** | **363** | **363** | **(165)** | **198** |
| New business value | **-** | **-** | **-** | **-** | **-** |
| Expected existing business contribution (reference rate) | **-** | **1** | **1** | **5** | **6** |
| Expected existing business contribution (in excess of reference rate) | **-** | **16** | **16** | **16** | **32** |
| Transfers from VIF and required capital to free surplus | **6** | **(22)** | **(16)** | **16** | **-** |
| Experience variances | **(8)** | **-** | **(8)** | **(19)** | **(27)** |
| Assumption changes | **2** | **-** | **2** | **-** | **2** |
| Other operating variance | **70** | **(44)** | **26** | **(9)** | **17** |
| **Operating MCEV earnings** | **70** | **(49)** | **21** | **9** | **30** |
| Economic variances | **(70)** | **-** | **(70)** | **(5)** | **(75)** |
| Other non-operating variance | **-** | **-** | **-** | **-** | **-** |
| **Total MCEV earnings** | **-** | **(49)** | **(49)** | **4** | **(45)** |
| Closing adjustments | **-** | **27** | **27** | **(12)** | **15** |
| Capital and dividend flows | **-** | **-** | **-** | **-** | **-** |
| Foreign exchange variance | **-** | **27** | **27** | **(12)** | **15** |
| Closing MCEV | **-** | **341** | **341** | **(173)** | **168** |
| **Return on MCEV (RoEV) % per annum** | | | | | **19.5%** |

The experience variances include adverse persistency experience, with less surrenders than expected on Variable Annuity contracts with heavily in-the-money guarantees. There were no material experience variance items that were one-off in nature.

There were no material operating assumption changes.

The other operating variance was mainly due to modelling changes and error corrections.

The economic variances were largely due to the adverse equity market performances during the reporting period and the decrease in the US swap yield curve.

Return on MCEV was calculated as the operating MCEV earnings after tax divided by the absolute value of the opening MCEV in US dollars. The operating assumption changes and other operating variances are not annualised.

£m

| 6 months ended 30 June 2009 | | | | | Year ended 31 December 2009 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Free surplus | Required Capital | Adjusted net worth | Value of in-force | MCEV | Free surplus | Required capital | Adjusted net worth | Value of in-force | MCEV |
| 342 | 34 | 376 | (425) | (49) | 342 | 34 | 376 | (425) | (49) |
| - | - | - | - | - | - | - | - | - | - |
| 3 | - | 3 | (3) | - | 5 | 1 | 6 | (4) | 2 |
| 21 | - | 21 | 21 | 42 | 33 | - | 33 | 39 | 72 |
| (6) | (2) | (8) | 8 | - | (5) | (4) | (9) | 9 | - |
| (25) | - | (25) | (8) | (33) | (72) | - | (72) | (21) | (93) |
| - | - | - | - | - | (36) | - | (36) | (46) | (82) |
| (275) | 275 | - | 69 | 69 | (345) | 345 | - | 82 | 82 |
| (282) | 273 | (9) | 87 | 78 | (420) | 342 | (78) | 59 | (19) |
| (51) | - | (51) | 127 | 76 | 102 | - | 102 | 167 | 269 |
| - | - | - | - | - | - | - | - | - | - |
| (333) | 273 | (60) | 214 | 154 | (318) | 342 | 24 | 226 | 250 |
| (9) | (28) | (37) | 28 | (9) | (24) | (13) | (37) | 34 | (3) |
| - | - | - | - | - | - | - | - | - | - |
| (9) | (28) | (37) | 28 | (9) | (24) | (13) | (37) | 34 | (3) |
| - | 279 | 279 | (183) | 96 | - | 363 | 363 | (165) | 198 |
| | | | | 182.1% | | | | | (41.0)% |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

### C Other key performance information

C1 Adjustments applied in determining total Group MCEV earnings before tax

£m

| Analysis of adjusting items | 6 months ended 30 June 2010 Covered business MCEV | 6 months ended 30 June 2010 Non-covered business IFRS | 6 months ended 30 June 2010 Total Group MCEV | 6 months ended 30 June 2009 Covered business MCEV | 6 months ended 30 June 2009 Non-covered business IFRS | 6 months ended 30 June 2009 Total Group MCEV |
|---|---|---|---|---|---|---|
| **Income/(expense)** | | | | | | |
| Goodwill impairment and amortisation of non-covered business acquired intangible assets and impact of acquisition accounting | **-** | **(7)** | **(7)** | - | (6) | (6) |
| Economic variances | **(277)** | **(20)** | **(297)** | 517 | (12) | 505 |
| Other non-operating variances | **2** | **-** | **2** | 16 | - | 16 |
| Acquired/divested business | **-** | **(22)** | **(22)** | - | (41) | (41) |
| Closure of unclaimed share trust | **-** | **-** | **-** | - | - | - |
| Dividends declared to holders of perpetual preferred callable securities | **-** | **21** | **21** | - | 22 | 22 |
| Adjusting items relating to US Asset Management equity plans and non-controlling interests | **-** | **2** | **2** | - | 1 | 1 |
| Fair value gains on Group debt instruments | **-** | **(90)** | **(90)** | - | 12 | 12 |
| **Adjusting items** | **(275)** | **(116)** | **(391)** | 533 | (24) | 509 |

£m

| Analysis of adjusting items | Year ended 31 December 2009 Covered business MCEV | Year ended 31 December 2009 Non-covered business IFRS | Year ended 31 December 2009 Total Group MCEV |
|---|---|---|---|
| **Income/(expense)** | | | |
| Goodwill impairment and amortisation of non-covered business acquired intangible assets and impact of acquisition accounting | - | 65 | 65 |
| Economic variances | 1,108 | (10) | 1,098 |
| Other non-operating variances | 18 | - | 18 |
| Acquired/divested business | - | (48) | (48) |
| Closure of unclaimed share trust | - | - | - |
| Dividends declared to holders of perpetual preferred callable securities | - | 45 | 45 |
| Adjusting items relating to US Asset Management equity plans and non-controlling interests | - | (1) | (1) |
| Fair value gains on Group debt instruments | - | (264) | (264) |
| **Adjusting items** | 1,126 | (213) | 913 |

C2 Other movements in IFRS net equity impacting Group MCEV

£m

| | **6 months ended 30 June 2010** | | | 6 months ended 30 June 2009 | | |
|---|---|---|---|---|---|---|
| | **Covered business MCEV** | **Non-covered business IFRS** | **Total Group MCEV** | Covered business MCEV | Non-covered business IFRS | Total Group MCEV |
| Fair value gains/(losses) | **-** | **(5)** | **(5)** | - | (2) | (2) |
| Net investment hedge | **-** | **(34)** | **(34)** | - | 2 | 2 |
| Currency translation differences/exchange differences on translating foreign operations | **31** | **200** | **231** | 13 | 22 | 35 |
| Aggregate tax effects of items taken directly to or transferred from equity | **-** | **6** | **6** | - | 1 | 1 |
| Correction to transfers* | **-** | **-** | **-** | - | 316 | 316 |
| Other movements | **-** | **(28)** | **(28)** | - | (26) | (26) |
| **Net income recognised directly into equity** | **31** | **139** | **170** | 13 | 313 | 326 |
| Capital and dividend flows for the year | **(172)** | **73** | **(99)** | 104 | (126) | (22) |
| Net sale of treasury shares | **-** | **(20)** | **(20)** | - | - | - |
| Net issues of ordinary share capital by the Company | **-** | **160** | **160** | - | - | - |
| Acquisition of non-controlling interest in Mutual & Federal | **-** | **(93)** | **(93)** | - | - | - |
| Exercise of share options | **-** | **3** | **3** | - | - | - |
| Change in share based payment reserve | **-** | **1** | **1** | - | 9 | 9 |
| **Other movements in net equity** | **(141)** | **263** | **122** | 117 | 196 | 313 |

£m

| | Year ended 31 December 2009 | | |
|---|---|---|---|
| | Covered business MCEV | Non-covered business IFRS | Total Group MCEV |
| Fair value gains/(losses) | - | 2 | 2 |
| Net investment hedge | - | (41) | (41) |
| Currency translation differences/exchange differences on translating foreign operations | 359 | 197 | 556 |
| Aggregate tax effects of items taken directly to or transferred from equity | - | 13 | 13 |
| Correction to transfers* | - | 316 | 316 |
| Other movements | (8) | (7) | (15) |
| **Net income recognised directly into equity** | 351 | 480 | 831 |
| Capital and dividend flows for the year | (190) | 145 | (45) |
| Net sales of treasury shares | - | - | - |
| Net issues of ordinary share capital by the Company | - | 2 | 2 |
| Acquisition of non-controlling interest in Mutual & Federal | - | - | - |
| Exercise of share options | - | 3 | 3 |
| Change in share based payment reserve | - | 14 | 14 |
| **Other movements in net equity** | 161 | 644 | 805 |

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

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

## C3 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 2010** | **Total** | **Long Term Savings** | **Emerging Markets** | **Nordic** | **Retail Europe** | **Wealth Management** | **US Life** | **Bermuda** |
|---|---|---|---|---|---|---|---|---|
| IFRS net asset value* | **6,394** | **6,040** | **932** | **1,147** | **586** | **2,162** | **1,213** | **354** |
| Adjustment to include long-term business on a statutory solvency basis | **(2,779)** | **(2,766)** | **161** | **(818)** | **(314)** | **(1,176)** | **(619)** | **(13)** |
| Inclusion of Group equity and debt instruments held in life funds | **330** | **330** | **330** | **-** | **-** | **-** | **-** | **-** |
| Goodwill | **(979)** | **(979)** | **(8)** | **(186)** | **(188)** | **(597)** | **-** | **-** |
| **Adjusted net worth attributable to ordinary equity holders of the parent** | **2,966** | **2,625** | **1,415** | **143** | **84** | **389** | **594** | **341** |

**£m**

| At 30 June 2009 | Total | Long Term Savings | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Bermuda |
|---|---|---|---|---|---|---|---|---|
| IFRS net asset value* | 5,728 | 5,422 | 721 | 1,166 | 818 | 2,295 | 422 | 306 |
| Adjustment to include long-term business on a statutory solvency basis | (2,194) | (2,167) | 152 | (817) | (349) | (1,281) | 128 | (27) |
| Inclusion of Group equity and debt instruments held in life funds | 305 | 305 | 305 | - | - | - | - | - |
| Goodwill | (1,224) | (1,224) | (8) | (169) | (374) | (673) | - | - |
| **Adjusted net worth attributable to ordinary equity holders of the parent** | 2,615 | 2,336 | 1,170 | 180 | 95 | 341 | 550 | 279 |

**£m**

| At 31 December 2009 | Total | Long Term Savings | Emerging Markets | Nordic | Retail Europe | Wealth Management | US Life | Bermuda |
|---|---|---|---|---|---|---|---|---|
| IFRS net asset value* | 6,103 | 5,734 | 821 | 1,222 | 664 | 2,141 | 886 | 369 |
| Adjustment to include long-term business on a statutory solvency basis | (2,632) | (2,626) | 153 | (841) | (382) | (1,168) | (388) | (6) |
| Inclusion of Group equity and debt instruments held in life funds | 339 | 339 | 339 | - | - | - | - | - |
| Goodwill | (995) | (995) | (8) | (186) | (204) | (597) | - | - |
| **Adjusted net worth attributable to ordinary equity holders of the parent** | 2,815 | 2,452 | 1,305 | 195 | 78 | 376 | 498 | 363 |

* 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.

C4 Value of new business (after tax)

The tables below set out the regional 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% of single premiums.

| | | | £m |
|---|---|---|---|
| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
| **Annualised recurring premiums** | | | |
| Long Term Savings (LTS) | **344** | 346 | 699 |
| Emerging Markets | **143** | 104 | 249 |
| Nordic | **74** | 108 | 183 |
| Retail Europe | **29** | 28 | 62 |
| Wealth Management | **93** | 97 | 191 |
| US Life | **5** | 9 | 14 |
| Bermuda | **-** | - | - |
| | **344** | 346 | 699 |
| **Single premiums** | | | |
| Long Term Savings (LTS) | **4,696** | 2,875 | 6,806 |
| Emerging Markets | **803** | 569 | 1,437 |
| Nordic | **284** | 276 | 527 |
| Retail Europe | **34** | 25 | 53 |
| Wealth Management | **3,175** | 1,718 | 4,240 |
| US Life | **400** | 287 | 549 |
| Bermuda | **-** | 15 | 15 |
| | **4,696** | 2,890 | 6,821 |
| **PVNBP** | | | |
| Long Term Savings (LTS) | **6,400** | 4,672 | 10,202 |
| Emerging Markets | **1,561** | 1,231 | 2,834 |
| Nordic | **553** | 634 | 1,150 |
| Retail Europe | **243** | 228 | 537 |
| Wealth Management | **3,611** | 2,231 | 5,042 |
| US Life | **432** | 348 | 639 |
| Bermuda | **-** | 15 | 15 |
| | **6,400** | 4,687 | 10,217 |
| **PVNBP capitalisation factors*** | | | |
| Long Term Savings (LTS) | **5.0** | 5.2 | 4.9 |
| Emerging Markets | **5.3** | 6.4 | 5.6 |
| Nordic | **3.6** | 3.4 | 3.4 |
| Retail Europe | **7.2** | 7.3 | 7.8 |
| Wealth Management | **4.6** | 5.3 | 4.2 |
| US Life | **6.6** | 6.5 | 6.6 |
| Bermuda | **n/a** | n/a | n/a |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

C4 Value of new business (after tax) continued

£m

| | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| **APE** | | | |
| Long Term Savings (LTS) | **814** | 634 | 1,380 |
| Emerging Markets | **223** | 165 | 393 |
| Nordic | **102** | 134 | 235 |
| Retail Europe | **32** | 30 | 67 |
| Wealth Management | **412** | 267 | 617 |
| US Life | **45** | 38 | 68 |
| Bermuda | **-** | 2 | 1 |
| | **814** | 636 | 1,381 |
| **VNB** | | | |
| Long Term Savings (LTS) | **92** | 70 | 167 |
| Emerging Markets | **38** | 23 | 65 |
| Nordic | **25** | 21 | 44 |
| Retail Europe | **2** | (3) | (5) |
| Wealth Management | **31** | 22 | 49 |
| US Life | **(4)** | 7 | 14 |
| Bermuda | **-** | - | - |
| | **92** | 70 | 167 |
| **PVNBP margin** | | | |
| Long Term Savings (LTS) | **1.4%** | 1.5% | 1.6% |
| Emerging Markets | **2.5%** | 1.9% | 2.3% |
| Nordic | **4.6%** | 3.3% | 3.8% |
| Retail Europe | **0.7%** | (1.5)% | (1.0)% |
| Wealth Management | **0.9%** | 1.0% | 1.0% |
| **US Life** | **(0.9)%** | 2.1% | 2.2% |
| | **1.4%** | 1.5% | 1.6% |
| **APE margin** | | | |
| Long Term Savings (LTS) | **11%** | 11% | 12% |
| Emerging Markets | **17%** | 14% | 16% |
| Nordic | **25%** | 16% | 19% |
| Retail Europe | **6%** | (11)% | (8)% |
| Wealth Management | **8%** | 8% | 8% |
| US Life | **(9)%** | 19% | 20% |
| | **11%** | 11% | 12% |

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

## C4 Value of new business (after tax) continued

The value of new individual unit trust linked retirement annuities and pension fund asset management business written by the Emerging Markets long-term business 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 Wealth Management is excluded as this is more appropriately classified as unit trust business.

£m

| Gross premium excluded from value of new business | **6 months ended 30 June 2010** | 6 months ended 30 June 2009 | Year ended 31 December 2009 |
|---|---|---|---|
| Emerging Markets | **386** | 172 | 1,625 |
| Wealth Management | **75** | 83 | 153 |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

C5 Product analysis of new covered business premiums

£m

| | 6 months ended 30 June 2010 | | 6 months ended 30 June 2009 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| Emerging Markets | Recurring | Single | Recurring | Single | Recurring | Single |
| **Total business** | **143** | **803** | 104 | 569 | 249 | 1,437 |
| **Individual business** | **120** | **486** | 92 | 289 | 220 | 716 |
| Savings | **29** | **387** | 22 | 215 | 50 | 560 |
| Protection | **31** | **-** | 23 | - | 56 | - |
| Annuity | **-** | **98** | - | 73 | - | 155 |
| Retail mass market | **60** | **1** | 47 | 1 | 114 | 1 |
| **Group business** | **23** | **317** | 12 | 280 | 29 | 721 |
| Savings | **9** | **257** | 5 | 236 | 13 | 564 |
| Protection | **14** | **-** | 7 | - | 16 | - |
| Annuity | **-** | **60** | - | 44 | - | 157 |

£m

| | 6 months ended 30 June 2010 | | 6 months ended 30 June 2009 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| Nordic | Recurring | Single | Recurring | Single | Recurring | Single |
| Unit-linked and life assurance | **74** | **284** | 108 | 276 | 183 | 527 |

£m

| | 6 months ended 30 June 2010 | | 6 months ended 30 June 2009 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| Retail Europe | Recurring | Single | Recurring | Single | Recurring | Single |
| Unit-linked and life assurance | **29** | **34** | 28 | 25 | 62 | 53 |

£m

| | 6 months ended 30 June 2010 | | 6 months ended 30 June 2009 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| Wealth Management | Recurring | Single | Recurring | Single | Recurring | Single |
| Unit-linked and life assurance | **93** | **3,175** | 97 | 1,718 | 191 | 4,240 |

£m

| | 6 months ended 30 June 2010 | | 6 months ended 30 June 2009 | | Year ended 31 December 2009 | |
|---|---|---|---|---|---|---|
| US Life | Recurring | Single | Recurring | Single | Recurring | Single |
| **Total business** | **5** | **400** | 9 | 287 | 14 | 549 |
| Fixed deferred annuity | **-** | **79** | - | 27 | - | 30 |
| Fixed indexed annuity | **-** | **234** | - | 184 | - | 383 |
| Variable annuity | **-** | **-** | - | 1 | - | - |
| Life | **5** | **1** | 9 | 16 | 14 | 13 |
| Immediate annuity | **-** | **86** | - | 59 | - | 123 |

## D Other income statement notes

D1 Drivers of new business value for covered business

**PVNBP Margin**

| Total covered business | 6 months ended 30 June 2010 | Year ended 31 December 2009 |
|---|---|---|
| | | % |
| **Margin at the end of comparative period** | **1.5** | 0.8 |
| Change in volume | **(0.2)** | 0.8 |
| Change in product mix | **0.5** | - |
| Change in country mix | **-** | - |
| Change in operating assumptions | **(0.1)** | 0.1 |
| Change in economic assumptions | **(0.3)** | - |
| Change in tax/regulation | **-** | 0.1 |
| Exchange rate movements | **-** | (0.2) |
| **Margin at the end of the period** | **1.4** | 1.6 |
| **Long Term Savings** | | |
| **Margin at the end of comparative period** | **1.5** | 1.5 |
| Change in volume | **(0.2)** | (0.1) |
| Change in product mix | **0.5** | - |
| Change in country mix | **-** | - |
| Change in operating assumptions | **(0.1)** | 0.1 |
| Change in economic assumptions | **(0.3)** | - |
| Change in tax/regulation | **-** | 0.1 |
| Exchange rate movements | **-** | - |
| **Margin at the end of the period** | **1.4** | 1.6 |
| **Emerging Markets** | | |
| **Margin at the end of comparative period** | **1.9** | 2.2 |
| Change in volume | **0.2** | (0.1) |
| Change in product mix | **0.4** | (0.2) |
| Change in country mix | **-** | - |
| Change in operating assumptions | **0.1** | 0.4 |
| Change in economic assumptions | **(0.1)** | - |
| **Margin at the end of the period** | **2.5** | 2.3 |
| **Nordic** | | |
| **Margin at the end of comparative period** | **3.3** | 3.3 |
| Change in volume | **(0.1)** | (0.1) |
| Change in product mix | **1.4** | - |
| Change in country mix | **-** | - |
| Change in operating assumptions | **0.1** | 0.4 |
| Change in economic assumptions | **(0.1)** | 0.2 |
| **Margin at the end of the period** | **4.6** | 3.8 |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

D1 Drivers of new business value for covered business continued

| Total covered business | 6 months ended 30 June 2010 | Year ended 31 December 2009 |
|---|---|---|
| | | % |
| **Retail Europe** | | |
| **Margin at the end of comparative period** | **(1.5)** | 1.8 |
| Change in volume | **1.7** | (2.1) |
| Change in product mix | **0.1** | (0.8) |
| Change in country mix | **-** | (0.1) |
| Change in operating assumptions | **0.3** | 0.5 |
| Change in economic assumptions | **0.1** | (0.3) |
| **Margin at the end of the period** | **0.7** | (1.0) |
| | | |
| **Wealth Management** | | |
| **Margin at the end of comparative period** | **1.0** | 1.2 |
| Change in volume | **-** | (0.2) |
| Change in product mix | **-** | - |
| Change in country mix | **-** | - |
| Change in operating assumptions | **(0.2)** | (0.2) |
| Change in economic assumptions | **-** | - |
| Change in tax/regulation | **0.1** | 0.2 |
| **Margin at the end of the period** | **0.9** | 1.0 |
| | | |
| **US Life** | | |
| **Margin at the end of comparative period** | **2.1** | (0.9) |
| Change in volume | **(0.3)** | - |
| Change in product mix | **1.1** | 1.5 |
| Change in country mix | **-** | - |
| Change in operating assumptions | **(0.2)** | - |
| Change in economic assumptions | **(3.6)** | 1.6 |
| **Margin at the end of the period** | **(0.9)** | 2.2 |

## E1 Sensitivity tests

The tables below show the sensitivity of the MCEV and value of in-force business at 30 June 2010 and the value of new business for the 6 months ended 30 June 2010 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.

| | At 30 June 2010 | | £m |
|---|---|---|---|
| **Total covered business** | **MCEV** | **Value of in-force business** | **Value of new business** |
| **Central assumptions** | **6,174** | **3,208** | **92** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | **5,898** | **2,858** | **94** |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | **6,447** | **3,553** | **81** |
| Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities, with credited rates and discount rates changing commensurately | **6,215** | **3,249** | **94** |

| | At 30 June 2010 | | £m |
|---|---|---|---|
| **Emerging Markets** | **MCEV** | **Value of in-force business** | **Value of new business** |
| **Central assumptions** | **2,646** | **1,231** | **38** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | **2,593** | **1,176** | **35** |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | **2,693** | **1,279** | **41** |
| Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities, with credited rates and discount rates changing commensurately | **2,654** | **1,239** | **39** |

| | At 30 June 2010 | | £m |
|---|---|---|---|
| **Nordic** | **MCEV** | **Value of in-force business** | **Value of new business** |
| **Central assumptions** | **1,297** | **1,154** | **25** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | **1,273** | **1,131** | **24** |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | **1,324** | **1,181** | **26** |

# Notes to the MCEV basis supplementary information

For the 6 months ended 30 June 2010 continued

E1 Sensitivity tests continued

| Retail Europe | At 30 June 2010 MCEV | Value of in-force business | £m Value of new business |
|---|---|---|---|
| **Central assumptions** | **535** | **451** | **2** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | 520 | 436 | 1 |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | 550 | 466 | 3 |

| Wealth management | At 30 June 2010 MCEV | Value of in-force business | £m Value of new business |
|---|---|---|---|
| **Central assumptions** | **1,915** | **1,526** | **31** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | 1,892 | 1,519 | 30 |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | 1,938 | 1,530 | 32 |

| US Life | At 30 June 2010 MCEV | Value of in-force business | £m Value of new business |
|---|---|---|---|
| **Central assumptions** | **(387)** | **(981)** | **(4)** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | (626) | (1,220) | 4 |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | (149) | (743) | (21) |
| Recognising the present value of an additional 10bps of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities, with credited rates and discount rates changing commensurately | (354) | (948) | (3) |
| Recognising the present value of an additional 50% of liquidity spreads assumed on corporate bonds over the lifetime of the liabilities, with credited rates and discount rates changing commensurately | (236) | (830) | 2 |

| Bermuda | At 30 June 2010 MCEV | Value of in-force business | £m Value of new business |
|---|---|---|---|
| **Central assumptions** | **168** | **(173)** | **-** |
| Effect of: | | | |
| Increasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | 246 | (184) | - |
| Decreasing all pre-tax investment and economic assumptions by 1%, with credited rates and discount rates changing commensurately | 91 | (160) | - |

# 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 secondary listing on the Stockholm Stock Exchange ended on 7 September 2007, but the Company's shares may still be traded on the Xternal list of the Nordic Exchange in Stockholm. The ISIN number of the Company's shares is GB0007389926.

## Websites

Further information on the Company can be found on the following websites:
*www.oldmutual.com*
*www.oldmutual.co.za*